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

FORM 10-K

(Mark One)

☒ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2016
or
☐TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission file number 001-35908

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

Maryland	**46-1214914**
(State or Other Jurisdiction of Incorporation or Organization)	**(IRS Employer Identification No.)**
222 Central Park Avenue, Suite 2100	
Virginia Beach, Virginia	**23462**
(Address of Principal Executive Offices)	**(Zip Code)**

Registrant's Telephone Number, Including Area Code (757) 366-4000
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name Of Each Exchange On Which Registered
Common Stock, $0.01 par value per share	**New York Stock Exchange**

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

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

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

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐

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

As of June 30, 2016, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was approximately $443.0 million, based on the closing sales price of $13.74 per share as reported on the New York Stock Exchange. (For purposes of this calculation all of the registrant's directors and executive officers are deemed affiliates of the registrant.)

As of February 28, 2017, the registrant had 37,588,278 shares of common stock outstanding.

Documents Incorporated by Reference

Portions of the registrant's Definitive Proxy Statement relating to its 2017 Annual Meeting of Stockholders are incorporated by reference into Part III of this report. The registrant expects to file its Definitive Proxy Statement with the Securities and Exchange Commission within 120 days after December 31, 2016.

Armada Hoffler Properties, Inc.

Form 10-K
For the Fiscal Year Ended December 31, 2016

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

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

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

- environmental uncertainties and risks related to adverse weather conditions and natural disasters;
- other factors affecting the real estate industry generally;
- our failure to maintain our qualification as a real estate investment trust (“REIT”) for U.S. federal income tax purposes;
- limitations imposed on our business and our ability to satisfy complex rules in order for us to maintain our qualification as a REIT for U.S. federal income tax purposes; and
- changes in governmental regulations or interpretations thereof, such as real estate and zoning laws and increases in real property tax rates and taxation of REITs.

While forward-looking statements reflect our good faith beliefs, they are not guarantees of future performance. We disclaim any obligation to publicly update or revise any forward-looking statement to reflect changes in underlying assumptions or factors, of new information, data or methods, future events or other changes after the date of this Annual Report on Form 10-K, except as required by applicable law. You should not place undue reliance on any forward-looking statements that are based on information currently available to us or the third parties making the forward-looking statements. For a further discussion of these and other factors that could impact our future results, performance or transactions, see the risk factors described in Item 1A herein and in other documents that we file from time to time with the Securities and Exchange Commission (the “SEC”).

PART I

Item 1. Business.

Our Company

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

We are a full service real estate company with extensive experience developing, building, owning and managing high-quality, institutional-grade office, retail and multifamily properties in attractive markets primarily throughout the Mid-Atlantic and Southeastern United States. In addition to the ownership of our operating property portfolio, we develop and build properties for our own account and through joint ventures between us and unaffiliated partners. We also provide general contracting services to third parties. Our construction and development experience includes mid- and high-rise office buildings, retail strip malls and retail power centers, multifamily apartment communities, hotels and conference centers, single- and multi-tenant industrial, distribution and manufacturing facilities, educational, medical and special purpose facilities, government projects, parking garages and mixed-use town centers. Our third-party construction contracts have included signature properties across the Mid-Atlantic region, such as the Inner Harbor East development in Baltimore, Maryland, including the Four Seasons Hotel and Legg Mason office tower, the Mandarin Oriental Hotel in Washington, D.C., and a $50 million proton therapy institute for Hampton University in Hampton, Virginia. Our construction company historically has been ranked among the "Top 400 General Contractors" nationwide by Engineering News Record and has been ranked among the "Top 50 Retail Contractors" by Shopping Center World.

We were formed on October 12, 2012 under the laws of the State of Maryland and are headquartered in Virginia Beach, Virginia. We elected to be taxed as a REIT for U.S. federal income tax purposes commencing with the taxable year ended December 31, 2013. Substantially all of our assets are held by, and all of our operations are conducted through, our Operating Partnership. As of December 31, 2016, we owned, through a combination of direct and indirect interests, 68.1% of the units of limited partnership interest in our Operating Partnership ("OP Units").

2016 Highlights

The following highlights our results of operations and significant transactions for the year ended December 31, 2016:

- Net income of $42.8 million, or $0.85 per diluted share, compared to $31.2 million, or $0.75 per diluted share, for the year ended December 31, 2015.

- Funds from operations ("FFO") of $48.0 million, or $0.96 per diluted share, compared to $35.9 million, or $0.87 per diluted share, for the year ended December 31, 2015.

- Normalized FFO of $50.9 million, or $1.01 per diluted share, compared to $38.7 million, or $0.93 per diluted share, for the year ended December 31, 2015.

- Property segment net operating income ("NOI") of $67.9 million compared to $54.2 million for the year ended December 31, 2015:

  - Office NOI of $13.4 million compared to $21.6 million

  - Retail NOI of $42.0 million compared to $23.2 million

  - Multifamily NOI of $12.5 million compared to $9.3 million

- Same store NOI of $35.6 million compared to $35.3 million for the year ended December 31, 2015:

  - Office same store NOI of $10.0 million compared to $9.9 million

  - Retail same store NOI of $18.7 million compared to $18.5 million

  - Multifamily same store NOI of $6.9 million compared to $6.9 million

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- Core stabilized portfolio occupancy by segment, excluding properties subject to ground leases, as of December 31, 2016 compared to December 31, 2015:
  - Office occupancy at 86.8% compared to 95.8%
  - Retail occupancy at 95.8% compared to 95.5%
  - Multifamily occupancy at 94.3% compared to 94.2%
- Entered into a joint venture agreement as a minority partner to develop One City Center, a mixed-use project located in Durham, North Carolina. Upon completion, we will own 152,000 square feet of retail and office space anchored by a 55,000 square foot lease with Duke University.
- Agreed to invest $42.0 million in The Residences at Annapolis Junction Town Center, located approximately two miles from Fort Meade, with options to acquire a controlling interest upon the project's completion.
- Broke ground on the next phase of development in the Town Center of Virginia Beach, a $42 million mixed-use project expected to include 39,000 square feet of retail space, which is nearly 50% pre-leased as of the date of this report, and more than 130 luxury apartments, as part of the Company's ongoing public-private partnership with the City of Virginia Beach.
- Delivered both Lightfoot Marketplace in Williamsburg, Virginia and Johns Hopkins Village in Baltimore, Maryland.
- Broke ground on Harding Place, a new $45 million Class A multifamily property in Midtown Charlotte, North Carolina with expected delivery in 2018.
- Completed the dispositions of:
  - the Richmond Tower office building for $78.0 million at a gain of $26.2 million
  - Willowbrook Commons and Kroger Junction--two of the non-core retail centers acquired as part of the 11-asset portfolio purchase completed in January--for an aggregate sales price of $12.9 million
  - the Oyster Point office building for $6.4 million at a gain of $3.8 million
- Completed the acquisitions of:
  - a $170.5 million retail portfolio totaling 1.1 million square feet across 11 properties
  - Southgate Square in Colonial Heights, Virginia for total consideration of $39.5 million
  - Southshore Shops in Midlothian, Virginia for total consideration of $9.3 million
  - Columbus Village II in Virginia Beach, Virginia for total consideration of $26.2 million
  - Renaissance Square in Davidson, North Carolina for total consideration of $17.1 million
- General contracting and real estate services segment gross profit of $5.7 million compared to $5.9 million for the year ended December 31, 2015.
- Executed $293.1 million of third-party construction contract work.
- Third-party construction backlog of $217.7 million as of December 31, 2016.
- Increased the borrowing capacity of our senior unsecured credit facility through the accordion feature. The facility is now comprised of a $150.0 million revolving credit facility and a $100.0 million term loan.

- Raised $67.0 million of net proceeds at a weighted average price of $12.89 per share under our at-the-market continuous equity offering programs.

- Cash from operating activities of $59.8 million, compared to $33.1 million for the year ended December 31, 2015.

- Declared cash dividends of $0.72 per share compared to $0.68 per share for the year ended December 31, 2015.

- Added to the MSCI U.S. REIT Index (RMZ) effective as of the close of the market on November 30, 2016.

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

Our Competitive Strengths

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

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

- *Seasoned, Committed and Aligned Senior Management Team with a Proven Track Record.* Our senior management team has extensive experience developing, constructing, owning, operating, renovating and financing institutional-grade office, retail, multifamily and hotel properties in the Mid-Atlantic and Southeastern regions. As of December 31, 2016, our named executive officers and directors collectively owned approximately 18% of our company on a fully diluted basis, which we believe aligns their interests with those of our stockholders.

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

- *Extensive Experience with Construction and Development.* Our platform consists of development, construction and asset management capabilities, which comprise an integrated delivery system for every project that we build for our own account or for third-party clients. This integrated approach provides a single source of accountability for design and construction, simplifies coordination and communication among the relevant stakeholders in each project and provides us valuable insight from an operational perspective. We believe that being regularly engaged in construction and development projects provides us significant and distinct advantages, including enhanced market intelligence, greater insight into best practices, enhanced operating leverage and "first look" access to development and ownership opportunities in our target markets.

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

Our Business and Growth Strategies

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

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

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

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

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

Our Properties

As of December 31, 2016, our operating property portfolio comprised the following:

Property	Location	Year Built	Net Rentable Square Feet[1]	Occupancy[2]	ABR[3]	ABR per Leased SF[3]
Office Properties						
4525 Main Street	Virginia Beach, VA	2014	237,893	76.7%	$ 5,096,663	$ 27.93
Armada Hoffler Tower[4]	Virginia Beach, VA	2002	324,242	91.0	8,178,573	27.71
Commonwealth of Virginia – Chesapeake	Chesapeake, VA	2015	36,227	100.0	645,927	17.83
Commonwealth of Virginia – Virginia Beach	Virginia Beach, VA	2015	11,139	100.0	245,058	22.00
One Columbus	Virginia Beach, VA	1984	129,272	80.2	2,582,506	24.90
Two Columbus	Virginia Beach, VA	2009	108,467	76.5	2,176,255	26.24
Total / Weighted Average			**847,240**	**86.8%**	**18,924,982**	**$ 26.59**
Retail Properties						
249 Central Park Retail[5]	Virginia Beach, VA	2004	91,366	89.8	$ 2,376,820	$ 28.98
Alexander Pointe	Salisbury, NC	1997	57,710	97.6	649,530	11.53
Bermuda Crossroads	Chester, VA	2001	111,566	93.1	1,519,843	14.63
Broad Creek Shopping Center	Norfolk, VA	1997/2001	227,659	99.3	3,188,069	14.10
Broadmoor Plaza	South Bend, IN	1980	115,059	93.2	1,267,990	11.82
Brooks Crossing	Newport News, VA	2016	18,343	59.8	151,380	13.80
Columbus Village	Virginia Beach, VA	1980/2013	66,594	93.5	1,200,454	19.27
Columbus Village II	Virginia Beach, VA	1995/1996	92,061	100.0	1,575,991	17.12
Commerce Street Retail[6]	Virginia Beach, VA	2008	19,173	100.0	848,540	44.26
Courthouse 7-Eleven	Virginia Beach, VA	2011	3,177	100.0	125,015	39.35
Dick's at Town Center	Virginia Beach, VA	2002	103,335	100.0	1,231,340	11.92
Dimmock Square	Colonial Heights, VA	1998	106,166	97.2	1,736,216	16.83
Fountain Plaza Retail	Virginia Beach, VA	2004	35,961	100.0	1,022,629	28.44
Gainsborough Square	Chesapeake, VA	1999	88,862	90.7	1,220,121	15.14
Greentree Shopping Center	Chesapeake, VA	2014	15,751	85.7	285,941	21.17
Hanbury Village	Chesapeake, VA	2006/2009	61,049	92.8	1,355,478	23.92
Harper Hill Commons	Winston-Salem, NC	2004	55,394	65.9	518,400	14.19
Harrisonburg Regal	Harrisonburg, VA	1999	49,000	100.0	683,550	13.95
Lightfoot Marketplace	Williamsburg, VA	2016	56,043	49.2	601,665	21.80
North Hampton Market	Taylors, SC	2004	114,935	97.2	1,397,423	12.51
North Point Center	Durham, NC	1998/2009	215,690	99.3	2,583,835	12.06
Oakland Marketplace	Oakland, TN	2004	19,600	85.7	252,280	15.02
Parkway Marketplace	Virginia Beach, VA	1998	37,804	95.2	716,852	19.91
Patterson Place	Durham, NC	2004	160,942	96.8	2,443,501	15.69
Perry Hall Marketplace	Perry Hall, MD	2001	74,256	100.0	1,243,444	16.75
Providence Plaza	Charlotte, NC	2007/2008	103,118	97.4	2,564,010	25.52
Renaissance Square	Davidson, NC	2008	80,467	92.2	1,281,142	17.26
Sandbridge Commons	Virginia Beach, VA	2015	16,129	100.0	327,710	20.32
Socastee Commons	Myrtle Beach, SC	2000/2014	57,273	97.4	633,672	11.36
South Retail	Virginia Beach, VA	2002	38,515	84.9	879,870	26.89
South Square	Durham, NC	1977/2005	107,812	100.0	1,829,556	16.97
Southgate Square	Colonial Heights, VA	1991/2016	220,131	96.3	2,812,549	13.27
Southshore Shops	Midlothian, VA	2006	40,333	93.1	737,009	19.63
Stone House Square	Hagerstown, MD	2008	108,624	90.4	1,567,631	15.96
Studio 56 Retail	Virginia Beach, VA	2007	11,594	100.0	375,632	32.40
Waynesboro Commons	Waynesboro, VA	1993	52,415	100.0	438,464	8.37
Wendover Village	Greensboro, NC	2004	135,758	100.0	1,955,629	14.41
Total / Weighted Average			**2,969,665**	**95.8%**	**$ 45,599,181**	**$ 16.21**

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Property	Location	Year Built	Net Rentable Square Feet(1)	Occupancy(2)	ABR(3)	ABR per Leased SF(3)
Retail Properties Subject to Ground Lease						
Bermuda Crossroads(7)	Chester, VA	2001	11,000	100.0%	$ 163,350	$ 14.85
Broad Creek Shopping Center(8)	Norfolk, VA	1997/2001	24,818	100.0	607,081	24.46
Greentree Shopping Center	Chesapeake, VA	2014	5,088	100.0	230,004	45.21
Hanbury Village(7)	Chesapeake, VA	2006/2009	55,586	100.0	1,067,598	19.21
Harper Hill Commons(7)	Winston-Salem, NC	2004	41,520	100.0	373,680	9.00
Lightfoot Marketplace(7)	Williamsburg, VA	2016	51,750	100.0	660,771	12.77
North Point Center(7)	Durham, NC	1998/2009	280,556	100.0	1,083,666	3.86
Oakland Marketplace(7)	Oakland, TN	2004	45,000	100.0	186,300	4.14
Sandbridge Commons(7)	Virginia Beach, VA	2015	53,288	100.0	583,000	10.94
South Square(7)	Durham, NC	1977/2005	1,778	100.0	60,000	33.75
Stone House Square(7)	Hagerstown, MD	2008	3,650	100.0	165,000	45.21
Tyre Neck Harris Teeter(8)	Portsmouth, VA	2011	48,859	100.0	508,134	10.40
Total / Weighted Average			**622,893**	**100.0%**	**5,688,584**	**$ 9.13**

			Units	Occupancy(2)	ABR(10)	ABR per Occupied SF(11)
Multifamily Properties						
Encore Apartments	Virginia Beach, VA	2014	286	94.4%	$ 4,130,448	$ 1.76
Johns Hopkins Village(11), (12)	Baltimore, MD	2016	157	76.4	5,916,960	2.78
Liberty Apartments(11)	Newport News, VA	2013	197	91.2	2,263,236	1.42
Smith's Landing(12)	Blacksburg, VA	2009	284	98.9	3,653,952	1.14
The Cosmopolitan(11)	Virginia Beach, VA	2006	342	92.1	6,013,536	1.65
Total / Weighted Average			**1,266**	**94.3%**	**21,978,132**	**$ 1.70**

(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 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 December 31, 2016 divided by (b) net rentable square feet, expressed as a percentage. Occupancy for our multifamily properties is calculated as (a) total units occupied as of December 31, 2016 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 December 31, 2016 (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 December 31, 2016. 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 December 31, 2016, the Company occupied 21,942 square feet at this property at an ABR of $688,788, or $30.48 per leased square foot, which amounts are reflected in the occupancy, ABR and ABR per leased square foot columns in the table. The rent paid by us is eliminated from our revenues in consolidation in accordance with GAAP.
(5) As of December 31, 2016, the Company occupied 8,995 square feet at this property at an ABR of $304,841, or $33.89 per leased square foot, which amounts are reflected in the occupancy, ABR and ABR per leased square foot columns in the table. The rent paid by us is eliminated from our revenues in consolidation in accordance with GAAP.
(6) Includes $32,760 of ABR pursuant to a rooftop lease.

(7) 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.
(8) The Company leases the land underlying this property from the owner of the land pursuant to a ground lease. The Company re-leases the land to our tenant under a separate ground lease pursuant to which our tenant owns the improvements on the land.
(9) For the properties in our multifamily portfolio, ABR is calculated by multiplying (a) base rental payments for the month ended December 31, 2016 by (b) 12.
(10) ABR per occupied rentable square foot is calculated by dividing (a) ABR by (b) net rentable square footage of occupied units as of December 31, 2016.
(11) ABR for Liberty Apartments, The Cosmopolitan and Johns Hopkins Village excludes $212,000, $970,000 and $1,159,000 of ABR from ground floor retail leases, respectively.
(12) The Company leases the land underlying this property from the owner of the land pursuant to a ground lease.

The following tables summarize the scheduled expirations of leases in our office and retail operating property portfolios as of December 31, 2016. The information in the following tables does not assume the exercise of any renewal options.

Office Lease Expirations

Year of Lease Expiration	Number of Leases Expiring	Square Footage of Leases Expiring	% Portfolio Net Rentable Square Feet	Annualized Base Rent	% of Office Portfolio Annualized Base Rent	Annualized Base Rent per Leased Square Foot
Available	—	135,627	16.0%	$ —	—%	$ —
2017	8	14,159	1.7	437,004	2.3	30.86
2018	14	80,010	9.4	2,214,896	11.7	27.68
2019	14	90,120	10.6	2,259,108	11.9	25.07
2020	3	17,840	2.1	524,457	2.8	29.40
2021	7	56,046	6.6	1,368,210	7.2	24.41
2022	3	48,117	5.7	1,347,805	7.1	28.01
2023	4	43,078	5.1	1,087,325	5.7	25.24
2024	3	60,751	7.2	1,706,129	9.0	28.08
2025	4	43,292	5.1	1,218,282	6.4	28.14
2026	3	15,168	1.8	328,333	1.7	21.65
2027	3	49,072	5.8	1,395,219	7.4	28.43
Thereafter	9	193,960	22.9	5,038,214	26.8	25.98
Total / Weighted Average	**75**	**847,240**	**100.0%**	**18,924,982**	**100.0%**	**$ 26.59**

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Retail Lease Expirations

Year of Lease Expiration	Number of Leases Expiring	Square Footage of Leases Expiring	% Portfolio Net Rentable Square Feet	Annualized Base Rent	% of Retail Portfolio Annualized Base Rent	Annualized Base Rent per Leased Square Foot
Available	—	156,929	4.4%	$ —	—%	$ —
Month-to-Month	5	7,342	0.2	118,656	0.2	16.16
2017	45	224,974	6.3	3,645,108	7.1	16.20
2018	73	331,094	9.2	5,371,571	10.5	16.22
2019	80	559,851	15.6	8,515,948	16.6	15.21
2020	60	507,658	14.1	7,073,303	13.8	13.93
2021	52	268,455	7.5	4,965,436	9.7	18.50
2022	27	262,149	7.3	3,798,078	7.4	14.49
2023	14	246,153	6.9	3,077,764	6.0	12.50
2024	16	165,318	4.6	2,596,382	5.1	15.71
2025	15	223,613	6.2	2,259,666	4.4	10.11
2026	19	154,386	4.3	2,649,185	5.2	17.16
2027	9	75,346	2.1	1,732,069	3.4	22.99
Thereafter	16	409,290	11.3	5,484,599	10.6	13.40
Total / Weighted Average	**431**	**3,592,558**	**100.0%**	**$ 51,287,765**	**100.0%**	**$ 14.93**

Tenant Diversification

The following tables list the 10 tenants in each of our office and retail operating property portfolios, based on annualized base rent as of December 31, 2016 ($ in thousands):

Office Tenant	Annualized Base Rent	% of Office Portfolio Annualized Base Rent	% of Total Portfolio Annualized Base Rent
Clark Nexsen	$ 2,487	13.1%	2.7%
Hampton University	1,023	5.4	1.1
Commonwealth of Virginia	891	4.7	1.0
Kimley-Horn	859	4.5	0.9
Pender & Coward	839	4.4	0.9
Troutman Sanders	822	4.3	0.9
The Art Institute	819	4.3	0.9
Williams Mullen	755	4.0	0.8
City of Virginia Beach Development Authority	701	3.7	0.8
Cherry Bekaert	698	3.7	0.8
Top 10 Total	**$ 9,894**	**52.1%**	**10.8%**

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Retail Tenant		Annualized Base Rent	% of Retail Portfolio Annualized Base Rent	% of Total Portfolio Annualized Base Rent
Kroger/Harris Teeter	$	5,923	11.5%	6.4%
Home Depot		2,190	4.3	2.4
Bed, Bath & Beyond		1,669	3.3	1.8
Regal Cinemas		1,607	3.1	1.7
PetSmart		1,398	2.7	1.5
Food Lion		1,283	2.5	1.4
Dick's Sporting Goods		840	1.6	0.9
Safeway		821	1.6	0.9
Weis Markets		802	1.6	0.9
Ross Dress for Less		755	1.5	0.8
Top 10 Total	**$**	**17,288**	**33.7%**	**18.7%**

Development Pipeline

In addition to the properties in our operating property portfolio as of December 31, 2016, we had the following properties in various stages of development and stabilization. We generally consider a property to be stabilized when it reaches 80% occupancy or thirteen quarters after acquisition or completion.

Pending Delivery			($ in '000s)		Schedule(1)				
Property	Location	Estimated Size(1)	Estimated Cost(1)	Incurred Cost	Start	Initial Occupancy	Stabilized Operation (2)	AHH Ownership %	Property Type
Harding Place	Charlotte, NC	225 units	$ 45,000	$ 8,000	3Q16	3Q18	1Q20	80 % (3)	Multifamily
Town Center Phase VI	Virginia Beach, VA	39,000 sf 130 Units	42,000	3,000	4Q16	3Q18	3Q19	80 % (5)	Mixed-use
Brooks Crossing	Newport News, VA	100,000 sf	20,000	—	3Q16	4Q18	4Q18	65% (3)	Office
Total			$ 107,000	$ 11,000					

Delivered Not Stabilized			($ in '000s)		Schedule				
Property	Location	Estimated Size(1)	Estimated Cost(1)	Incurred Cost	Start	Initial Occupancy	Stabilized Operation (1)(2)	AHH Ownership %	Property Type
Brooks Crossing	Newport News, VA	18,000 sf	$ 3,000	$ 3,000	3Q15	3Q16	4Q16	65% (3)	Retail
4525 Main Street	Virginia Beach, VA	239,000 sf	51,000	46,000	1Q13	3Q14	2Q17	100%	Office
Johns Hopkins Village	Baltimore, MD	157 units	68,000	67,000	1Q15	3Q16	3Q17	80% (3), (4)	Multifamily
Lightfoot Marketplace	Williamsburg, VA	109,000 sf	24,000	23,000	3Q14	3Q16	2Q17	70% (3)	Retail
	Total Development, Delivered Not Stabilized		146,000	139,000					
Total			**$ 253,000**	**$ 150,000**					

(1) Represents estimates that may change as the development/stabilization process proceeds.
(2) Estimated first full quarter of stabilized operations.
(3) We are entitled to a preferred return on our equity prior to any distributions to minority partners.
(4) Includes space subject to ground lease.
(5) Ownership increased to 100% in January 2017.

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

Harding Place is a $45 million Class A multifamily property being developed in Midtown Charlotte, North Carolina with expected delivery in 2018.

Town Center Phase VI is the next phase of development in the Town Center of Virginia Beach, a $42 million mixed-use project expected to include 39,000 square feet of retail space, which is nearly 50% pre-leased as of the date of this report, and more than 130 luxury apartments, as part of the Company's ongoing public-private partnership with the City of Virginia Beach.

Brooks Crossing is our public-private partnership with the City of Newport News, Virginia designed to revitalize the east end of the city. The project includes 18,000 square feet of retail space and is leased by miscellaneous small retailers. As of December 31, 2016, the project was approximately 59.8% leased. Additionally, we have agreed to develop, build and own a 100,000 square foot office tower anchored by Newport News Shipbuilding, a division of Huntington Ingalls Industries (NYSE:HII), as part of Brooks Crossing. The office development started in the third quarter of 2016.

4525 Main Street is our most recent addition to the Town Center of Virginia Beach and is located at the intersection of Main Street and Town Center Drive across from The Cosmopolitan, One Columbus and Armada Hoffler Tower. This 15-story office tower is anchored by Clark Nexsen, an international architecture and engineering firm, to whom we delivered approximately 85,000 square feet of office space in July 2014. Additionally, we delivered to the City of Virginia Beach Development Authority approximately 23,000 square feet of office space in June 2014. 4525 Main Street also features approximately 26,000 square feet of ground floor retail space anchored by Anthropologie, West Elm and Tupelo Honey Cafe. As of December 31, 2016, the project was approximately 76.7% leased. Subsequent to December 31, 2016, 4525 Main Street is now 93% leased.

Johns Hopkins Village includes student housing, retail space and parking located adjacent to Johns Hopkins University’s Homewood campus in Baltimore, Maryland. This mixed-use development is designed to complement both the Homewood campus and nearby Charles Village neighborhood and provide a catalyst for future development in the area. CVS has leased 10,500 square feet of ground floor retail space. Construction was completed in August 2016. Approximately 76.4% of the apartment units were leased as of December 31, 2016.

Lightfoot Marketplace is a grocery-anchored shopping center in Williamsburg, Virginia. Harris Teeter has signed a 20-year ground lease for a new 53,000 square foot store. Lightfoot Marketplace also includes an additional 34,000 square feet of shops and restaurants as well as a 22,000 square foot build-to-suit building for Children’s Hospital of the King’s Daughters. As of December 31, 2016, the project was approximately 49.2% leased.

Other Investments

Point Street Apartments

On October 15, 2015, we agreed to invest up to $28.2 million in the Point Street Apartments project in the Harbor Point area of Baltimore, Maryland. Point Street Apartments is an estimated $93.0 million development project with plans for a 17-story building comprised of 289 residential units and 18,000 square feet of street-level retail space. Beatty Development Group (“BDG”) is the developer of the project and has engaged us to serve as construction general contractor. Point Street Apartments is scheduled to open in 2017; however, we can provide no assurances that Point Street Apartments will open on the anticipated timeline.

BDG secured a senior construction loan of up to $70.0 million to fund the development and construction of Point Street Apartments on November 10, 2016. We have agreed to guarantee $25.0 million of the senior construction loan in exchange for the option to purchase up to an 88% controlling interest in Point Street Apartments upon completion of the project as follows. We currently have a $2.1 million letter of credit for the guarantee of the senior construction loan.

Our investment in the Point Street Apartments project is in the form of a loan under which BDG may borrow up to $28.2 million (the “BDG loan”). As of December 31, 2016, we have funded $20.6 million under the BDG loan and for the year ended December 31, 2016, we recognized $1.2 million of interest income on the BDG loan. See Note 6 to the accompanying consolidated financial statements.

One City Center

On February 25, 2016, we announced our joint venture with Austin Lawrence Partners to develop and construct One City Center in Durham, North Carolina. One City Center is a planned 27-story mixed-use project that is expected to include 130,000 square feet of office space, anchored by a 55,000 square foot lease with Duke University, along with 22,000 square feet of street-level retail space and 139 residential units. We are a minority partner in the joint venture and will serve as the project's general contractor, with full ownership of the office and retail portions of the project. Our equity investment in the joint venture is approximately $10.3 million. The project is scheduled to be completed in mid-2018. The project at One City Center is an unconsolidated joint venture.

Annapolis Junction

On April 21, 2016, we entered into a note receivable with a maximum principal balance of $42.0 million in the Annapolis Junction residential component of the Annapolis Junction Town Center project in Maryland (“Annapolis Junction”). Annapolis Junction is an estimated $102.0 million mixed-use development project with plans for 416 residential units, 17,000 square feet of retail space and a 150-room hotel. Annapolis Junction Apartments Owner, LLC (“AJAO”) is the developer of the residential component and has engaged us to serve as construction general contractor for the residential component. Annapolis Junction is scheduled to open in 2017; however, management can provide no assurances that Annapolis Junction will open on the anticipated timeline or at the anticipated cost.

AJAO secured a senior construction loan of up to $60.0 million to fund the development and construction of Annapolis Junction's residential component on September 30, 2016. We have agreed to guarantee $25.0 million of the senior construction loan in exchange for the option to purchase up to an 88% controlling interest in Annapolis Junction upon completion of the project. Our investment in the Annapolis Junction project is in the form of a loan under which AJAO may borrow up to $48.0 million, including a $6.0 million interest reserve (the “AJAO loan”). During the year ended December 31, 2016, we recognized $2.0 million of interest income on the note. The balance on the Annapolis Junction note was $38.9 million as of December 31, 2016.

Acquisitions and Dispositions

On January 7, 2016, we completed the sale of a building constructed for the Economic Development Authority of Newport News, Virginia. Net proceeds after transaction costs were $6.6 million. The gain on the disposition was $0.4 million.

On January 8, 2016, we completed the sale of the Richmond Tower office building for $78.0 million. Net proceeds after transaction costs were $77.0 million. The gain on the disposition of Richmond Tower was $26.2 million.

On January 14, 2016, we completed the acquisition of a $170.5 million retail portfolio totaling 1.1 million square feet across 11 properties.

On April 29, 2016, we completed the acquisition of Southgate Square, a 220,000 square foot retail center located in Colonial Heights, Virginia, for aggregate consideration of $39.5 million, comprised of the assumption of $21.1 million in debt (which approximates fair value as of the closing date) and 1,575,185 Class A units of limited partnership interest in the Operating Partnership (“Class A Units”).

On June 20, 2016, we completed the sale of the Willowbrook Commons property located in Nashville, Tennessee for $9.2 million. The gain on the sale of the Willowbrook Commons property was less than $0.1 million.

On July 29, 2016, we completed the sale of the Kroger Junction property located in Pasadena, Texas for $3.7 million. The loss on the sale of the Kroger Junction property was less than $0.1 million.

On August 4, 2016, we completed the acquisition of Southshore Shops, a 40,000 square foot retail center located in Midlothian, Virginia, for aggregate consideration of $9.3 million, comprised of $6.7 million in cash and 189,160 Class A Units.

On September 15, 2016, we completed the sale of the Oyster Point office property for $6.4 million. Net proceeds after transaction costs and settlement of liabilities were not significant. The gain on the disposition of Oyster Point was $3.8 million.

On October 13, 2016, we completed the acquisition of Columbus Village II, a 92,000 square foot retail and entertainment center adjacent to the Town Center of Virginia Beach, for aggregate consideration of 2,000,000 shares of our

common stock, which based on the closing stock price on the date of the acquisition, led to an acquisition price of $26.2 million, excluding capitalized acquisition costs.

On November 17, 2016, we completed the acquisition of Renaissance Square, an 80,000 square foot retail center located in Davidson, North Carolina, for aggregate consideration of $17.1 million in cash.

On December 22, 2016, we completed the sale of land adjacent to the Brooks Crossing development for $0.4 million. The gain on the disposition of the land was less than $0.1 million.

Additional information regarding our real estate acquisition and disposition activity is set forth in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and in Note 5 to our consolidated financial statements in Item 8 of this Annual Report on Form 10-K.

Segments

As of December 31, 2016, we operated in four business segments: (i) office real estate, (ii) retail real estate, (iii) multifamily residential real estate and (iv) general contracting and real estate services. Additional information regarding our four operating segments is set forth in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and in Note 3 to our consolidated financial statements in Item 8 of this Annual Report on Form 10-K.

Tax Status

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

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

Insurance

We carry comprehensive liability, fire, extended coverage, business interruption and rental loss insurance covering all of the properties in our portfolio under a blanket insurance policy, in addition to other coverage that may be appropriate for certain of our properties. We believe the policy specifications and insured limits are appropriate and adequate for our properties given the relative risk of loss, the cost of the coverage and industry practice; however, our insurance coverage may not be sufficient to fully cover our losses. We do not carry insurance for certain losses, including, but not limited to, losses caused by riots or war. Some of our policies, like those covering losses due to terrorism and earthquakes, are insured subject to limitations involving large deductibles or co-payments and policy limits that may not be sufficient to cover losses, for such events. In addition, all but two of the properties in our portfolio as of December 31, 2016 were located in Virginia, Maryland, North Carolina and South Carolina, which are areas subject to an increased risk of hurricanes. While we will carry hurricane insurance on certain of our properties, the amount of our hurricane insurance coverage may not be sufficient to fully cover losses from hurricanes. We may reduce or discontinue hurricane, terrorism or other insurance on some or all of our properties in the future if the cost of premiums for any of these policies exceeds, in our judgment, the value of the coverage discounted for the risk of loss. Also, if destroyed, we may not be able to rebuild certain of our properties due to current zoning and land use regulations. As a result, we may incur significant costs in the event of adverse weather conditions and natural disasters. In

addition, our title insurance policies may not insure for the current aggregate market value of our portfolio, and we do not intend to increase our title insurance coverage as the market value of our portfolio increases. If we or one or more of our tenants experiences a loss that is uninsured or that exceeds policy limits, we could lose the capital invested in the damaged properties as well as the anticipated future cash flows from those properties. In addition, if the damaged properties are subject to recourse indebtedness, we would continue to be liable for the indebtedness, even if these properties were irreparably damaged. Furthermore, we may not be able to obtain adequate insurance coverage at reasonable costs in the future as the costs associated with property and casualty renewals may be higher than anticipated.

Regulation

General

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

Americans With Disabilities Act

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

Environmental Matters

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

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

Environmental laws also govern the presence, maintenance and removal of asbestos-containing building materials, or ACBM, and may impose fines and penalties for failure to comply with these requirements or expose us to third-party liability. Such laws require that owners or operators of buildings containing ACBM (and employers in such buildings) properly manage

and maintain the asbestos, adequately notify or train those who may come into contact with asbestos, and undertake special precautions, including removal or other abatement, if asbestos would be disturbed during renovation or demolition of a building. In addition, the presence of ACBM in our properties may expose us to third-party liability (e.g. liability for personal injury associated with exposure to asbestos). We are not presently aware of any material adverse issues at our properties including ACBM.

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

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

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

Competition

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

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

In addition, we face competition in our construction business from other construction companies in the markets in which we operate, including small local companies and large regional and national companies. In our construction business, we compete for construction projects based on several factors, including cost, reputation for quality and timeliness, access to machinery and equipment, access to and relationships with high-quality subcontractors, financial strength, knowledge of local

markets and project management abilities. We believe that we compete favorably on the basis of the foregoing factors, and that our construction business is well-positioned to compete effectively in the markets in which we operate. However, some of the construction companies with which we compete have different cost structures and greater financial and other resources than we do, which may put them at an advantage when competing with us for construction projects. Competition from other construction companies may reduce the number of construction projects that we are hired to complete and increase pricing pressure, either of which could reduce the profitability of our construction business.

Employees

As of December 31, 2016, we had 151 employees. None of our employees are represented by a collective bargaining unit. We believe that our relationship with our employees is good.

Corporate Information

Our principal executive office is located at 222 Central Park Avenue, Suite 2100, Virginia Beach, Virginia 23462 in the Armada Hoffler Tower at the Town Center of Virginia Beach. In addition, we have construction offices located at 249 Central Park Avenue, Suite 300, Virginia Beach, Virginia 23462 and 1300 Thames Street, Suite 30, Baltimore, Maryland 21231. The telephone number for our principal executive office is (757) 366-4000. We maintain a website located at www.armadahoffler.com. The information on, or accessible through, our website is not incorporated into and does not constitute a part of this Annual Report on Form 10-K or any other report or document we file with or furnish to the SEC.

Available Information

We file our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and all amendments to those reports with the SEC. You may obtain copies of these documents by visiting the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549, by calling the SEC at 1-800-SEC-0330 or by accessing the SEC's website at www.sec.gov. In addition, as soon as reasonably practicable after such materials are furnished to the SEC, we make copies of these documents available to the public free of charge through our website or by contacting our Corporate Secretary at the address set forth above under "—Corporate Information."

Our Corporate Governance Guidelines, Code of Business Conduct and Ethics, and the charters of our audit committee, compensation committee and nominating and corporate governance committee are all available in the Corporate Governance section of the Investor Relations section of our website.

Financial Information

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

Item 1A. Risk Factors

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

Risks Related to Our Business

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

The majority of the properties in our portfolio are located in Virginia, which expose us to greater economic risks than if we owned a more geographically diverse portfolio. As of December 31, 2016, our properties in the Virginia and North Carolina markets represented approximately 69% and 15%, respectively, of the total annualized base rent of the properties in our portfolio. Furthermore, many of our properties are located in the Town Center of Virginia Beach, and rental revenues from our Town Center properties represented 41% of our total rental revenues. As a result, we are particularly susceptible to adverse economic, regulatory or other conditions in the Virginia market (such as periods of economic slowdown or recession, business layoffs or downsizing, industry slowdowns, relocations of businesses, increases in real estate and other taxes and the cost of complying with governmental regulations or increased regulation), as well as to natural disasters that occur in these markets (such as hurricanes and other events). For example, the markets in Virginia in which the properties in our portfolio are located contain high concentrations of military personnel and operations. A reduction of the military presence or cuts in defense spending in these markets could have a material adverse effect on us. If there is a downturn in the economy in Virginia, our operations and our revenue and cash available for distribution, including cash available to pay distributions to our stockholders, could be materially adversely affected. We cannot assure you that these markets will grow or that underlying real estate fundamentals will be favorable to owners and operators of office, retail or multifamily properties. Our operations may also be affected if competing properties are built in these markets. Moreover, submarkets within any of our target markets may be dependent upon a limited number of industries. Any adverse economic or real estate developments in our markets, or any decrease in demand for office, retail or multifamily space resulting from the regulatory environment, business climate or energy or fiscal problems, could materially adversely affect us, including our financial condition, results of operations, cash flow, cash available for distribution and our ability to satisfy our debt service obligations.

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

As of December 31, 2016, we had total debt outstanding of approximately $522.2 million, including amounts drawn under our credit facility, a substantial portion of which is guaranteed by our Operating Partnership, and we may incur significant additional debt to finance future acquisition and development activities. Excluding unamortized fair value adjustments and debt issuance costs, the aggregate outstanding principal balance of our debt was $527.1 million as of December 31, 2016. Payments of principal and interest on borrowings may leave us with insufficient cash resources to operate our properties or to pay the dividends currently contemplated or necessary to maintain our REIT qualification. Our level of debt and the limitations imposed on us by our debt agreements could have significant adverse consequences, including the following:

- our cash flow may be insufficient to meet our required principal and interest payments;
- we may be unable to borrow additional funds as needed or on favorable terms, which could, among other things, adversely affect our ability to meet operational needs;
- we may be unable to refinance our indebtedness at maturity or the refinancing terms may be less favorable than the terms of our original indebtedness;
- we may be forced to dispose of one or more of our properties, possibly on unfavorable terms or in violation of certain covenants to which we may be subject;

- we may default on our obligations, in which case the lenders or mortgagees may have the right to foreclose on any properties that secure the loans or collect rents and other income from our properties;

- we may violate restrictive covenants in our loan documents, which would entitle the lenders to accelerate our debt obligations or reduce our ability to pay, or prohibit us from paying, distributions to our stockholders; and

- our default under any loan with cross default provisions could result in a default on other indebtedness.

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

The loss of, or a store closure by, one of the anchor stores or major tenants in our retail shopping center properties could result in a material decrease in our rental income, which would have a material adverse effect on us, including our financial condition, results of operations, cash flow, cash available for distribution and our ability to service our debt obligations.

Our retail shopping center properties typically are anchored by large, nationally recognized tenants. As of December 31, 2016, Kroger/Harris Teeter, Home Depot, Bed Bath & Beyond and Regal Cinemas collectively represented approximately 22.2%, and individually represented 11.5%, 4.3%, 3.3% and 3.1%, respectively, of the total annualized base rent in our retail portfolio. In addition, several of our retail properties are single-tenant properties or are occupied primarily by a single tenant. As of December 31, 2016, the Courthouse 7-Eleven, Tyre Neck Harris Teeter and Harrisonburg Regal retail properties in our portfolio were 100% occupied by 7-Eleven, Harris Teeter and Regal Cinemas, respectively, and the Dick's at Town Center, Sandbridge Commons, Perry Hall Marketplace and Studio 56 retail properties were approximately 81%, 77%, 74% and 69% occupied by Dick's Sporting Goods, Harris Teeter, Safeway and McCormick & Schmick's, respectively. At any time, our tenants may experience a downturn in their business that may weaken significantly their financial condition. As a result, our tenants, including our anchor and other major tenants, may fail to comply with their contractual obligations to us, seek concessions in order to continue operations or declare bankruptcy, any of which could result in the termination of such tenants' leases and the loss of rental income attributable to the terminated leases. In addition, certain of our tenants may cease operations while continuing to pay rent, which could decrease customer traffic, thereby decreasing sales for our other tenants at the applicable retail property. Furthermore, mergers or consolidations among retail establishments could result in the closure of existing stores or duplicate or geographically overlapping store locations, which could include stores at our retail properties.

Loss of, or a store closure by, an anchor or major tenant could significantly reduce our occupancy level or the rent we receive from our retail properties, and we may not have the right to re-lease vacated space or we may be unable to re-lease vacated space at attractive rents or at all. Moreover, in the event of default by a major tenant or anchor store, we may experience delays and costs in enforcing our rights as landlord to recover amounts due to us under the terms of our agreements with those parties. The occurrence of any of the situations described above, particularly if it involves an anchor tenant with leases in multiple locations, could seriously harm our performance and could adversely affect the value of the affected retail property.

In the event that any of the anchor stores, major tenants or single-tenant property tenants in our retail properties do not renew their leases with us when they expire, we may be unable to re-lease such premises at market rents, or at all, which could have a material adverse effect on us, including our financial condition, results of operations, cash flow and cash available for distribution and our ability to satisfy our debt service obligations.

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

As of December 31, 2016, approximately 7% of the square footage of the properties in our stabilized core office and retail portfolios was available. Additionally, 2.3% and 11.7% of the annualized base rent in our office portfolio was scheduled to expire in 2017 and 2018, respectively and 7.1% and 10.5% of the annualized base rent in our retail portfolio was scheduled to expire in 2017 and 2018, respectively. As of December 31, 2016, approximately 23% of our 4525 Main Street office property was available. Subsequent to December 31, 2016, 4525 Main Street is 93% leased. We cannot assure you that new leases will be entered into, that leases will be renewed or that our properties will be re-leased at net effective rental rates equal to or above the current average net effective rental rates or that substantial rent abatements, tenant improvements, early termination rights or below-market renewal options will not be offered to attract new tenants or retain existing tenants. In addition, our ability to

lease our multifamily properties at favorable rates, or at all, may be adversely affected by the increase in supply of multifamily properties in our target markets. Our ability to lease our properties depends upon the overall level of spending in the economy, which is adversely affected by, among other things, job losses and unemployment levels, fears of a recession, personal debt levels, the housing market, stock market volatility and uncertainty about the future. If rental rates for our properties decrease, our existing tenants do not renew their leases or we do not re-lease a significant portion of our available space and space for which leases expire, our financial condition, results of operations, cash flow, cash available for distributions and our ability to service our debt obligations could be materially adversely affected.

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

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

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

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

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

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

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

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

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

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

If we cannot operate acquired or developed properties to meet our financial expectations, our growth prospects could be materially adversely affected.

Failure to succeed in new markets may limit our growth.

We have acquired in the past, and we may acquire in the future if appropriate opportunities arise, properties that are outside of our primary markets. Entering into new markets exposes us to a variety of risks, including difficulty evaluating local market conditions and local economies, developing new business relationships in the area, hiring and retaining key personnel and a lack of familiarity with local governmental and permitting procedures. Furthermore, expansion into new markets may divert management time and other resources. As a result, we may not be successful expanding into new markets, which could adversely impact our business, financial condition and results of operations.

We depend on significant tenants in certain of our office properties, and an inability to pay rent by any of these tenants could result in a material decrease in our rental income, which would have an adverse effect on our results of operations and cash available for distribution.

As of December 31, 2016, the top ten largest tenants in our office portfolio collectively accounted for approximately 52.1% of the total annualized base rent in our office portfolio. Furthermore, Clark Nexsen, Hampton University and the Commonwealth of Virginia accounted for 13.1%, 5.4% and 4.7%, respectively, of the total annualized base rent in our office portfolio as of December 31, 2016. The inability of these or other significant tenants to pay rent or renew their leases upon expiration could materially and adversely affect the income produced by our office properties, which would have an adverse effect on our results of operations and cash available for distribution.

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

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

Certain of the leases at our retail properties contain “co-tenancy” or “go-dark” provisions, which, if triggered, may allow tenants to pay reduced rent, cease operations or terminate their leases, any of which could materially adversely affect our performance or the value of the affected retail property.

Certain of the leases at our retail properties contain “co-tenancy” provisions that condition a tenant’s obligation to remain open, the amount of rent payable by the tenant or the tenant’s obligation to continue occupancy on certain conditions, including: (i) the presence of a certain anchor tenant or tenants, (ii) the continued operation of an anchor tenant’s store and (iii) minimum occupancy levels at the retail property. If a co-tenancy provision is triggered by a failure of any of these or other applicable conditions, a tenant could have the right to cease operations, to terminate its lease early or to reduce its rent. In periods of prolonged economic decline, there is a higher than normal risk that co-tenancy provisions will be triggered as there is a higher risk of tenants closing stores or terminating leases during these periods. In addition to these co-tenancy provisions, certain of the leases at our retail properties contain “go-dark” provisions that allow the tenant to cease operations while

continuing to pay rent. This could result in decreased customer traffic at the affected retail property, thereby decreasing sales for our other tenants at that property, which may result in our other tenants being unable to pay their minimum rents or expense recovery charges. These provisions also may result in lower rental revenue generated under the applicable leases. To the extent co-tenancy or go-dark provisions in our retail leases result in lower revenue or tenant sales or tenants' rights to terminate their leases early or to a reduction of their rent, revenues and the value of the affected retail property could be materially adversely affected.

Our dependence on smaller businesses, particularly in our retail portfolio, to rent our space could have a material adverse effect on our cash flow and results of operations.

Many of our tenants, particularly those that lease space in our retail properties are smaller businesses that generally do not have the financial strength or resources of larger corporate tenants. In particular, 234 of our retail leases (representing approximately 15% of our annualized base rent from retail properties as of December 31, 2016) lease 2,500 or less square feet from us, and many of those tenants are smaller independent businesses, which generally experience a higher rate of failure than larger businesses. As a result of our dependence on these smaller businesses, we could experience a higher rate of tenant defaults, turnover and bankruptcies, which could have a material adverse effect on our cash flow and results of operations.

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

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

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

Approximately 57% of our total annualized base rent as of December 31, 2016 is from retail properties. As a result, we are subject to factors that affect the retail sector generally, as well as the market for retail space. The retail environment and the market for retail space have been, and in the future could, adversely affected by weakness in the national, regional and local economies, the level of consumer spending and consumer confidence, the adverse financial condition of some large retail companies, the ongoing consolidation in the retail sector, the excess amount of retail space in a number of markets and increasing competition from discount retailers, outlet malls, internet retailers and other online businesses. Increases in consumer spending via the internet may significantly affect our retail tenants' ability to generate sales in their stores. New and enhanced technologies, including new digital technologies and new web services technologies, may increase competition for certain of our retail tenants.

Any of the foregoing factors could adversely affect the financial condition of our retail tenants and the willingness of retailers to lease space in our retail properties. In turn, these conditions could negatively affect market rents for retail space and could materially and adversely affect us, including our financial condition, results of operations, cash flow, cash available for distributions and our ability to service our debt obligations.

Increases in interest rates will increase our interest expense and may adversely affect our ability to pay distributions.

We have incurred, and may in the future incur, additional indebtedness that bears interest at a variable rate. An increase in interest rates would increase our interest expense and increase the cost of refinancing existing debt and issuing new debt, which would adversely affect our cash flow and our ability to make distributions to our stockholders. In addition, to the extent we are unable to refinance debt when it becomes due, we will have fewer debt guarantee opportunities available to offer under our tax protection agreements, which could trigger an obligation to indemnify certain parties under the applicable tax protection agreements. Furthermore, if we need to repay existing debt during periods of rising interest rates, we could be required to liquidate one or more of our investments at times that may not permit realization of the maximum return on such investments. The effect of prolonged interest rate increases could adversely impact our ability to make acquisitions and develop properties.

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

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

Most of our debt arrangements involve balloon payment obligations, which may materially adversely affect us, including our cash flows, financial condition and ability to make distributions to our stockholders.

Most of our debt arrangements require us to make a lump-sum or “balloon” payment at maturity. Our ability to make a balloon payment at maturity is uncertain and may depend upon our ability to obtain additional financing or our ability to sell the property. At the time the balloon payment is due, we may or may not be able to refinance the existing financing on terms as favorable as the original loan or sell the property at a price sufficient to make the balloon payment. In addition, balloon payments and payments of principal and interest on our indebtedness may leave us with insufficient cash to pay the distributions that we are required to pay to maintain our qualification as a REIT.

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

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

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

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

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

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

- decreased demand for office, retail and multifamily space, which would cause market rental rates and property values to be negatively impacted;

- reduced values of our properties may limit our ability to dispose of assets at attractive prices or obtain debt financing secured by our properties and may reduce the availability of unsecured loans;

- our ability to obtain financing on terms and conditions that we find acceptable, or at all, may be limited, which could reduce our ability to pursue acquisition and development opportunities and refinance existing debt, reduce our returns from our acquisition and development activities and increase our future debt service expense; and

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

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

Failure to hedge effectively against interest rate changes may adversely affect our financial condition, results of operations, cash flow, cash available for distribution and our ability to service our debt obligations.

Subject to maintaining our qualification as a REIT, we expect to continue to enter into hedging transactions to protect us from the effects of interest rate fluctuations on floating rate debt. Our existing hedging transactions have, and future hedging transactions may, include entering into interest rate cap agreements or interest rate swap agreements. These agreements involve risks, such as the risk that such arrangements would not be effective in reducing our exposure to interest rate changes or that a court could rule that such an agreement is not legally enforceable. In addition, interest rate hedging can be expensive, particularly during periods of rising and volatile interest rates. Hedging could increase our costs and reduce the overall returns on our investments. In addition, while hedging agreements would be intended to lessen the impact of rising interest rates on us, they could also expose us to the risk that the other parties to the agreements would not perform, that we could incur significant costs associated with the settlement of the agreements or that the underlying transactions could fail to qualify as highly-effective cash flow hedges under Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 815, *Derivatives and Hedging*.

We will continue to incur costs as a result of being a public company, and such costs may increase if and when we cease to be an “emerging growth company.”

As a public company, we expect to continue to incur significant legal, accounting, insurance and other expenses that we did not incur as a private company, including costs associated with public company reporting requirements. The expenses incurred by public companies generally for reporting and corporate governance purposes have been increasing. We expect compliance with these public reporting requirements and associated rules and regulations to increase expenses, particularly after we are no longer an emerging growth company, although we are currently unable to estimate these costs with any degree of certainty. We could be an emerging growth company for up to five years after our initial public offering, although circumstances could cause us to lose that status earlier, which could result in our incurring additional costs applicable to public companies that are not emerging growth companies.

We will be required to have an independent auditor assess the effectiveness of our internal controls over financial reporting when we cease to be an "emerging growth company."

As long as we remain an emerging growth company, as that term is defined in the JOBS Act, we will be permitted to gradually comply with certain of the on-going reporting and disclosure obligations of public companies pursuant to the Sarbanes-Oxley Act. However, after we are no longer an emerging growth company under the JOBS Act, management will be required to have an independent auditor assess the effectiveness of our internal controls over financial reporting, pursuant to Section 404 of the Sarbanes-Oxley Act. Substantial work on our part is required to implement appropriate processes, document the system of internal control over key processes, assess their design, remediate any deficiencies identified and test their operation. This process is expected to be both costly and challenging. We cannot give any assurances that material weaknesses will not be identified in the future in connection with our compliance with the provisions of Section 404 of the Sarbanes-Oxley Act. The existence of any material weakness described above would preclude a conclusion by management and our independent auditors that we maintained effective internal control over financial reporting. Our management may be required to devote significant time and expense to remediate any material weaknesses that may be discovered and may not be able to remediate any material weakness in a timely manner. For the year ended December 31, 2016, we were require to document internal control processes and provide self-certification of those processes. The existence of any material weakness in our

internal control over financial reporting could also result in errors in our financial statements that could require us to restate our financial statements, cause us to fail to meet our reporting obligations and cause investors to lose confidence in our reported financial information, all of which could lead to a decline in the per share trading price of our common stock.

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

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

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

We have, and in the future we may, acquire properties or portfolios of properties through tax deferred contribution transactions in exchange for OP Units. In particular, we issued OP Units in connection with our acquisition of certain properties during 2016 and intend to issue additional OP Units in connection with certain property acquisitions during 2017, as discussed in "Item 1 – Business – Acquisitions and Dispositions." This acquisition structure may have the effect of, among other things, reducing the amount of tax depreciation we could deduct over the tax life of the acquired properties, and may require that we agree to protect the contributors' ability to defer recognition of taxable gain through restrictions on our ability to dispose of the acquired properties or the allocation of partnership debt to the contributors to maintain their tax bases. These restrictions also could limit our ability to sell properties at a time, or on terms, that would be favorable absent such restrictions. In addition, future issuances of OP Units would reduce our ownership percentage in our Operating Partnership and affect the amount of distributions made to us by our Operating Partnership and, therefore, the amount of distributions we can make to our stockholders. To the extent that our stockholders do not directly own OP Units, our stockholders will not have any voting rights with respect to any such issuances or other partnership level activities of our Operating Partnership.

Significant competition in the leasing market could have a material adverse effect on us, including our financial condition, results of operations, cash flow, cash available for distribution and our ability to service our debt obligations.

We compete with numerous developers, owners and operators of real estate, many of which own properties similar to ours in the same submarkets in which our properties are located. If our competitors offer space at rental rates below current market rates, or below the rental rates we currently charge our tenants, we may lose existing or potential tenants and we may be pressured to reduce our rental rates below those we currently charge or to offer more substantial rent abatements, tenant improvements, early termination rights or below-market renewal options in order to retain tenants when our tenants' leases expire. As a result, our financial condition, results of operations, cash flow, cash available for distributions and our ability to service our debt obligations could be materially and adversely affected.

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

Our continued success and our ability to manage anticipated future growth depend, in large part, upon the efforts of key personnel, particularly Messrs. Hoffler (our Executive Chairman), Kirk (our Vice Chairman), Haddad (our President and Chief Executive Officer), Apperson (our President of Construction), O'Hara (our Chief Financial Officer and Treasurer), and Smith (our Chief Investment Officer and Corporate Secretary) and Ms. Hampton (our President of Asset Management), who have extensive market knowledge and relationships and exercise substantial influence over our operational, financing, development and construction activity. Among the reasons that these individuals are important to our success is that each has a national or regional industry reputation that attracts business and investment opportunities and assists us in negotiations with lenders, existing and potential tenants and industry personnel. If we lose their services, our relationships with such industry personnel could diminish.

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

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

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

Potential losses from hurricanes in Virginia, Maryland, North Carolina and South Carolina may not be covered by insurance.

All but two of the properties in our portfolio as of December 31, 2016 are located in Virginia, Maryland, North Carolina and South Carolina, which are areas particularly susceptible to hurricanes. While we carry insurance on certain of our properties, the amount of our insurance coverage may not be sufficient to fully cover losses from hurricanes and will be subject to limitations involving large deductibles or co-payments. In addition, we may reduce or discontinue insurance on some or all of our properties in the future if the cost of premiums for any such policies exceeds, in our judgment, the value of the coverage discounted for the risk of loss. As a result, in the event of a hurricane, we may be required to incur significant costs, and, to the extent that a loss exceeds policy limits, we could lose the capital invested in the damaged properties as well as the anticipated future cash flows from those properties. In addition, if the damaged properties are subject to recourse indebtedness, we would continue to be liable for the indebtedness, even if these properties were irreparably damaged.

We may not be able to rebuild our existing properties to their existing specifications if we experience a substantial or comprehensive loss of such properties.

In the event that we experience a substantial or comprehensive loss of one of our properties, we may not be able to rebuild such property to its existing specifications. Further, reconstruction or improvement of such a property would likely require significant upgrades to meet zoning and building code requirements. Environmental and legal restrictions could also restrict the rebuilding of our properties.

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

In the past, we have, and in the future, we expect to, co-invest with third parties through partnerships, joint ventures or other entities, acquiring noncontrolling interests in or sharing responsibility for developing properties and managing the affairs of a property, partnership, joint venture or other entity. In particular, in connection with the formation transactions related to our initial public offering, we provided certain of the prior investors with the right to co-develop certain projects with us in the future and the right to acquire a minority equity interest in certain properties that we may develop in the future, in each case under certain circumstances and subject to certain conditions set forth in the applicable agreement. Furthermore, as of December 31, 2016, we were 70%, 65%, 80%, 80%, 80% and 37% joint venture partners in our Lightfoot Marketplace, Brooks Crossing, Johns Hopkins Village, Town Center Phase VI, Harding Place and City Center development projects, respectively.

Subsequent to December 31, 2016, we acquired the remaining 20% interest in Town Center Phase VI. In the event that we co-develop a property together with a third party, we would be required to share a portion of the development fee. With respect to any such arrangement or any similar arrangement that we may enter into in the future, we may not be in a position to exercise sole decision-making authority regarding the development, property, partnership, joint venture or other entity. Investments in partnerships, joint ventures or other entities may, under certain circumstances, involve risks not present where a third party is not involved, including the possibility that partners or co-venturers might become bankrupt or fail to fund their share of required capital contributions. Partners or co-venturers may have economic or other business interests or goals which are inconsistent with our business interests or goals and may be in a position to take actions contrary to our policies or objectives, and they may have competing interests in our markets that could create conflicts of interest. Such investments may also have the potential risk of impasses on decisions, such as a sale or financing, because neither we nor the partner(s) or co-venturer(s) would have full control over the partnership or joint venture. In addition, a sale or transfer by us to a third party of our interests in the joint venture may be subject to consent rights or rights of first refusal, in favor of our joint venture partners, which would in each case restrict our ability to dispose of our interest in the joint venture. Where we are a limited partner or non-managing member in any partnership or limited liability company, if such entity takes or expects to take actions that could jeopardize our status as a REIT or require us to pay tax, we may be forced to dispose of our interest in such entity. Disputes between us and partners or co-venturers may result in litigation or arbitration that would increase our expenses and prevent our officers and directors from focusing their time and effort on our business. Consequently, actions by or disputes with partners or co-venturers might result in subjecting properties owned by the partnership or joint venture to additional risk. In addition, we may in certain circumstances be liable for the actions of our third-party partners or co-venturers. Our joint ventures may be subject to debt and, during periods of volatile credit markets, the refinancing of such debt may require equity capital calls.

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

We have originated, and may in the future originate or acquire, mezzanine or similar loans, which take the form of subordinated loans secured by second mortgages on the underlying property or loans secured by a pledge of the ownership interests of either the entity owning the property or a pledge of the ownership interests of the entity that owns the interest in the entity owning the property. These types of loans involve a higher degree of risk than long-term senior mortgage loans secured by income-producing real property because the loan may become unsecured as a result of foreclosure by the senior lender. In addition, these loans may have higher loan-to-value ratios than conventional mortgage loans, resulting in less equity in the property and increasing the risk of loss of principal. If a borrower defaults on our mezzanine loan or debt senior to our loan, or in the event of a borrower bankruptcy, our mezzanine loan will be satisfied only after the senior debt is paid in full. In the event of a bankruptcy of the entity providing the pledge of its ownership interests as security, we may not have full recourse to the assets of such entity, or the assets of the entity may not be sufficient to satisfy our mezzanine loan. As a result, we may not recover some or all of our initial investment. In addition, in connection with our loan investments, we may have options to purchase all or a portion of the underlying property upon maturity of the loan; however, if a developer’s costs for a project are higher than anticipated, exercising such options may not be attractive or economically feasible, or we may not have sufficient funds to exercise such options even if desire to do so. Significant losses related to mezzanine or similar loan investments could have a material adverse effect on our financial condition and results of operations.

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

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

- general market conditions;
- the market’s perception of our growth potential;
- our current debt levels;

- our current and expected future earnings;
- our cash flow and cash distributions; and the market price per share of our common stock.

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

We may not be able to sustain our growth rate level.

Since our inception, we have achieved significant growth in our portfolio and results of operations. We may not be able to sustain this level of growth, and over time we may experience a decline in our growth rate as a result of various factors, including our ability to successfully acquire and develop retail, office and multifamily properties, changes in the economic and other conditions in geographic markets in which we conduct business, changes in the real estate market generally, the competitiveness of the real estate market and the other risks discussed in this section, which could adversely affect the market price of our common stock.

Risks Related to Our Third-Party Construction Business

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

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

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

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

- shortages of subcontractors, equipment, materials or skilled labor;
- unscheduled delays in the delivery of ordered materials and equipment;
- unanticipated increases in the cost of equipment, labor and raw materials;
- unforeseen engineering, environmental or geological problems;
- weather interferences;

- difficulties in obtaining necessary permits or in meeting permit conditions;
- client acceptance delays; or
- work stoppages and other labor disputes.

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

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

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

Our construction business recognizes certain revenue on a percentage-of-completion basis and upon the achievement of contractual milestones, and any delay or cancellation of a construction project could materially adversely affect our cash flows and results of operations.

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

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

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

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

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

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

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

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

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

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

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

Risks Related to Our Development Business and Property Acquisitions

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

Our growth strategy depends significantly on our ability to leverage our extensive experience in completing large, complex, mixed-use public/private projects to establish new relationships with public partners and expand our relationships with existing public partners. Future increases in our revenues may depend significantly on our ability to expand the scope of

the work we do with the state and local government agencies with which we currently have partnered and attract new state and local government agencies to undertake public/private development projects with us. Our ability to obtain new work with state and local governmental authorities on new public/private development and financing partnerships could be adversely affected by several factors, including decreases in state and local budgets, changes in administrations, the departure of government personnel with whom we have worked and negative public perceptions about public/private partnerships. In addition, to the extent that we engage in public/private partnerships in states or local communities in which we have not previously worked, we could be subject to risks associated with entry into new markets, such as lack of market knowledge or understanding of the local economy, lack of business relationships in the area and unfamiliarity with local governmental and permitting procedures. If we fail to establish new relationships with public partners and expand our relationships with existing public partners, it could have a material adverse effect on our growth prospects.

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

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

- we may incur significant costs and divert management attention in connection with evaluating and negotiating potential development opportunities and acquisitions, including those that we are subsequently unable to complete;
- agreements for the development or acquisition of properties are subject to conditions, which we may be unable to satisfy; and
- we may be unable to obtain financing on favorable terms or at all.

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

The risks associated with land holdings and related activities could have a material adverse effect on us, including our results of operations.

We hold options to acquire undeveloped parcels of land for future development and may in the future acquire additional land holdings for development. The risks inherent in purchasing, owning, and developing land increase as demand or rental rates for office, retail or multifamily properties decreases. Real estate markets are highly uncertain and volatile and, as a result, the value of undeveloped land has fluctuated significantly and may continue to fluctuate. In addition, carrying costs, including interest and other pre-development costs, can be significant and can result in losses or reduced profitability. If there are subsequent changes in the fair value of our undeveloped land holdings that cause us to determine that the fair value of our undeveloped land holdings is less than their carrying basis reflected in our financial statements plus estimated costs to sell, we may be required to take future impairment charges which would reduce our net income and could materially and adversely affect our results of operations.

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

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

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

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

- unsuccessful development or redevelopment opportunities could result in direct expenses to us and cause us to incur losses;
- construction or redevelopment costs of a project may exceed original estimates, possibly making the project less profitable than originally estimated, or unprofitable;
- occupancy rates and rents of a completed project may not be sufficient to make the project profitable; and
- the availability and pricing of financing to fund our development activities on favorable terms or at all.

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

There can be no assurance that all of the properties in our development pipeline will be completed in their entirety in accordance with the anticipated cost, or that we will achieve the results we expect from the development of such properties, which could materially adversely affect our growth prospects, financial condition and results of operations.

The development of the projects in our development pipeline are subject to numerous risks, many of which are outside of our control. The cost necessary to complete the development of our development pipeline could be materially higher than we anticipate. Because we generally intend to commence the construction phase of an office or retail project for our own account only where a substantial percentage of the commercial space is pre-leased, we could decide not to undertake construction on one or more of the projects in our development pipeline if our pre-leasing efforts are unsuccessful. Furthermore, if we are delayed in the completion of any development project, tenants may have the right to terminate pre-development leases, which could materially adversely affect the financial viability of the project. In addition, even if we decide to commence construction on a project, we can provide no assurances that we will complete any of the projects in our development pipeline on the anticipated schedule, or that, once completed, the properties in our development pipeline will achieve the results that we expect. If the development of the projects in our development pipeline is not completed in accordance with our anticipated timing or at the anticipated cost, or the properties fail to achieve the financial results we expect, it could have a material adverse effect on our growth prospects, financial condition and results of operations.

Our option properties are subject to various risks, and we may not be able to acquire them.

We have options to acquire from certain of our officers and directors certain parcels of developable land. These parcels are exposed to many of the same risks that may affect the other properties in our portfolio. The terms of the option agreements relating to these parcels were not determined by arm’s-length negotiations, and such terms may be less favorable to us than those that may have been obtained through negotiations with third parties. In addition, it may become economically unattractive to exercise our options with respect to these parcels, which could cause us to decide not to exercise our option to purchase these parcels in the future. In such event, or in the event that the option agreements expire by their terms, the parcels could be sold to one of our competitors without restriction. Because our officers and directors own economic interests in these parcels, our decision to exercise or refrain from exercising such options will create conflicts of interest.

Risks Related to the Real Estate Industry

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

Our ability to pay expected dividends to our stockholders depends on our ability to generate revenues in excess of expenses, scheduled principal payments on debt and capital expenditure requirements. Events and conditions generally applicable to owners and operators of real property that are beyond our control may decrease cash available for distribution and

the value of our properties. These events include many of the risks set forth above under "—Risks Related to Our Business ," as well as the following:

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

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

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

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

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

Our property taxes could increase due to property tax rate changes or reassessment, which would adversely impact our cash flows.

Even if we qualify as a REIT for federal income tax purposes, we will be required to pay some state and local taxes on our properties. The real property taxes on our properties may increase as property tax rates change or as our properties are assessed or reassessed by taxing authorities. Therefore, the amount of property taxes we pay in the future may increase

substantially from what we have paid in the past. If the property taxes we pay increase, our cash flow would be adversely impacted, and our ability to pay dividends to our stockholders could be adversely affected.

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

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

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

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

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

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

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

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

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

Risks Related to Our Organizational Structure

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

As of December 31, 2016, Daniel Hoffler, our Executive Chairman, owned approximately 9% and, collectively, Messrs. Hoffler, Haddad and Kirk owned approximately 15% of the combined outstanding shares of our common stock and OP Units of our Operating Partnership (which OP Units may be redeemable for shares of our common stock). Consequently, these individuals may be able to significantly influence the outcome of matters submitted for stockholder action, including the approval of significant corporate transactions, including business combinations, consolidations and mergers.

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

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

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

Partnership under its partnership agreement does not violate the duty of loyalty that we, in our capacity as the general partner of our Operating Partnership, owe to the Operating Partnership and its partners.

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

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

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

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

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

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

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

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

Our board of directors, without stockholder approval, has the power under our charter to amend our charter to increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series that we are authorized to issue. In addition, under our charter, our board of directors, without stockholder approval, has the power to authorize us to issue authorized but unissued shares of our common stock or preferred stock and to classify or reclassify any unissued shares of our common stock or preferred stock into one or more classes or series of stock and set the preference, conversion or other rights, voting powers, restrictions, limitations as to dividends and other distributions, qualifications or

terms or conditions of redemption for such newly classified or reclassified shares. As a result, we may issue series or classes of common stock or preferred stock with preferences, dividends, powers and rights, voting or otherwise, that are senior to, or otherwise conflict with, the rights of holders of our common stock. Although our board of directors has no such intention at the present time, it could establish a class or series of preferred stock that could, depending on the terms of such series, delay, defer or prevent a transaction or a change of control that might involve a premium price for our common stock or that our stockholders otherwise believe to be in their best interests.

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

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

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

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

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

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

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

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

- redemption rights;

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

The limited partners in our Operating Partnership owned approximately 31.9% of the outstanding OP Units of our Operating Partnership as of December 31, 2016.

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

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

Our tax protection agreements may require our Operating Partnership to maintain certain debt levels that otherwise would not be required to operate our business.

Under our tax protection agreements, our Operating Partnership has agreed to provide certain contributors of properties we have acquired, including Messrs. Hoffler, Haddad, Kirk, Nero and Apperson and their respective affiliates and certain of our other officers, the opportunity to guarantee debt or enter into deficit restoration obligations upon a future repayment, retirement, refinancing or other reduction (other than scheduled amortization) of currently outstanding debt. If we fail to make such opportunities available, we will be required to deliver to each such contributor a cash payment intended to approximate the contributor's tax liability resulting from our failure to make such opportunities available to that contributor and the tax liabilities incurred as a result of such tax protection payment. We agreed to these provisions in order to assist our contributors in deferring the recognition of taxable gain as a result of the contribution of certain properties to us. These obligations may require us to maintain more or different indebtedness than we would otherwise require for our business.

We may pursue less vigorous enforcement of terms of certain agreements with members of our senior management and our affiliates because of our dependence on them and conflicts of interest.

Each of Messrs. Hoffler, Haddad and Kirk, our Executive Chairman of the Board, President and Chief Executive Officer and Vice Chairman of the Board, respectively, were parties to or had interests in contribution agreements with us pursuant to which we acquired interests in our properties and assets. In addition, we have entered into option agreements with certain of our officers and directors, or entities they control, with respect to certain parcels of developable land. We may choose not to enforce, or to enforce less vigorously, our rights under these agreements because of our desire to maintain our ongoing relationships with members of our board of directors and our management, with possible negative impact on stockholders.

Our board of directors may change our strategies, policies and procedures without stockholder approval and we may become more highly leveraged, which may increase our risk of default under our debt obligations.

Our investment, financing, leverage and distribution policies, and our policies with respect to all other activities, including growth, capitalization and operations, will be determined exclusively by our board of directors, and may be amended or revised at any time by our board of directors without notice to or a vote of our stockholders. This could result in us conducting operational matters, making investments or pursuing different business or growth strategies than those contemplated in this Annual Report on Form 10-K. Further, our charter and bylaws do not limit the amount or percentage of indebtedness, funded or otherwise, that we may incur. Our board of directors may alter or eliminate our current policy on borrowing at any time without stockholder approval. If this policy changed, we could become more highly leveraged which could result in an increase in our debt service. Higher leverage also increases the risk of default on our obligations. In addition, a change in our investment policies, including the manner in which we allocate our resources across our portfolio or the types of assets in which we seek to invest, may increase our exposure to interest rate risk, real estate market fluctuations and liquidity risk. Changes to our policies with regards to the foregoing could materially adversely affect our financial condition, results of operations and cash flow.

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

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

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

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

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

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

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

As of December 31, 2016, we owned 68.1% of the outstanding OP Units in our Operating Partnership. We regularly have issued OP Units to third parties as consideration for acquisitions, and in the future we may continue to do so in the future. Any such future issuances would reduce our ownership percentage in our Operating Partnership and could affect the amount of distributions made to us by our Operating Partnership and, therefore, the amount of distributions we can make to our stockholders. Because stockholders do not directly own OP Units, you do not have any voting rights with respect to any such issuances or other partnership level activities of our Operating Partnership.

Risks Related to Our Status as a REIT

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

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

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

- we could be subject to the federal alternative minimum tax and possibly increased state and local taxes; and

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

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

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

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

Failure to make required distributions would subject us to U.S. federal corporate income tax.

We intend to continue to operate in a manner so as to qualify as a REIT for U.S. federal income tax purposes. In order to qualify as a REIT, we generally are required to distribute at least 90% of our REIT taxable income, determined without regard to the dividends paid deduction and excluding any net capital gain, each year to our stockholders. To the extent that we satisfy this distribution requirement, but distribute less than 100% of our REIT taxable income, we will be subject to U.S. federal corporate income tax on our undistributed taxable income. In addition, we will be subject to a 4% nondeductible excise tax if the actual amount that we pay out to our stockholders in a calendar year is less than a minimum amount specified under the Code.

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

To qualify as a REIT for federal income tax purposes, we must continually satisfy tests concerning, among other things, the sources of our income, the nature and diversification of our assets, the amounts we distribute to our stockholders and

the ownership of our capital stock. In order to meet these tests, we may be required to forego investments we might otherwise make. Thus, compliance with the REIT requirements may hinder our performance.

In particular, we must ensure that at the end of each calendar quarter, at least 75% of the value of our assets consists of cash, cash items, government securities and qualified real estate assets. The remainder of our investment in securities (other than government securities, securities of TRSs and qualified real estate assets) generally cannot include more than 10% of the outstanding voting securities of any one issuer or more than 10% of the total value of the outstanding securities of any one issuer. In addition, in general, no more than 5% of the value of our assets (other than government securities, securities of TRSs and qualified real estate assets) can consist of the securities of any one issuer, and no more than 25% (20% for taxable years beginning after December 31, 2017) of the value of our total assets can be represented by the securities of one or more TRSs. If we fail to comply with these requirements at the end of any calendar quarter, we must correct the failure within 30 days after the end of the calendar quarter or qualify for certain statutory relief provisions to avoid losing our REIT qualification and suffering adverse tax consequences. As a result, we may be required to liquidate otherwise attractive investments. These actions could have the effect of reducing our income and amounts available for distribution to our stockholders.

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

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

We may pay taxable dividends in shares of our common stock and cash, in which case stockholders may sell shares of our common stock to pay tax on such dividends, placing downward pressure on the market price of our common stock.

We may distribute taxable dividends that are payable in cash and common stock at the election of each stockholder. The IRS has issued private letter rulings to other REITs treating certain distributions that are paid partly in cash and partly in stock as taxable dividends that would satisfy the REIT annual distribution requirement and qualify for the dividends paid deduction for U.S. federal income tax purposes. Those rulings may be relied upon only by taxpayers to whom they were issued, but we could request a similar ruling from the IRS. In addition, the IRS previously issued a revenue procedure authorizing publicly traded REITs to make elective cash/stock dividends, but that revenue procedure does not apply to our 2013 and future taxable years. Accordingly, it is unclear whether and to what extent we will be able to make taxable dividends payable in cash and common stock.

If we made a taxable dividend payable in cash and common stock, taxable stockholders receiving such dividends will be required to include the full amount of the dividend as ordinary income to the extent of our current and accumulated earnings and profits, as determined for U.S. federal income tax purposes. As a result, stockholders may be required to pay income tax with respect to such dividends in excess of the cash dividends received. If a U.S. stockholder sells the common stock that it receives as a dividend in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of our common stock at the time of the sale. Furthermore, with respect to certain non-U.S. stockholders, we may be required to withhold U.S. federal income tax with respect to such dividends, including in respect of all or a portion of such dividend that is payable in common stock. If we made a taxable dividend payable in cash and our common stock and a significant number of our stockholders determine to sell shares of our common stock in order to pay taxes owed on dividends, it may put downward pressure on the trading price of our common stock. We do not currently intend to pay taxable dividends of our common stock and cash, although we may choose to do so in the future.

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

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

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

Overall, no more than 25% (20% for taxable years beginning after December 31, 2017) of the value of a REIT's assets may consist of stock or securities of one or more TRS. In addition, the Code limits the deductibility of interest paid or accrued by a TRS to its parent REIT to assure that the TRS is subject to an appropriate level of corporate taxation. The Code also imposes a 100% excise tax on certain transactions between a TRS and its parent REIT that are not conducted on an arm's-length basis. Furthermore, we will monitor the value of our respective investments in our TRS for the purpose of ensuring compliance with TRS ownership limitations and will structure our transactions with our TRS on terms that we believe are arm's length to avoid incurring the 100% excise tax described above. There can be no assurance, however, that we will be able to comply with the 25% (20% for taxable years beginning after December 31, 2017) REIT subsidiaries limitation or to avoid application of the 100% excise tax.

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

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

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

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

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

The maximum tax rate applicable to "qualified dividend income" payable to U.S. stockholders that are taxed at individual rates is 20%. Dividends payable by REITs, however, generally are not eligible for the reduced rates on qualified dividend income. The more favorable rates applicable to regular corporate qualified dividends could cause investors who taxed at individual rates to perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay dividends, which could adversely affect the value of the shares of REITs, including our common stock.

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

Numerous changes to the U.S. federal income tax laws are proposed regularly. Moreover, legislative and regulatory changes may be more likely in the 115th Congress because the Presidency and such Congress will be controlled by the same political party and significant reform of the Code has been described publicly as a legislative priority. Additionally, the REIT rules are constantly under review by persons involved in the legislative process and by the IRS and the U.S. Treasury Department, which may result in revisions to regulations and interpretations in addition to statutory changes. If enacted, certain such changes could have an adverse impact on our business and financial results. For example, certain proposals set forth in Trump administration and House Republican tax plans could reduce the relative competitive advantage of operating as a REIT unless accompanied by responsive changes to the REIT rules. These proposals include: the lowering of income tax rates on individuals and corporations, which could ease the burden of double taxation on corporate dividends and make the single level of taxation on REIT distributions relatively less attractive; allowing the expensing of capital expenditures, which could have a similar impact and also could result in the bunching of taxable income and required distributions for REITs; and further limiting or eliminating the deductibility of interest expense, which could disrupt the real estate market and could increase the amount of REIT taxable income that must be distributed as dividends to shareholders.

We cannot predict whether, when or to what extent new U.S. federal tax laws, regulations, interpretations or rulings will be issued, nor is the long-term impact of proposed tax reforms on the real estate investment industry or REITs clear. Prospective investors are urged to consult their tax advisors regarding the effect of potential changes to the U.S. federal tax laws on an investment in our shares.

The period during which a REIT is subject to tax in respect of built-in gains recognized on property acquired form a C corporation is currently uncertain.

On June 7, 2016, the U.S. Treasury Department issued temporary Regulations which temporarily extended the period during which a REIT is subject to tax in respect of built-in gains recognized on property acquired from a C corporation from five years to ten years. This extension only applied to assets with built-in gains acquired on or after August 8, 2016 and was set to expire on June 7, 2019. On January 18, 2017, the U.S. Treasury Department issued final Regulations to shorten the ten-year period back to a five-year period for assets with built-in gains acquired on or after February 17, 2017, and to permit taxpayers to apply the five-year period for assets with built-in gains acquired on or after August 8, 2016 and on or before February 17, 2017. Pursuant to these final Regulations, if we acquire any asset from a C corporation, or a corporation that generally is subject to full corporate level tax, in a merger or other transaction in which we acquire a basis in the asset that is determined by reference either to the C corporation's basis in the asset or to another asset, we will pay tax at the highest U.S. federal corporate income tax rate applicable if we recognize gain on the sale or disposition of the asset during the five-year period after we acquire the asset. However, on January 20, 2017, White House Chief of Staff Reince Preibus issued a Memorandum for the Heads of Executive Departments and Agencies (the "Regulatory Freeze Memorandum"), effective January 18, 2017, ordering agencies to temporarily postpone for 60 days the effective date of certain regulations; the effect of the Regulatory Freeze Memorandum, if any, on the final Regulations described above remains unclear.

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

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

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

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

Risks Related to Our Common Stock

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

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

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

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

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

The market price of our common stock may be volatile in the future. In addition, the trading volume in our common stock may fluctuate and cause significant price variations to occur. We cannot assure stockholders that the market price of our common stock will not fluctuate or decline significantly in the future, including as a result of factors unrelated to our operating performance or prospects in 2017 compared to 2016. In particular, the market price of our common stock could be subject to wide fluctuations in response to a number of factors, including, among others, the following:

- actual or anticipated variations in our quarterly operating results or dividends;
- changes in our FFO or earnings estimates;
- publication of research reports about us or the real estate industry;
- increases in market interest rates that lead purchasers of our shares to demand a higher yield;
- changes in market valuations of similar companies;
- adverse market reaction to any additional debt we incur in the future;
- additions or departures of key management personnel;
- actions by institutional stockholders;
- speculation in the press or investment community;
- the realization of any of the other risk factors presented in this Annual Report on Form 10-K;
- the extent of investor interest in our securities;
- the general reputation of REITs and the attractiveness of our equity securities in comparison to other equity securities, including securities issued by other real estate-based companies;

- changes in the federal government, particularly with respect to the new political administration;
- our underlying asset value;
- investor confidence in the stock and bond markets generally;
- changes in tax laws;
- future equity issuances;
- failure to meet earnings estimates;
- failure to meet and maintain REIT qualifications;
- changes in our credit ratings; and
- general market and economic conditions.

In the past, securities class action litigation has often been instituted against companies following periods of volatility in the price of their common stock. This type of litigation could result in substantial costs and divert our management's attention and resources, which could have a material adverse effect on us, including our financial condition, results of operations, cash flow and the per share trading price of our common stock.

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

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

The number of shares of our common stock available for future issuance or sale could materially adversely affect the per share trading price of our common stock.

As of February 28, 2017, there were 37,588,278 shares of our common stock outstanding. In addition, as of February 28, 2017, there were 17,858,610 OP Units in our Operating Partnership outstanding, of which 16,583,610 OP Units are currently redeemable at the option of the holders, 1,000,000 OP Units will become redeemable by the holders on July 10, 2017 and 275,000 OP Units will become redeemable by the holders on January 10, 2018, in each case, for cash, or at our option, for shares of our common stock, on a one-for-one basis. We have an effective resale shelf registration statement pursuant to which we may issue freely tradeable shares of our common stock upon redemption of such OP Units. Accordingly, a substantial number of shares of our common stock could be issued in the future pursuant to such resale shelf registration statement. In addition, we have an effective shelf registration statement covering the possible resale, from time to time, of up to 2,000,000 shares of our common stock that were issued in connection with our acquisition of a stabilized retail asset on October 13, 2016. The sale of such shares, or the perception that such sale may occur, could materially and adversely affect the per share trading price of our common stock. In addition, as of the date hereof, 218,050 shares of our common stock and other equity-based awards were available for issuance in the future under our 2013 Equity Incentive Plan.

We cannot predict whether future issuances or sales of shares of our common stock or the availability of shares for resale in the open market will decrease the per share trading price per share of our common stock. The per share trading price of our common stock may decline significantly when we register the shares of our common stock issuable upon redemption of outstanding OP Units.

The issuance of substantial numbers of shares of equity securities, including OP Units, or the perception that such issuances might occur could materially adversely affect us, including the per share trading price of shares of our common stock.

The redemption of OP Units for common stock, the vesting of any restricted stock granted to certain directors, executive officers and other employees under our 2013 Equity Incentive Plan, the issuance of our common stock or OP Units in connection with future property, portfolio or business acquisitions and other issuances of our common stock could have an adverse effect on the per share trading price of our common stock, and the existence of units, options or shares of our common stock issuable under our 2013 Equity Incentive Plan or upon redemption of OP Units may adversely affect the terms upon which we may be able to obtain additional capital through the sale of equity securities. In addition, future issuances of shares of our common stock or OP Units may be dilutive to existing stockholders.

Future offerings of debt, which would be senior to our common stock upon liquidation, and preferred equity securities, which may be senior to our common stock for purposes of dividend distributions or upon liquidation, may materially adversely affect us, including the per share trading price of our common stock.

In the future, we may attempt to increase our capital resources by making additional offerings of debt or equity securities (or causing our Operating Partnership to issue debt securities), including medium-term notes, senior or subordinated notes and classes or series of preferred stock. Upon liquidation, holders of our debt securities and shares of preferred stock and lenders with respect to other borrowings will be entitled to receive our available assets prior to distribution to the holders of our common stock. Additionally, any convertible or exchangeable securities that we issue in the future may have rights, preferences and privileges more favorable than those of our common stock and may result in dilution to owners of our common stock. Holders of our common stock are not entitled to preemptive rights or other protections against dilution. Our preferred stock, if issued, could have a preference on liquidating distributions or a preference on dividend payments that could limit our ability pay dividends to the holders of our common stock. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus, our stockholders bear the risk that our future offerings could reduce the per share trading price of our common stock and dilute their interest in us.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

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

Item 3. Legal Proceedings.

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

Item 4. Mine Safety Disclosures.

Not Applicable.

PART II

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

Market Information

Our common stock trades on the NYSE under the symbol "AHH." Below is a summary of the high and low prices of our common stock for each quarterly period in the years ended December 31, 2016 and 2015 and the cash distributions per share declared by us with respect to each period.

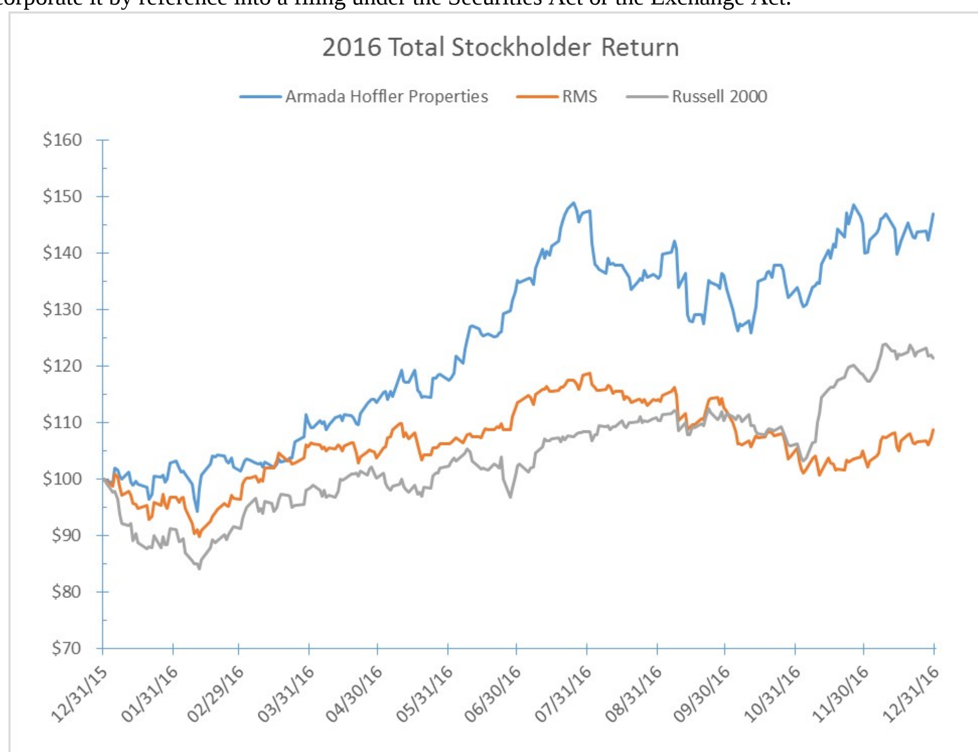
2016	High	Low	Distributions Declared
January 1, 2016—March 31, 2016	$ 11.50	$ 9.76	$ 0.18
April 1, 2016—June 30, 2016	13.84	11.15	0.18
July 1, 2016—September 30, 2016	15.50	12.67	0.18
October 1, 2016—December 31, 2016	14.98	12.52	0.18

2015	High	Low	Distributions Declared
January 1, 2015—March 31, 2015	$ 11.12	$ 9.44	$ 0.17
April 1, 2015—June 30, 2015	10.83	9.99	0.17
July 1, 2015—September 30, 2015	10.63	9.50	0.17
October 1, 2015—December 31, 2015	11.60	9.62	0.17

On December 31, 2016 and February 28, 2017, the closing price of our common stock as reported on the NYSE was $14.57 and $13.95, respectively.

Stock Performance Graph

The following graph sets forth the cumulative total stockholder return (assuming reinvestment of dividends) to our stockholders during the period May 8, 2013, the date our common stock began trading on the NYSE, through December 31, 2016, as well as the corresponding returns on an overall stock market index (Russell 2000 Index) and a peer group index (MSCI US REIT Index). The stock performance graph assumes that $100 was invested on May 8, 2013. Historical total stockholder return is not necessarily indicative of future results. The information in this paragraph and the following graph shall not be deemed to be “soliciting material” or to be “filed” with the SEC or subject to Regulation 14A or 14C, other than as provided in Item 201 of Regulation S-K, or to the liabilities of Section 18 of the Exchange Act, except to the extent we specifically request that such information be treated as soliciting material or specifically incorporate it by reference into a filing under the Securities Act or the Exchange Act.



Distribution Information

Since our initial quarter as a publicly-traded REIT, we have made regular quarterly distributions to our stockholders. We intend to continue to declare quarterly distributions. However, we cannot provide any assurance as to the amount or timing of future distributions. For a description of restrictions on our ability to make distributions, see “Item 7—Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Credit Facility,” and Note 8, “Indebtedness” to our accompanying consolidated financial statements.

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

To the extent that we make distributions in excess of our earnings and profits, as computed for federal income tax purposes, these distributions will represent a return of capital, rather than a dividend, for federal income tax purposes.

Distributions that are treated as a return of capital for federal income tax purposes will reduce the stockholder's basis in its shares (but not below zero) and therefore can result in the stockholder having a higher gain upon a subsequent sale of such shares. Return of capital distributions in excess of a stockholder's basis generally will be treated as gain from the sale of such shares for federal income tax purposes.

Stockholder Information

As of February 28, 2017, there were approximately 103 holders of record of our common stock. However, because many shares of our common stock are held by brokers and other institutions on behalf of stockholders, we believe there are substantially more beneficial holders of our common stock than record holders. As of February 28, 2017, there were 89 holders (other than our company) of our OP units. Our OP units are redeemable for cash or, at our election, for shares of our common stock.

Unregistered Sales of Equity Securities

None.

Issuer Purchases of Equity Securities

During the three months ended December 31, 2016, certain of our employees surrendered shares of common stock owned by them to satisfy their minimum statutory federal and state tax obligations associated with the vesting of restricted shares of common stock issued under our 2013 Equity Incentive Plan. The following table summarizes all of these repurchases during the three months ended December 31, 2016.

Period	Total Number of Shares Purchased(1)	Average Price Paid for Shares(1)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet be Purchased Under the Plans or Programs
October 1, 2016 through October 31, 2016	—	$ —	N/A	N/A
November 1, 2016 through November 30, 2016	98	13.10	N/A	N/A
December 1, 2016 through December 31, 2016	—	—	N/A	N/A
Total	98			

(1) The number of shares purchased represents shares of common stock surrendered by certain of our employees to satisfy their statutory minimum federal and state tax obligations associated with the vesting of restricted shares of common stock issued under the 2013 Plan. With respect to these shares, the price paid per share is based on the fair value at the time of surrender.

Item 6. Selected Financial Data.

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

We completed our initial public offering on May 13, 2013. Due to the timing of the initial public offering, we present herein certain consolidated and combined historical financial data for us and our predecessor. Our predecessor was not a legal entity, but rather a combination of certain real estate and construction entities. The historical combined financial data for our predecessor is not necessarily indicative of our results of operations, cash flows or financial position following the completion of the initial public offering.

The selected historical consolidated and combined financial information as of and for the years ended December 31, 2016, 2015, 2014, 2013 and 2012 has been derived from our audited historical financial statements. Due to the timing of the initial public offering, the results of operations for the year ended December 31, 2012 reflect only the financial condition and

results of operations of our predecessor. The results of operations for the year ended December 31, 2013 reflect the financial condition and results of operations of our predecessor together with our company.

	Years Ended December 31,				
	2016	2015	2014	2013	2012
	($ in thousands, except per share data)				
Operating Data:					
Rental revenues	$ 99,355	$ 81,172	$ 64,746	$ 57,520	$ 54,436
General contracting and real estate services revenues	159,030	171,268	103,321	82,516	54,046
Rental expenses	21,904	19,204	16,667	14,025	12,682
Real estate taxes	9,629	7,782	5,743	5,124	4,865
General contracting and real estate services expenses	153,375	165,344	98,754	78,813	50,103
Depreciation and amortization	35,328	23,153	17,569	14,898	12,909
Interest expense	(16,466)	(13,333)	(10,648)	(12,303)	(16,561)
Loss on extinguishment of debt	(82)	(512)	—	(2,387)	—
Gain on real estate dispositions and acquisitions	30,533	18,394	2,211	9,460	—
Income from continuing operations	42,755	31,183	12,759	14,453	8,907
Results from discontinued operations	—	—	—	—	(10)
Net income	$ 42,755	$ 31,183	$ 12,759	$ 14,453	$ 8,897
Net income attributable to stockholders	$ 28,074	$ 19,642	$ 7,691	$ 7,336	
Net income per share—basic and diluted	$ 0.85	$ 0.75	$ 0.36	$ 0.39	
Cash dividends declared per share	$ 0.72	$ 0.68	$ 0.64	$ 0.40	
Balance Sheet Data:					
Real estate investments, at cost	$ 908,287	$ 633,591	$ 595,000	$ 462,976	$ 354,740
Accumulated depreciation	(139,553)	(125,380)	(116,099)	(105,228)	(92,454)
Net real estate investments	768,734	508,211	478,901	357,748	262,286
Real estate investments held for sale	—	40,232	8,538	—	—
Cash and cash equivalents	21,942	26,989	25,883	18,882	9,400
Notes receivable	59,546	7,825	—	—	—
Construction assets	39,543	36,623	19,704	13,811	11,696
Total assets	$ 982,468	$ 689,547	588,022	432,210	329,862
Indebtedness, net	522,180	377,593	356,345	274,673	333,130
Construction liabilities	61,297	54,291	43,452	29,680	21,605
Total liabilities	633,490	463,827	426,116	326,689	371,203
Total equity	348,978	225,720	161,906	105,521	(41,341)
Other Data:					
Funds from operations(1)	$ 47,980	$ 35,942	$ 28,117	$ 19,806	$ 21,886
Normalized funds from operations(2)	50,921	38,659	28,594	22,812	—
Cash provided by operating activities	59,770	33,086	31,362	22,175	22,326
Cash used for investing activities	(226,461)	(56,381)	(105,306)	(47,947)	(4,702)
Cash provided by (used for) financing activities	161,644	24,401	80,945	35,254	(21,673)

(1) We calculate funds from operations ("FFO") in accordance with the standards established by the National Association of Real Estate Investment Trusts, or NAREIT. FFO represents net income (loss) (computed in accordance with U.S. generally accepted accounting principles, or 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 year over year, captures trends in occupancy rates, rental rates and operating costs. We also believe that, as a widely recognized measure of the performance of REITs, FFO will be used by investors as a basis to compare our operating performance with that of other REITs. However, because FFO excludes real estate related depreciation and amortization and captures neither the changes in the value of our properties that result from use or market conditions nor the level of capital expenditures and leasing commissions necessary to maintain the operating performance of our properties, all of which have real economic effects and could materially impact our results from operations, the utility of FFO as a measure of our performance is limited. In addition, other equity REITs may not calculate FFO in accordance with the NAREIT definition as we do, and, accordingly, our 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 our performance. FFO should not be used as a measure of our liquidity, nor is it indicative of funds available to fund our cash needs, including our ability to pay dividends or service indebtedness. FFO also should not be used as a supplement to or substitute for cash flow from operating activities computed in accordance with GAAP. The following table sets forth a reconciliation of our FFO to net income, the most directly comparable GAAP equivalent, for the periods presented:

	Years Ended December 31,				
	2016	2015	2014	2013	2012
	($ in thousands)				
Net income	$ 42,755	$ 31,183	$ 12,759	$ 14,453	$ 8,897
Depreciation and amortization	35,328	23,153	17,569	14,898	12,909
Gain loss on real estate dispositions and acquisitions	(30,103)	(18,394)	(2,211)	(9,460)	—
Real estate joint ventures, net	—	—	—	(85)	80
Funds from operations	$ 47,980	$ 35,942	$ 28,117	$ 19,806	$ 21,886

(2) Please see calculation of Normalized FFO in "Item 7, Management's Discussion and Analysis-Liquidity and Capital Resources." This data is not available for the year ended December 31, 2012.

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

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

Business Description

We are a full service real estate company with extensive experience developing, building, owning and managing high-quality, institutional-grade office, retail and multifamily properties in attractive markets throughout the Mid-Atlantic and Southeastern United States. As of December 31, 2016, our operating property portfolio was comprised of 37 retail properties, six office properties and five multifamily properties. In addition to our operating property portfolio, we had two retail properties, two office properties, two one multifamily properties and one mixed-use property in various states of development and stabilization as of December 31, 2016.

As of December 31, 2016, we owned 100% of the interests in all of the properties in our operating property portfolio. Substantially all of our assets are held by, and all of our operations are conducted through, our Operating Partnership. We are the sole general partner of our Operating Partnership and, as of December 31, 2016, we owned, through a combination of direct and indirect interests, 68.1% of the outstanding OP units in our operating partnership.

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

Our principal executive office is located at 222 Central Park Avenue, Suite 2100, Virginia Beach, Virginia 23462 in the Armada Hoffler Tower at the Virginia Beach Town Center. In addition, we have construction offices located at 249 Central Park Avenue, Suite 300, Virginia Beach, Virginia 23462 and 1300 Thames Street, Suite 30, Baltimore, Maryland 21231. The telephone number for our principal executive office is (757) 366-4000. We maintain a website at www.armadahoffler.com. The information on, or accessible through, our website is not incorporated into and does not constitute a part of this report.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements that have been prepared in accordance with GAAP. The preparation of these financial statements requires us to exercise our best judgment in making estimates that affect the reported amounts of assets, liabilities, revenues and expenses. We base our estimates on historical experience and other assumptions that we believe to be reasonable under the circumstances. We evaluate our estimates on an ongoing basis, based upon current available information. Actual results could differ from these estimates.

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

Revenue Recognition

Rental Revenues

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

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

General Contracting and Real Estate Services Revenues

We recognize revenue on construction contracts using the percentage-of-completion method. Using this method, we recognize revenue and an estimated profit as construction contract costs are incurred based on the proportion of incurred costs to total estimated costs under the contract. Provisions for estimated losses on uncompleted contracts are recognized immediately in the period in which such losses are determined. Changes in job performance, job conditions, and estimated profitability, including those arising from contract penalty provisions and final contract settlements, may result in revisions to costs and income and are recognized in the period in which they are determined. We include profit incentives in revenues when their realization is probable and the amount can be reasonably estimated. General contracting and real estate services revenue is recognized subject to management's evaluation of customer credit risk.

Operating Property Acquisitions

In connection with operating property acquisitions, we identify and recognize all assets acquired and liabilities assumed at their estimated fair values as of the acquisition date. The purchase price allocations to tangible assets, such as land, site improvements and buildings and improvements are presented within income producing property in the consolidated balance sheets and depreciated over their estimated useful lives. Acquired lease intangibles are presented within other assets and liabilities in the consolidated balance sheets and amortized over their respective lease terms. The Company amortizes in-place lease assets as depreciation and amortization expense on a straight-line basis over the remaining term of the related leases. We amortize above-market lease assets as reductions to rental revenues on a straight-line basis over the remaining term of the related leases. We amortize below-market lease liabilities as increases to rental revenues on a straight-line basis over the remaining term of the related leases. We amortize below-market ground lease assets as increases to rental expenses on a straight-line basis over the remaining term of the related leases. Prior to October 1, 2016, we expensed all costs incurred related to operating property acquisitions. On October 1, 2016, we adopted newly issued accounting guidance that allows capitalization of costs related to operating property acquisitions.

We value land based on a market approach, looking to recent sales of similar properties, adjusting for differences due to location, the state of entitlement as well as the shape and size of the parcel. Improvements to land are valued using a replacement cost approach. The approach applies industry standard replacement costs adjusted for geographic specific considerations and reduced by estimated depreciation. The value of buildings acquired is estimated using the replacement cost

approach, assuming the buildings were vacant at acquisition. The replacement cost approach considers the composition of the structures acquired, adjusted for an estimate of depreciation. The estimate of depreciation is made considering industry standard information and depreciation curves for the identified asset classes. The value of acquired lease intangibles considers the estimated cost of leasing the properties as if the acquired buildings were vacant, as well as the value of the current leases relative to market-rate leases. The in-place lease value is determined using an estimated total lease-up time and lost rental revenues during such time. The value of current leases relative to market-rate leases is based on market rents obtained for market comparables. Given the significance of unobservable inputs used in the valuation of acquired real estate assets, we classify them as Level 3 inputs in the fair value hierarchy.

We value debt assumed in connection with operating property acquisitions based on a discounted cash flow analysis of the expected cash flows of the debt. Such analysis considers the contractual terms of the debt, including the period to maturity, and uses observable market-based inputs, including interest rate information as of the acquisition date. We also consider credit valuation adjustments for potential nonperformance risk. We classify the inputs used to value debt assumed in connection with operating property acquisitions as Level 2 inputs in the fair value hierarchy as they are predominantly observable and market-based.

Real Estate Project Costs

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

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

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

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

Real Estate Impairment

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

Adoption of New or Revised Accounting Standards

As an emerging growth company under the Jumpstart Our Business Startups Act, we can elect to adopt new or revised accounting standards as they are effective for private companies. However, we have elected to opt out of such extended transition period. Therefore, we will adopt new or revised accounting standards as they are effective for public companies. This election is irrevocable.

Segment Results of Operations

As of December 31, 2016, we operated our business in four segments: (i) office real estate, (ii) retail real estate, (iii) multifamily residential real estate and (iv) general contracting and real estate services that are conducted through our taxable REIT subsidiaries ("TRS"). Net operating income (segment revenues minus segment expenses) or "NOI" is the measure used by management to assess segment performance and allocate our resources among our segments. NOI is not a measure of operating income or cash flows from operating activities as measured by GAAP and is not indicative of cash available to fund cash needs. As a result, NOI should not be considered an alternative to cash flows as a measure of liquidity. Not all companies calculate NOI in the same manner. We consider NOI to be an appropriate supplemental measure to net income because it assists both investors and management in understanding the core operations of our real estate and construction businesses. See Note 3 to our consolidated financial statements in Item 8 of this Annual Report on Form 10-K for a reconciliation of NOI to net income.

We define same store properties as those that we owned and operated and that were stabilized for the entirety of both periods compared. Same store properties exclude those that were in lease-up during the periods compared. We generally consider a property to be in lease-up until the earlier of: (i) the quarter after the property reaches 80% occupancy or (ii) the thirteenth quarter after the property receives its certificate of occupancy.

Office Segment Data

	Years Ended December 31,		
	2016	2015	2014
	($ in thousands)		
Rental revenues	$ 20,929	$ 31,534	$ 27,827
Rental expenses	7,560	9,888	8,710
NOI	$ 13,369	$ 21,646	$ 19,117
Square feet(1)	847,240	916,316	918,162
Occupancy(1)	86.8%	95.8%	95.2%

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

Rental revenues for the year ended December 31, 2016 decreased $10.6 million compared to the year ended December 31, 2015. NOI for the year ended December 31, 2016 decreased $8.3 million compared to the year ended December 31, 2015. The decreases in rental revenues and NOI resulted from the dispositions of Richmond Tower and Oyster Point, which occurred in the first quarter and third quarter of 2016, respectively.

Rental revenues for the year ended December 31, 2015 increased $3.7 million compared to the year ended December 31, 2014. NOI for the year ended December 31, 2015 increased $2.5 million compared to the year ended December 31, 2014. The increases in rental revenues and NOI resulted from the full year operation of 4525 Main Street and our delivery of three new build-to-suit buildings for Oceaneering International and the Commonwealth of Virginia. These increases were partially offset by property dispositions – the Sentara Williamsburg medical office building that we sold in the first quarter of 2015 and the Virginia Natural Gas office building that we sold in the fourth quarter of 2014.

Office Same Store Results

Office same store rental revenues, property expenses and NOI for the comparative years ended December 31, 2016 and 2015 and December 31, 2015 and 2014 were as follows:

	Years Ended December 31,			Years Ended December 31,		
	2016 (1)	2015 (1)	Change	2015 (2)	2014 (2)	Change
	($ in thousands)					
Rental revenues	$ 15,476	$ 15,565	$ (89)	$ 24,698	$ 24,615	$ 83
Property expenses	5,430	5,709	(279)	8,175	8,140	35
Same Store NOI	$ 10,046	$ 9,856	$ 190	$ 16,523	$ 16,475	$ 48
Non-Same Store NOI	3,323	11,790	(8,467)	5,123	2,642	2,481
Segment NOI	$ 13,369	$ 21,646	$ (8,277)	$ 21,646	$ 19,117	$ 2,529

(1) Same store excludes 4525 Main Street, the Richmond Tower building, the Oyster Point building, the Oceaneering International building and the Sentara Williamsburg medical office building.

(2) Same store excludes 4525 Main Street, the two Commonwealth of Virginia buildings, the Oceaneering International building, the Sentara Williamsburg medical office building and the Virginia Natural Gas office building.

Same store rental revenues for the year ended December 31, 2016 decreased slightly compared to the year ended December 31, 2015 because of lower occupancy at One Columbus and Armada Hoffler Tower in the Town Center of Virginia Beach. The decrease in rental revenues was more than offset by decreases in property expenses, specifically utilities, which were lower due to lower usage in 2016.

Same store rental revenues and NOI for the year ended December 31, 2015 increased compared to the year ended December 31, 2014 because of higher occupancy at Two Columbus and Armada Hoffler Tower in the Town Center of Virginia Beach.

Retail Segment Data

	Years Ended December 31,		
	2016	2015	2014
	($ in thousands)		
Rental revenues	$ 56,511	$ 32,064	$ 23,956
Rental expenses	14,511	8,843	7,108
NOI	$ 42,000	$ 23,221	$ 16,848
Square feet(1)	3,592,558	1,643,058	1,200,738
Occupancy(1)	95.8%	95.5%	96.4%

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

Rental revenues for the year ended December 31, 2016 increased $24.4 million compared to the year ended December 31, 2015. NOI for the year ended December 31, 2016 increased $18.8 million compared to the year ended December 31, 2015. The increases in rental revenues and NOI resulted primarily from property acquisitions and new real estate placed into service. During the year ended December 31, 2016, we acquired the 11-property retail portfolio, Southgate Square, Southshore Shops, Columbus Village II and Renaissance Square and placed into service Brooks Crossing and Lightfoot Marketplace.

Rental revenues for the year ended December 31, 2015 increased $8.1 million compared to the year ended December 31, 2014. NOI for the year ended December 31, 2015 increased $6.4 million compared to the year ended December 31, 2014. The increases in rental revenues and NOI resulted primarily from property acquisitions and new real estate

placed into service. During the year ended December 31, 2015, we acquired Perry Hall Marketplace, Stone House Square, Socastee Commons, Columbus Village and Providence Plaza and placed into service Sandbridge Commons.

Retail Same Store Results

Retail same store rental revenues, property expenses and NOI for the comparative years ended December 31, 2016 and 2015 and December 31, 2015 and 2014 were as follows:

	Years Ended December 31,			Years Ended December 31,		
	2016 [1]	2015 [1]	Change	2015 [2]	2014 [2]	Change
	($ in thousands)					
Rental revenues	$ 26,316	$ 25,984	$ 332	$ 23,948	$ 22,986	$ 962
Property expenses	7,579	7,485	94	7,160	6,962	198
Same Store NOI	$ 18,737	$ 18,499	$ 238	$ 16,788	$ 16,024	$ 764
Non-Same Store NOI	23,263	4,722	18,541	6,433	824	5,609
Segment NOI	$ 42,000	$ 23,221	$ 18,779	$ 23,221	$ 16,848	$ 6,373

(1) Same store excludes the 11-property retail portfolio, Brooks Crossing, Columbus Village, Columbus Village II, Greentree Shopping Center, Lightfoot Marketplace, Providence Plaza, Perry Hall Marketplace, Renaissance Square, Sandbridge Commons, Socastee Commons, Southgate Square, Southshore Shops and Stone House Square.

(2) Same store excludes Columbus Village, Dimmock Square, Greentree Shopping Center, Providence Plaza, Perry Hall Marketplace, Sandbridge Commons, Socastee Commons and Stone House Square.

Same store rental revenues and NOI for the year ended December 31, 2016 increased compared to the year ended December 31, 2015 primarily because of higher occupancy at Broad Creek, Hanbury Village, North Point, Parkway Marketplace and Fountain Plaza. These increases were partially offset somewhat by lower occupancy at 249 Central Park.

Same store rental revenues and NOI for the year ended December 31, 2015 increased compared to the year ended December 31, 2014 primarily because of higher occupancy at South Retail in the Town Center of Virginia Beach and the redeveloped ground floor space at Dick’s at Town Center.

Multifamily Segment Data

	Years Ended December 31,		
	2016	2015	2014
	($ in thousands)		
Rental revenues	$ 21,915	$ 17,574	$ 12,963
Rental expenses	9,462	8,255	6,592
NOI	$ 12,453	$ 9,319	$ 6,371
Apartment units [1]	1,266	1,109	626
Occupancy [1]	94.3%	94.2%	95.7%

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

Rental revenues for the year ended December 31, 2016 increased $4.3 million compared to the year ended December 31, 2015. NOI increased $3.1 million compared to the year ended December 31, 2015. The increases in rental revenues and NOI resulted primarily from the delivery of Johns Hopkins Village in August 2016. The increase from Johns Hopkins Village was offset somewhat by the sale of Whetstone Apartments in 2015.

Rental revenues for the year ended December 31, 2015 increased $4.6 million compared to the year ended December 31, 2014. NOI increased $2.9 million compared to the year ended December 31, 2014. The increases in rental

revenues and NOI resulted primarily from our stabilization of both Encore and Liberty Apartments during 2015 as well as higher occupancy at The Cosmopolitan in the Town Center of Virginia Beach.

Multifamily Same Store Results

Multifamily same store rental revenues, property expenses and NOI for the comparative years ended December 31, 2016 and 2015 and December 31, 2015 and 2014 were as follows:

	Years Ended December 31,			Years Ended December 31,		
	2016 [1]	2015 [1]	Change	2015 [2]	2014 [2]	Change
	($ in thousands)					
Rental revenues	$ 12,221	$ 12,158	$ 63	$ 12,159	$ 11,638	$ 521
Property expenses	5,325	5,249	76	5,249	5,148	101
Same Store NOI	$ 6,896	$ 6,909	$ (13)	$ 6,910	$ 6,490	$ 420
Non-Same Store NOI	5,557	2,410	3,147	2,409	(119)	2,528
Segment NOI	$ 12,453	$ 9,319	$ 3,134	$ 9,319	$ 6,371	$ 2,948

(1) Same store excludes Encore Apartments, Johns Hopkins Village, Liberty Apartments and Whetstone Apartments.

(2) Same store excludes Encore Apartments, Liberty Apartments and Whetstone Apartments.

Same store rental revenues for the year ended December 31, 2016 increased compared to the year ended December 31, 2015 because of higher rental rates at Smith's Landing. This increase was partially offset by lower occupancy at The Cosmopolitan in the Town Center of Virginia Beach. Same store NOI decreased slightly due to an increase in real estate taxes at The Cosmopolitan.

Same store rental revenues and NOI for the year ended December 31, 2015 increased compared to the year ended December 31, 2014 because of higher occupancy at The Cosmopolitan in the Town Center of Virginia Beach and Smith's Landing.

General Contracting and Real Estate Services Segment Data

	Years Ended December 31,		
	2016	2015	2014
	($ in thousands)		
Segment revenues	$ 159,030	$ 171,268	$ 103,321
Gross profit	$ 5,655	$ 5,924	$ 4,567
Operating margin	3.6%	3.5%	4.4%
Construction backlog	$ 217,718	$ 83,433	$ 159,139

Segment revenues for the year ended December 31, 2016 decreased $12.2 million compared to the year ended December 31, 2015. Gross profit for the year ended December 31, 2016 decreased $0.3 million compared to the year ended December 31, 2015. The decrease in segment revenues resulted from lower volume on our construction contracts driven by the completion of the Exelon construction project in the Inner Harbor of Baltimore. The decrease in segment revenue was slightly offset by higher operating margins.

Segment revenues for the year ended December 31, 2015 increased $67.9 million compared to the year ended December 31, 2014. Gross profit for the year ended December 31, 2015 increased $1.4 million compared to the year ended December 31, 2014. The increase in segment revenues and gross profit resulted from higher volume on our construction contracts driven by the Exelon construction project in the Inner Harbor of Baltimore, which was slightly offset by lower operating margins.

The changes in construction backlog for each of the three years ended December 31, 2016 were as follows:

	Years Ended December 31,		
	2016	2015	2014
	($ in thousands)		
Beginning backlog	$ 83,433	$ 159,139	$ 46,385
New contracts/change orders	293,115	95,356	215,303
Work performed	(158,830)	(171,062)	(102,549)
Ending backlog	**$ 217,718**	**$ 83,433**	**$ 159,139**

During the year ended December 31, 2016, we executed several new contracts: Annapolis Junction and the Dinwiddie County administration building, which added $50.2 million and $23.0 million, respectively, to the December 31, 2016 backlog.

During the year ended December 31, 2015, we added $45.9 million to backlog for the construction of a new hotel at the Oceanfront of Virginia Beach, Virginia for a related party development group. Construction is expected to be completed in time for the 2017 summer season. As of December 31, 2016 and 2015, we had $7.8 million and $40.4 million, respectively, of backlog related to the Oceanfront hotel construction project.

During the year ended December 31, 2014, we executed a $168.8 million contract for the construction of the new headquarters for Exelon’s Constellation business unit in Baltimore, Maryland. Exelon is the nation’s leading competitive energy provider. Construction was completed in the fourth quarter of 2016. As of December 31, 2015 and 2014, we had $26.9 million and $126.0 million, respectively, of backlog related to the Exelon construction project.

Consolidated Results of Operations

The following table summarizes our results of operations for each of the three years ended December 31, 2016:

	Years Ended December 31,			2016	2015
	2016	2015	2014	Change	Change
	($ in thousands)				
Revenues					
Rental revenues	$ 99,355	$ 81,172	$ 64,746	$ 18,183	$ 16,426
General contracting and real estate services revenues	159,030	171,268	103,321	(12,238)	67,947
Total revenues	**258,385**	**252,440**	**168,067**	**5,945**	**84,373**
Expenses					
Rental expenses	21,904	19,204	16,667	2,700	2,537
Real estate taxes	9,629	7,782	5,743	1,847	2,039
General contracting and real estate services expenses	153,375	165,344	98,754	(11,969)	66,590
Depreciation and amortization	35,328	23,153	17,569	12,175	5,584
General and administrative expenses	9,552	8,397	7,711	1,155	686
Acquisition, development and other pursuit costs	1,563	1,935	229	(372)	1,706
Impairment charges	355	41	15	314	26
Total expenses	**231,706**	**225,856**	**146,688**	**5,850**	**79,168**
Operating income	**26,679**	**26,584**	**21,379**	**95**	**5,205**
Interest income	3,228	126	—	3,102	126
Interest expense	(16,466)	(13,333)	(10,648)	(3,133)	(2,685)
Loss on extinguishment of debt	(82)	(512)	—	430	(512)
Gain on real estate dispositions	30,533	18,394	2,211	12,139	16,183
Change in fair value of interest rate derivatives	(941)	(229)	(233)	(712)	4
Other income	147	119	120	28	(1)
Income before taxes	43,098	31,149	12,829	11,949	18,320
Income tax benefit (provision)	(343)	34	(70)	(377)	104
Net income	**$ 42,755**	**$ 31,183**	**$ 12,759**	**$ 11,572**	**$ 18,424**

Rental Revenues. Rental revenues by segment for each of the three years ended December 31, 2016 were as follows:

	Years Ended December 31,			2016	2015
	2016	2015	2014	Change	Change
	($ in thousands)				
Office	$ 20,929	$ 31,534	$ 27,827	$ (10,605)	$ 3,707
Retail	56,511	32,064	23,956	24,447	8,108
Multifamily	21,915	17,574	12,963	4,341	4,611
	$ 99,355	**$ 81,172**	**$ 64,746**	**$ 18,183**	**$ 16,426**

Rental revenues increased $18.2 million during the year ended December 31, 2016 compared to the year ended December 31, 2015. The decrease in office rental revenues resulted primarily from the dispositions of Richmond Tower and Oyster Point, which we sold in the first and third quarters of 2016, respectively. The increase in retail rental revenues resulted primarily from property acquisitions and new real estate placed into service. During the year ended December 31, 2016, we acquired the 11-property retail portfolio, Southgate Square, Southshore Shops, Columbus Village II and Renaissance Square and placed into service Brooks Crossing and Lightfoot Marketplace. The increases in multifamily rental revenues resulted primarily from the delivery of Johns Hopkins Village in August 2016.

Rental revenues increased $16.4 million during the year ended December 31, 2015 compared to the year ended December 31, 2014. The increase in office rental revenues resulted from the full year operation of 4525 Main Street and our delivery of three new build-to-suit buildings for Oceaneering International and the Commonwealth of Virginia. These increases were partially offset by property dispositions – the Sentara Williamsburg medical office building that we sold in the first quarter of 2015 and the Virginia Natural Gas office building that we sold in the fourth quarter of 2014. The increase in retail rental revenues resulted primarily from property acquisitions and new real estate placed into service. During the year ended December 31, 2015, we acquired Perry Hall Marketplace, Stone House Square, Socastee Commons, Columbus Village and Providence Plaza and placed into service Sandbridge Commons. The increase in multifamily rental revenues resulted primarily from our stabilization of both Encore and Liberty Apartments as well as higher occupancy at The Cosmopolitan in the Town Center of Virginia Beach.

General Contracting and Real Estate Services Revenues. General contracting and real estate services revenues for the years ended December 31, 2016 and 2015 decreased $12.2 million and increased $67.9 million, respectively, compared to the respective prior years, because of lower volume on our construction contracts, due to the completion of the Exelon construction project in 2016.

Rental Expenses. Rental expenses by segment for each of the three years ended December 31, 2016 were as follows:

	Years Ended December 31,			2016	2015
	2016	2015	2014	Change	Change
			($ in thousands)		
Office	$ 5,560	$ 6,938	$ 6,395	$ (1,378)	$ 543
Retail	9,116	5,915	5,011	3,201	904
Multifamily	7,228	6,351	5,261	877	1,090
	$ 21,904	**$ 19,204**	**$ 16,667**	**$ 2,700**	**$ 2,537**

Rental expenses increased $2.7 million during the year ended December 31, 2016 compared to the year ended December 31, 2015. Office rental expenses decreased primarily due to the disposition of Richmond Tower and Oyster Point. Retail rental expenses increased because of property acquisitions and new real estate placed into service. Multifamily rental expenses increased because of increased leasing at both Encore and Liberty Apartments and the delivery of Johns Hopkins Village in August 2016.

Rental expenses increased $2.5 million during the year ended December 31, 2015 compared to the year ended December 31, 2014. Office rental expenses increased primarily because of the full year operation of 4525 Main Street. Retail rental expenses increased because of property acquisitions and new real estate placed into service.

Real Estate Taxes. Real estate taxes by segment for each of the three years ended December 31, 2016 were as follows:

	Years Ended December 31,			2016	2015
	2016	2015	2014	Change	Change
			($ in thousands)		
Office	2,000	2,950	2,315	$ (950)	$ 635
Retail	5,395	2,928	2,097	2,467	831
Multifamily	2,234	1,904	1,331	330	573
	$ 9,629	**$ 7,782**	**$ 5,743**	**$ 1,847**	**$ 2,039**

Real estate taxes increased $1.8 million during the year ended December 31, 2016 compared to the year ended December 31, 2015. Office real estate taxes decreased primarily because of the dispositions of Richmond Tower and Oyster Point. Retail real estate taxes increased because of property acquisitions, new real estate placed into service and reassessments. Multifamily real estate taxes increased because of the reassessment of Encore Apartments, The Cosmopolitan and the delivery of Johns Hopkins Village in August 2016.

Real estate taxes increased $2.0 million during the year ended December 31, 2015 compared to the year ended December 31, 2014. Office real estate taxes increased primarily because of the full year operation of 4525 Main Street.

Retail real estate taxes increased because of property acquisitions and new real estate placed into service. Multifamily real estate taxes increased because of the reassessment of Encore Apartments.

General Contracting and Real Estate Services Expenses. General contracting and real estate services expenses for the years ended December 31, 2016 and 2015 decreased $12.0 million and increased $66.6 million compared to the respective prior years, because of lower volume on our construction contracts, primarily due to the completion of the Exelon construction project in 2016.

Depreciation and Amortization. Depreciation and amortization for the year ended December 31, 2016 increased $12.2 million compared to the year ended December 31, 2015. The increase was attributable to property acquisitions and new real estate placed into service. Depreciation and amortization for the year ended December 31, 2015 increased $5.6 million compared to the year ended December 31, 2014. The increase was attributable to property acquisitions and new real estate placed into service.

General and Administrative Expenses. General and administrative expenses for the years ended December 31, 2016 and 2015 increased $1.2 million and $0.7 million, respectively, compared to the respective prior years, because of higher regulatory and compliance costs as well as higher compensation and benefit costs from increased employee headcount.

Acquisition, Development and Other Pursuit Costs. During the year ended December 31, 2016, we recognized $1.6 million of costs primarily attributable to our acquisitions of an 11-property retail portfolio, Southgate Square and Southshore Shops. We adopted new accounting guidance on October 1, 2016 which allowed us to capitalize $0.7 million in costs related to the acquisitions of Renaissance Square and Columbus Village II. During the year ended December 31, 2015, we recognized $1.9 million of costs primarily attributable to our acquisitions of Perry Hall Marketplace, Stone House Square, Socastee Commons, Columbus Village, Providence Plaza and an 11-property retail portfolio. During the year ended December 31, 2014, we recognized $0.2 million of costs related primarily to our acquisition of Dimmock Square.

Impairment Charges. Impairment charges during the year ended December 31, 2016 were $0.4 million, primarily related to tenants who vacated prior to their lease expiration. Impairment charges during the years ended December 31, 2015 and 2014 were nominal.

Interest Income. Interest income is attributable to our investment in the Annapolis Junction and Point Street Apartments projects through our loans to the respective mezzanine borrowers. As of December 31, 2016, we had funded $59.5 million through our mezzanine loan program.

Interest Expense. Interest expense for the year ended December 31, 2016 increased $3.1 million compared to the year ended December 31, 2015 because of new real estate placed into service, increased borrowing on our credit facility and additional debt assumed in connection with operating property acquisitions. Interest expense for the year ended December 31, 2015 increased $2.7 million compared to the year ended December 31, 2014 because of new real estate placed into service and additional debt assumed in connection with operating property acquisitions, in addition to rising interest rates.

Loss on Extinguishment of Debt. During the year ended December 31, 2016, we recognized a $0.1 million loss on extinguishment of debt representing the unamortized debt issuance costs associated with our refinancing of the mortgages secured by 249 Central Park Retail, South Retail, Fountain Plaza, 4525 Main Street and Encore Apartments. During the year ended December 31, 2015, we recognized a $0.5 million loss on extinguishment of debt representing the unamortized debt issuance costs associated with our refinancing of the mortgage secured by Smith’s Landing as well as our repayment of the Whetstone Apartments and Oceaneering construction loans.

Gain on Real Estate Dispositions and Acquisitions. During the year ended December 31, 2016, we recognized gains on real estate acquisitions of $30.5 million compared to $18.4 million for the year ended December 31, 2015. The 2016 gains consisted of a $26.2 million gain on the sale of Richmond Tower, $3.8 million gain on Oyster Point and a $0.4 million gain on the Newport News Economic Development Authority building. During the year ended December 31, 2015, we recognized gains on real estate dispositions of $18.4 million compared to $2.2 million of gains on real estate dispositions for the year ended December 31, 2014. During the year ended December 31, 2015, we recognized a $6.2 million gain on our sale of the Sentara Williamsburg medical office building, a $7.2 million gain on our sale of Whetstone Apartments and a $5.0 million gain on our sale of the Oceaneering building. On November 20, 2014, we completed the sale of the Virginia Natural Gas office building and recognized a gain on disposition of $2.2 million.

Change in Fair Value of Interest Rate Derivatives. During the year ended December 31, 2016, we recognized losses on changes in fair value of interest rate derivatives of $0.9 million, compared to $0.2 million for the year ended December 31, 2015. The increase is primarily due to the dedesignation of our interest rate swaps during the three months ended March 31, 2016. In 2016, all activity for both interest rate caps and swaps were reclassed out of other income to this line item.

Other Income. Other income for the years ended December 31, 2016 and 2015 was relatively unchanged compared to the year ended December 31, 2014.

Income Taxes. Our TRS, through which we conduct our development and construction business, aris subject to federal, state and local corporate income taxes. The income tax benefit (provision) recognized during the three years ended December 31, 2016, 2015 and 2014 is attributable to the (losses) profits of our TRS.

Liquidity and Capital Resources

Overview

We believe our primary short-term liquidity requirements consist of general contractor expenses, operating expenses and other expenditures associated with our properties, including tenant improvements, leasing commissions and leasing incentives, dividend payments to our stockholders required to maintain our REIT qualification, debt service, capital expenditures, new real estate development projects and strategic acquisitions. We expect to meet our short-term liquidity requirements through net cash provided by operations, reserves established from existing cash, borrowings under construction loans to fund new real estate development and construction and borrowings available under our credit facility and proceeds from the sale of common stock through our 2016 at-the-market continuous equity offering program (“2016 ATM Equity Offering Program”).

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

As of December 31, 2016, we had unrestricted cash and cash equivalents of $21.9 million and restricted cash in escrow of $3.3 million available for both current liquidity needs as well as development activities. As of December 31, 2016, we had $43.0 million available under our credit facility and $19.1 million available for future issuance under our 2016 ATM Equity Offering Program to meet our short-term liquidity requirements.

On February 1, 2017, we increased the borrowings under the senior unsecured term loan facility to $125.0 million and increased the total capacity of the senior unsecured credit facility to $275.0 million, pursuant to the accordion feature of the credit facility.

ATM Equity Offering Program

On May 4, 2016, we commenced the 2016 ATM Program through which we may, from time to time, issue and sell shares of common stock having an aggregate offering price of up to $75.0 million. Upon commencing our 2016 ATM Program, we simultaneously terminated our prior $50.0 million at-the-market continuous equity offering program (the "Prior ATM Program"), which we entered into in May 2015 and under which we sold an aggregate of 2,261,068 shares of common stock, resulting in aggregate net proceeds of $23.1 million. Our sale of shares under the 2016 ATM Program will depend on a variety of factors, including among other things, market conditions, the trading price of our common stock, capital needs and our determination of appropriate sources of funding. We have no obligation to sell any shares and may at any time suspend or terminate the 2016 ATM Program. Each of our sales agents are entitled to a commission of up to 1.5% of the gross offering proceeds of shares that they sell through the 2016 ATM Program. We intend to use any net proceeds from the sale of shares through the 2016 ATM Program to fund development or redevelopment activities, fund potential acquisition opportunities, repay indebtedness, including amounts outstanding under our credit facility, or for general corporate purposes. During the three months and year ended December 31, 2016, we raised $17.4 million and $55.9 million of gross proceeds, respectively, at a weighted average price of $14.10 and $13.45 per share, respectively, under the 2016 ATM Program, resulting in net proceeds after offering costs and commissions of $17.1 million and $54.8 million, respectively.

Credit Facility

On February 20, 2015, we entered into a $200.0 million senior unsecured credit facility that includes a $150.0 million senior unsecured revolving credit facility and a $50.0 million senior unsecured term loan facility. The credit facility replaced the prior $155.0 million senior secured revolving credit facility that was scheduled to mature on May 13, 2016. We intend to use future borrowings under the credit facility for general corporate purposes, including funding acquisitions, development and redevelopment of properties in our portfolio and for working capital.

The credit facility includes an accordion feature that allows the total commitments to be increased to $350.0 million, subject to certain conditions. On January 5, 2016 and March 31, 2016, we increased the total borrowing capacity to $225.0 million and $250.0 million, respectively. The amount permitted to be borrowed under the credit facility, together with all of our other unsecured indebtedness, is generally limited to the lesser of: (i) 60% of the value of our unencumbered borrowing base properties, (ii) the maximum amount of principal that would result in a debt service coverage ratio of 1.50 to 1.0, and (iii) the maximum aggregate loan commitment, which was $250.0 million as of December 31, 2016.

The revolving credit facility has a scheduled maturity date of February 20, 2019, with a one-year extension option. The term loan facility has a scheduled maturity date of February 20, 2020. We may, at any time, voluntarily prepay any loan under the credit facility in whole or in part without a material premium or penalty.

The revolving credit facility bears interest at LIBOR plus 1.40% to 2.00%, depending on our total leverage. The term loan facility bears interest at LIBOR plus 1.35% to 1.95%, depending on our total leverage. We are also obligated to pay an unused commitment fee of 15 or 25 basis points on the unused portions of the commitments under the credit facility, depending on the amount of borrowings under the credit facility. If we attain investment grade credit ratings from S&P and Moody’s, we may elect to have borrowings become subject to interest rates based on our credit ratings.

The credit facility requires us to comply with various financial covenants, affirmative covenants and other restrictions, including the following:

- Total leverage ratio of the Company of not more than 60% (or 65% for the two consecutive quarters following any acquisition that is equal to or greater than 10% of our total asset value (as defined in the credit agreement), but only up to two times during the term of the credit facility);
- Ratio of adjusted EBITDA to fixed charges of the Company of not less than 1.50 to 1.0;
- Tangible net worth of not less than the sum of $220.0 million and 75% of the net equity proceeds received after December 31, 2014;
- Ratio of variable rate indebtedness to total asset value of not more than 30%;
- Ratio of secured indebtedness to total asset value of not more than 45%; and
- Ratio of secured recourse debt to total asset value of not more than 25%.

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

On February 1, 2017, we increased the borrowings under the senior unsecured term loan facility to $125.0 million and increased the total capacity of the senior unsecured credit facility to $275.0 million, pursuant to the accordion feature of the credit facility.

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

Consolidated Indebtedness

The following table sets forth our consolidated indebtedness as of December 31, 2016 ($ in thousands):

Secured Debt	Amount Outstanding	Interest Rate(a)	Effective Rate for Variable-Rate Debt	Maturity Date	Balance at Maturity
249 Central Park Retail	$ 17,076	LIBOR + 1.95%	2.72%	August 8, 2021	$ 15,959
South Retail	7,493	LIBOR + 1.95%	2.72%	August 8, 2021	7,002
Fountain Plaza Retail	10,281	LIBOR + 1.95%	2.72%	August 8, 2021	9,608
4525 Main Street	32,034	3.25%		September 10, 2021	30,774
Encore Apartments	24,966	3.25%		September 10, 2021	24,006
North Point Note 5	643	LIBOR + 2.00%	3.57% (b)	February 1, 2017	643
Harrisonburg Regal	3,256	6.06%		June 8, 2017	3,165
Commonwealth of Virginia – Chesapeake	4,933	LIBOR + 1.90%	2.67%	August 28, 2017	4,933
Hanbury Village	20,709	6.67%		October 11, 2017	20,499
Lightfoot Marketplace	12,194	LIBOR + 1.90%	2.67%	November 14, 2017	12,194
Sandbridge Commons	9,376	LIBOR + 1.85%	2.62%	January 17, 2018	9,129
Southgate Square	21,150	LIBOR + 2.00%	2.77%	April 29, 2021	18,925
Columbus Village Note 1	6,258	LIBOR + 2.00%	3.05% (b)	April 5, 2018	6,033
Columbus Village Note 2	2,266	LIBOR + 2.00%	2.77%	April 5, 2018	2,207
Johns Hopkins Village	43,841	LIBOR + 1.90%	2.67%	July 30, 2018	43,841
North Point Note 1	9,776	6.45%		February 5, 2019	9,333
Socastee Commons	4,866	4.57%		January 6, 2023	4,223
North Point Note 2	2,564	7.25%		September 15, 2025	1,344
Smith's Landing	20,511	4.05%		June 1, 2035	—
Liberty Apartments	20,005	5.66%		November 1, 2043	—
The Cosmopolitan	45,884	3.75%		July 1, 2051	—
Total secured debt	**$ 320,082**				**$ 223,818**
Unsecured Debt					
Revolving credit facility	107,000	LIBOR+1.40%-2.00%	2.32%	February 20, 2019	107,000
Term loan	50,000	LIBOR+1.35%-1.95%	3.50% (b)	February 20, 2020	50,000
Term loan	50,000	LIBOR+1.35%-1.95%	2.27%	February 20, 2020	50,000
Total unsecured debt	**$ 207,000**				**$ 207,000**
Unamortized GAAP adjustments	(4,902)				—
Indebtedness, net	**$ 522,180**				**$ 430,818**

(a) LIBOR is determined by individual lenders.
(b) Subject to an interest rate swap agreement.

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

As of December 31, 2016, our outstanding indebtedness matures during the following years ($ in thousands):

Year	Amount Due	Percentage of Total
2017	$ 45,210	9%
2018	64,528	12%
2019	119,818	23%
2020	104,482	20%
2021	109,862	21%
Thereafter	83,182	15%
	$ 527,082	**100%**

Interest Rate Derivatives

We may use interest rate derivatives from time to time to manage our exposure to interest rate risks. Using an interest rate swap lock, we fixed our interest payments under North Point Center Note 5 at 3.57% through maturity on February 1, 2017.

On February 20, 2015, we entered into a $50.0 million floating-to-fixed interest rate swap attributable to one-month LIBOR indexed interest payments. The $50.0 million interest rate swap has a fixed rate of 2.00%, an effective date of March 1, 2016 and a maturity date of February 20, 2020. We entered into this interest rate swap agreement in connection with the new $50.0 million senior unsecured term loan facility that bears interest at LIBOR plus 1.35% to 1.95%, depending on our total leverage.

On July 13, 2015, we entered into a $6.5 million floating-to-fixed interest rate swap attributable to one-month LIBOR indexed interest payments. The $6.5 million interest rate swap has a fixed rate of 3.05%, an effective date of July 13, 2015 and a maturity date of April 5, 2018.

On October 26, 2015, we entered into a LIBOR interest rate cap agreement on a notional amount of $75.0 million at a strike rate of 1.25% for a premium of $0.1 million. The interest rate cap agreement expires on October 15, 2017.

On February 25, 2016, we entered into a LIBOR interest rate cap agreement on a notional amount of $75.0 million at a strike rate of 1.50% for a premium of less than $0.1 million. The interest rate cap agreement expires on March 1, 2018.

On June 17, 2016, we entered into a LIBOR interest rate cap agreement on a notional amount of $70.0 million at a strike rate of 1.00% for a premium of less than $0.1 million. The interest rate cap agreement expires on June 17, 2018.

On February 7, 2017, we entered into a LIBOR interest rate cap agreement on a notional amount of $50.0 million at a strike rate of 1.50% for a premium of $0.2 million. The interest rate cap expires on March 1, 2019.

As of December 31, 2016, we were party to the following LIBOR interest rate cap agreements ($ in thousands):

Effective Date	Maturity Date	Strike Rate	Notional Amount
March 14, 2014	March 1, 2017	1.25%	$ 50,000
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
Total			**$ 270,000**

Contractual Obligations

The following table summarizes the future payments for known contractual obligations as of December 31, 2016 (in thousands):

Contractual Obligations	Total	Payments due by period Less than 1 year	1 – 3 years	3 – 5 years	More than 5 years
Principal payments of long-term indebtedness	$ 527,082	$ 45,210	$ 184,346	$ 214,344	$ 83,182
Ground and other operating leases	100,660	1,845	3,679	3,683	91,453
Long-term debt—fixed interest	84,226	10,467	15,891	10,755	47,113
Long-term debt—variable interest(1) (2)	14,534	3,683	9,433	1,418	—
Tenant-related and other commitments	2,906	2,791	—	—	115
Total	**$ 729,408**	**$ 63,996**	**$ 213,349**	**$ 230,200**	**$ 221,863**

(1) For long-term debt that bears interest at variable rates, we estimated future interest payments using the indexed rates as of December 31, 2016. LIBOR as of December 31, 2016 was 77 basis points.

(2) Assumes the balance outstanding of $107 million and the weighted average interest rate of 2.32% in effect at December 31, 2016 remain in effect until maturity of our secured revolving credit facility. Amounts also include unused credit facility fees assuming the balance outstanding at December 31, 2016 remains outstanding through maturity of our secured revolving credit facility.

Off-Balance Sheet Arrangements

We have entered into standby letters of credit relating to the guarantee of future performance on certain of our construction contracts. Letters of credit generally are available for draw down in the event we do not perform. As of December 31, 2016, we had aggregate outstanding letters of credit totaling $4.1 million, all of which expire during 2017. However, all of our standby letters of credit are expected to renew for additional periods until completion of the underlying contractual obligation.

Cash Flows

	Years Ended December 31, 2016	2015	Change
	($ in thousands)		
Operating Activities	$ 59,770	$ 33,086	$ 26,684
Investing Activities	(226,461)	(56,381)	(170,080)
Financing Activities	161,644	24,401	137,243
Net Increase (Decrease)	**$ (5,047)**	**$ 1,106**	**$ (6,153)**
Cash and Cash Equivalents, Beginning of Period	$ 26,989	$ 25,883	
Cash and Cash Equivalents, End of Period	$ 21,942	$ 26,989	

Net cash provided by operating activities for the year ended December 31, 2016 increased $26.7 million compared to the year ended December 31, 2015 primarily as a result of more net cash generated from our operating property portfolio, complimented by higher net cash generated from our construction business.

Net cash used for investing activities for the year ended December 31, 2016 increased $170.1 million compared to the year ended December 31, 2015 primarily due to increased acquisition and development activity. Cash outflows for acquisitions totaled $195.6 million for the year ended December 31, 2016 compared to $68.4 million for the year ended December 31, 2015.
During the year ended December 31, 2016, we invested $57.4 million in new real estate development compared to $52.7 million during the year ended December 31, 2015.

Net cash provided by financing activities for the year ended December 31, 2016 increased $137.2 million compared to the year ended December 31, 2015 primarily as a result of increased net debt issuances and borrowings.

	Years Ended December 31,		
	2015	2014	Change
	($ in thousands)		
Operating Activities	$ 33,086	$ 31,362	$ 1,724
Investing Activities	(56,381)	(105,306)	48,925
Financing Activities	24,401	80,945	(56,544)
Net Increase (Decrease)	**$ 1,106**	**$ 7,001**	**$ (5,895)**
Cash and Cash Equivalents, Beginning of Period	$ 25,883	$ 18,882	
Cash and Cash Equivalents, End of Period	$ 26,989	$ 25,883	

Net cash provided by operating activities for the year ended December 31, 2015 increased $1.7 million compared to the year ended December 31, 2014 primarily as a result of more net cash generated from our operating property portfolio, which was partially offset by less net cash generated from our construction business.

Net cash used for investing activities for the year ended December 31, 2015 decreased $48.9 million compared to the year ended December 31, 2014 because of less cash spent on new real estate development. During the year ended December 31, 2015, we invested $52.7 million in new real estate development compared to $98.5 million during the year ended December 31, 2014.

Net cash provided by financing activities for the year ended December 31, 2015 decreased $56.5 million compared to the year ended December 31, 2014 primarily as a result of less net debt issuances and borrowings.

Non-GAAP Financial Measures

We calculate FFO in accordance with the standards established by 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. 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 year over year, captures trends in occupancy rates, rental rates and operating costs. We also believe that, as a widely recognized measure of the performance of REITs, FFO will be used by investors as a basis to compare our operating performance with that of other REITs.

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

We also believe that the computation of FFO in accordance with NAREIT's definition includes certain items that are not indicative of the results provided by the Company's operating property portfolio and affect the comparability of the Company's year-over-year performance. Accordingly, management believes that Normalized FFO is a more useful performance

measure that excludes certain items, including but not limited to, debt extinguishment losses and prepayment penalties, property acquisition, development and other pursuit costs, mark-to-market adjustments for interest rate derivatives and other non-comparable items.

The following table sets forth a reconciliation of FFO and Normalized FFO for each of the three years ended December 31, 2016 to net income, the most directly comparable GAAP equivalent:

	Years Ended December 31,		
	2016	2015	2014
	($ in thousands)		
Net income	**$ 42,755**	**$ 31,183**	**$ 12,759**
Depreciation and amortization	35,328	23,153	17,569
Gain on real estate dispositions	(30,103)	(18,394)	(2,211)
Funds from operations	**$ 47,980**	**$ 35,942**	**$ 28,117**
Acquisition, development and other pursuit costs	1,563	1,935	229
Impairment charges	355	41	15
Loss on extinguishment of debt	82	512	—
Derivative mark-to-market adjustments	941	229	233
Normalized funds from operations	**$ 50,921**	**$ 38,659**	**$ 28,594**

The adjustment for gain on real estate dispositions for the year ended December 31, 2016 excludes the gain on the Newport News Economic Authority building because this building was sold before being placed in service.

Inflation

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

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

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

As of December 31, 2016 and excluding unamortized GAAP adjustments, approximately $241.5 million, or 45.8%, of our debt had fixed interest rates and approximately $285.6 million, or 54.2%, had variable interest rates. Considering interest rate swaps, approximately $15.6 million of our debt is subject to interest rate risk. Assuming no increase in the level of our variable rate debt, if interest rates increased by 1.0%, our cash flow would decrease by approximately $1.5 million per year. As of December 31, 2016, LIBOR was approximately 77 basis points. Assuming no increase in the level of our variable rate debt, if LIBOR was reduced to 0 basis points, our cash flow would increase by approximately $2.2 million per year.

Item 8. Financial Statements and Supplementary Data.

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

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

None.

Item 9A.Controls and Procedures.

Disclosure Controls and Procedures

The Company's management has evaluated, under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial Officer, the effectiveness of the disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), as required by paragraph (b) of Rules 13a-15 and 15d-15 of the Exchange Act. Based on this evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that as of December 31, 2016, the Company's disclosure controls and procedures were effective to ensure that information we are required to disclose in reports filed or submitted with the Securities and Exchange Commission (i) is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and (ii) is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding disclosure.

Management's Annual Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act. Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2016 based on the 2013 framework in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on that evaluation, the Company's management concluded that our internal control over financial reporting was effective as of December 31, 2016.

Attestation Report of Independent Registered Public Accounting Firm

Not applicable.

Changes in Internal Control over Financial Reporting

There have been no changes in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during the quarter ended December 31, 2016 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

This information is incorporated by reference from the Company's Proxy Statement with respect to the 2017 Annual Meeting of Stockholders to be filed with the SEC no later than May 1, 2017.

Item 11. Executive Compensation.

This information is incorporated by reference from the Company's Proxy Statement with respect to the 2017 Annual Meeting of Stockholders to be filed with the SEC no later than May 1, 2017.

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

This information is incorporated by reference from the Company's Proxy Statement with respect to the 2017 Annual Meeting of Stockholders to be filed with the SEC no later than May 1, 2017.

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

This information is incorporated by reference from the Company's Proxy Statement with respect to the 2017 Annual Meeting of Stockholders to be filed with the SEC no later than May 1, 2017.

Item 14. Principal Accountant Fees and Services.

This information is incorporated by reference from the Company's Proxy Statement with respect to the 2017 Annual Meeting of Stockholders to be filed with the SEC no later than May 1, 2017.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

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

(1) Financial Statements

Included herein at pages F-1 through F-40.

(2) Financial Statement Schedules

The following financial statement schedule is included herein at pages F-41 through F-43:

Schedule III—Consolidated Real Estate Investments and Accumulated Depreciation

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

(3) Exhibits

The exhibits required to be filed by Item 601 of Regulation S-K are listed in the Exhibit Index.

Item 16. Form 10-K Summary.

None.

SIGNATURES

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

Date: March 1, 2017

ARMADA HOFFLER PROPERTIES, INC.

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

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

Signature	Title	Date
/s/ Daniel A. Hoffler Daniel A. Hoffler	Executive Chairman and Director	March 1, 2017
/s/ A. Russell Kirk A. Russell Kirk	Vice Chairman and Director	March 1, 2017
/s/ Louis S. Haddad Louis S. Haddad	President, Chief Executive Officer and Director (principal executive officer)	March 1, 2017
/s/ Michael P. O'Hara Michael P. O'Hara	Chief Financial Officer and Treasurer (principal financial officer and principal accounting officer)	March 1, 2017
/s/ George F. Allen George F. Allen	Director	March 1, 2017
/s/ James A. Carroll James A. Carroll	Director	March 1, 2017
/s/ James C. Cherry James C. Cherry	Director	March 1, 2017
/s/ Eva S. Hardy Eva S. Hardy	Director	March 1, 2017
/s/ John W. Snow John W. Snow	Director	March 1, 2017

Armada Hoffler Properties, Inc.

Form 10-K
For the Fiscal Year Ended December 31, 2016

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

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Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying consolidated balance sheets of Armada Hoffler Properties, Inc. (the "Company"), as of December 31, 2016 and 2015, and the related consolidated statements of comprehensive income, equity, and cash flows for each of the three years in the period ended December 31, 2016. Our audits also included the financial statement schedule listed in the Index at Item 15(2). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Armada Hoffler Properties, Inc. at December 31, 2016 and 2015, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2016, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 1 to the consolidated financial statements, the Company changed its method for determining whether it acquired or sold a business as a result of the adoption of the amendments to the FASB Accounting Standards Codification resulting from Accounting Standards Update No. 2017-01, "Business Combinations (Topic 805): Clarifying the Definition of a Business," effective October 1, 2016.

/s/ Ernst & Young LLP

McLean, Virginia
March 1, 2017

ARMADA HOFFLER PROPERTIES, INC.
Consolidated Balance Sheets

(In thousands, except par value and share data)

	DECEMBER 31,	
	2016	2015
ASSETS		
Real estate investments:		
Income producing property	$ 894,078	$ 579,000
Held for development	680	1,180
Construction in progress	13,529	53,411
	908,287	633,591
Accumulated depreciation	(139,553)	(125,380)
Net real estate investments	768,734	508,211
Real estate investments held for sale	—	40,232
Cash and cash equivalents	21,942	26,989
Restricted cash	3,251	2,824
Accounts receivable, net	15,052	21,982
Notes receivable	59,546	7,825
Construction receivables, including retentions	39,433	36,535
Construction contract costs and estimated earnings in excess of billings	110	88
Equity method investments	10,235	1,411
Other assets	64,165	43,450
Total Assets	$ 982,468	$ 689,547
LIABILITIES AND EQUITY		
Indebtedness, net	$ 522,180	$ 377,593
Accounts payable and accrued liabilities	10,804	6,472
Construction payables, including retentions	51,130	52,067
Billings in excess of construction contract costs and estimated earnings	10,167	2,224
Other liabilities	39,209	25,471
Total Liabilities	633,490	463,827
Stockholders’ equity:		
Preferred stock, $0.01 par value, 100,000,000 shares authorized, none issued and outstanding as of December 31, 2016 and 2015, respectively	—	—
Common stock, $0.01 par value, 500,000,000 shares authorized, 37,490,361 and 30,076,359 shares issued and outstanding as of December 31, 2016 and 2015, respectively	374	300
Additional paid-in capital	197,114	102,906
Distributions in excess of earnings	(49,345)	(53,010)
Accumulated other comprehensive loss	—	(648)
Total stockholders’ equity	148,143	49,548
Noncontrolling interests	200,835	176,172
Total Equity	348,978	225,720
Total Liabilities and Equity	$ 982,468	$ 689,547

See Notes to Consolidated Financial Statements.

ARMADA HOFFLER PROPERTIES, INC.
Consolidated Statements of Comprehensive Income

(In thousands, except per share and unit data)

	YEARS ENDED DECEMBER 31,		
	2016	2015	2014
Revenues			
Rental revenues	$ 99,355	$ 81,172	$ 64,746
General contracting and real estate services revenues	159,030	171,268	103,321
Total revenues	258,385	252,440	168,067
Expenses			
Rental expenses	21,904	19,204	16,667
Real estate taxes	9,629	7,782	5,743
General contracting and real estate services expenses	153,375	165,344	98,754
Depreciation and amortization	35,328	23,153	17,569
General and administrative expenses	9,552	8,397	7,711
Acquisition, development and other pursuit costs	1,563	1,935	229
Impairment charges	355	41	15
Total expenses	231,706	225,856	146,688
Operating income	26,679	26,584	21,379
Interest income	3,228	126	—
Interest expense	(16,466)	(13,333)	(10,648)
Loss on extinguishment of debt	(82)	(512)	—
Gain on real estate dispositions	30,533	18,394	2,211
Change in fair value of interest rate derivatives	(941)	(229)	(233)
Other income	147	119	120
Income before taxes	43,098	31,149	12,829
Income tax benefit (provision)	(343)	34	(70)
Net income	42,755	31,183	12,759
Net income attributable to noncontrolling interests	(14,681)	(11,541)	(5,068)
Net income attributable to stockholders	$ 28,074	$ 19,642	$ 7,691
Net income per share and unit:			
Basic and diluted	$ 0.85	$ 0.75	$ 0.36
Weighted-average outstanding:			
Common shares	33,057	26,006	20,946
Common units	17,167	15,377	14,125
Basic and diluted	50,224	41,383	35,071
Comprehensive income:			
Net income	$ 42,755	$ 31,183	$ 12,759
Unrealized cash flow hedge losses	—	(1,075)	—
Realized cash flow hedge losses reclassified to net income	—	27	—
Comprehensive income	42,755	30,135	12,759
Comprehensive income attributable to noncontrolling interests	(14,681)	(11,141)	(5,068)
Comprehensive income attributable to stockholders	$ 28,074	$ 18,994	$ 7,691

See Notes to Consolidated Financial Statements.

ARMADA HOFFLER PROPERTIES, INC.
Consolidated Statements of Equity

(In thousands, except share data)

	Shares of common stock	Common stock	Additional paid-in capital	Distributions in excess of earnings	Accumulated other comprehensive loss	Total stockholders' equity (deficit)	Noncontrolling interests	Total Equity
Balance, January 1, 2014	19,163,413	$ 192	$ 1,247	$ (47,934)	$ —	$ (46,495)	$ 152,016	$105,521
Net income	—	—	—	7,691	—	7,691	5,068	12,759
Net proceeds from sale of common stock	5,750,000	57	49,242	—	—	49,299	—	49,299
Restricted stock awards	109,288	1	1,284	—	—	1,285	—	1,285
Acquisitions of real estate investments	—	—	—	—	—	—	16,351	16,351
Exchange of owners' equity for common units	—	—	(301)	—	—	(301)	301	—
Dividends and distributions declared	—	—	—	(14,170)	—	(14,170)	(9,139)	(23,309)
Balance, December 31, 2014	25,022,701	$ 250	$ 51,472	$ (54,413)	$ —	$ (2,691)	$ 164,597	$161,906
Net income	—	—	—	19,642	—	19,642	11,541	31,183
Unrealized cash flow hedge losses	—	—	—	—	(665)	(665)	(410)	(1,075)
Realized cash flow hedge losses reclassified to net income	—	—	—	—	17	17	10	27
Net proceeds from sale of common stock	4,560,049	45	45,990	—	—	46,035	—	46,035
Restricted stock awards	78,109	1	992	—	—	993	—	993
Acquisitions of real estate investments	415,500	4	4,429	—	—	4,433	10,736	15,169
Exchange of owners' equity for common units	—	—	23	—	—	23	(264)	(241)
Dividends and distributions declared	—	—	—	(18,239)	—	(18,239)	(10,038)	(28,277)
Balance, December 31, 2015	30,076,359	$ 300	$ 102,906	$ (53,010)	$ (648)	$ 49,548	$ 176,172	$225,720
Net income	—	—	—	28,074	—	28,074	14,681	42,755
Dedesignation of cash flow hedge	—	—	—	—	648	648	400	1,048
Net proceeds from sales of common stock	5,312,855	53	66,969	—	—	67,022	—	67,022
Restricted stock awards	101,147	1	1,161	—	—	1,162	—	1,162
Acquisitions of real estate investments	2,000,000	20	26,080	—	—	26,100	21,178	47,278
Redemption of operating partnership units	—	—	(2)	—	—	(2)	(56)	(58)
Dividends and distributions declared	—	—	—	(24,409)	—	(24,409)	(11,540)	(35,949)
Balance, December 31, 2016	37,490,361	$ 374	$ 197,114	$ (49,345)	$ —	$ 148,143	$ 200,835	$348,978

See Notes to Consolidated Financial Statements.

ARMADA HOFFLER PROPERTIES, INC.
Consolidated Statements of Cash Flows

(In thousands)

	YEARS ENDED DECEMBER 31,		
	2016	2015	2014
OPERATING ACTIVITIES			
Net income	$ 42,755	$ 31,183	$ 12,759
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation of buildings and tenant improvements	23,453	18,678	14,984
Amortization of leasing costs and in-place lease intangibles	11,875	4,475	2,585
Accrued straight-line rental revenue	(1,091)	(1,924)	(2,203)
Amortization of leasing incentives and above or below-market rents	(85)	738	632
Accrued straight-line ground rent expense	371	290	315
Bad debt expense	203	131	79
Noncash stock compensation	1,082	931	917
Impairment charges	355	41	15
Noncash interest expense	980	1,006	517
Loss on extinguishment of debt	82	512	—
Gain on real estate dispositions	(30,533)	(18,394)	(2,211)
Change in the fair value of interest rate derivatives	941	229	233
Other noncash gain	—	—	(42)
Changes in operating assets and liabilities:			
Property assets	(3,183)	(2,463)	(1,420)
Property liabilities	3,761	2,326	(1,069)
Construction assets	(6,385)	(17,337)	(5,893)
Construction liabilities	15,189	12,664	11,164
Net cash provided by operating activities	59,770	33,086	31,362
INVESTING ACTIVITIES			
Development of real estate investments	(57,425)	(52,719)	(98,467)
Tenant and building improvements	(6,698)	(5,157)	(6,362)
Acquisitions of real estate investments	(195,645)	(68,445)	(2,754)
Dispositions of real estate investments	96,670	79,566	7,387
Notes receivable issuances	(51,721)	(7,825)	—
Government development grants	—	300	300
Decrease (increase) in restricted cash	(208)	1,580	(1,824)
Leasing costs	(2,374)	(2,118)	(2,835)
Leasing incentives	(236)	(1,563)	(751)
Contributions to real estate joint ventures	(8,824)	—	—
Net cash used for investing activities	(226,461)	(56,381)	(105,306)
FINANCING ACTIVITIES			
Proceeds from sales of common stock	68,475	46,462	49,566
Offering costs	(1,453)	(427)	(416)
Debt issuances, credit facility and construction loan borrowings	316,852	214,407	117,645
Debt and credit facility repayments, including principal amortization	(186,533)	(206,889)	(63,306)
Debt issuance costs	(1,796)	(1,887)	(448)
Redemption of operating partnership units	(58)	(241)	—
Dividends and distributions	(33,843)	(27,024)	(22,096)
Net cash provided by financing activities	161,644	24,401	80,945
Net increase (decrease) in cash and cash equivalents	(5,047)	1,106	7,001
Cash and cash equivalents, beginning of period	26,989	25,883	18,882
Cash and cash equivalents, end of period	$ 21,942	$ 26,989	$ 25,883
Supplemental cash flow information:			
Cash paid for interest	$ (15,326)	$ (12,993)	$ (12,132)
Cash refunded (paid) for income taxes	$ (121)	$ 276	$ (821)
Common shares and OP units issued for acquisitions	$ 47,278	$ 15,169	$ 16,351
Change in accrued capital improvements and development costs	$ 8,183	$ 1,825	$ 2,608

See Notes to Consolidated Financial Statements.

ARMADA HOFFLER PROPERTIES, INC.
Notes to Consolidated Financial Statements

1. Business and Organization

Armada Hoffler Properties, Inc. (the “Company”) is a full service real estate company with extensive experience developing, building, owning and managing high-quality, institutional-grade office, retail and multifamily properties in attractive markets primarily throughout the Mid-Atlantic United States.

The Company is a real estate investment trust, or REIT, and is the sole general partner of Armada Hoffler, L.P. (the “Operating Partnership”), and as of December 31, 2016, owned 68.1% of the economic interest in the Operating Partnership, of which 0.1% is held as general partnership units. The operations of the Company are carried on primarily through the Operating Partnership and the wholly owned subsidiaries of the Operating Partnership. Both the Company and the Operating Partnership were formed on October 12, 2012 and commenced operations upon completion of the underwritten initial public offering of shares of the Company’s common stock (the “IPO”) and certain related formation transactions on May 13, 2013.

As of December 31, 2016, the Company owned 100% of the interests in each of the following properties in its operating property portfolio:

Property	Segment	Location
4525 Main Street	Office	Virginia Beach, Virginia*
Armada Hoffler Tower	Office	Virginia Beach, Virginia*
Commonwealth of Virginia – Chesapeake	Office	Chesapeake, Virginia
Commonwealth of Virginia – Virginia Beach	Office	Virginia Beach, Virginia
One Columbus	Office	Virginia Beach, Virginia*
Two Columbus	Office	Virginia Beach, Virginia*
249 Central Park Retail	Retail	Virginia Beach, Virginia*
Alexander Pointe	Retail	Salisbury, North Carolina
Bermuda Crossroads	Retail	Chester, Virginia
Broad Creek Shopping Center	Retail	Norfolk, Virginia
Broadmoor Plaza	Retail	South Bend, Indiana
Columbus Village	Retail	Virginia Beach, Virginia*
Columbus Village II	Retail	Virginia Beach, Virginia*
Commerce Street Retail	Retail	Virginia Beach, Virginia*
Courthouse 7-Eleven	Retail	Virginia Beach, Virginia
Dick’s at Town Center	Retail	Virginia Beach, Virginia*
Dimmock Square	Retail	Colonial Heights, Virginia
Fountain Plaza Retail	Retail	Virginia Beach, Virginia*
Gainsborough Square	Retail	Chesapeake, Virginia
Greentree Shopping Center	Retail	Chesapeake, Virginia
Hanbury Village	Retail	Chesapeake, Virginia
Harper Hill Commons	Retail	Winston-Salem, North Carolina
Harrisonburg Regal	Retail	Harrisonburg, Virginia
North Hampton Market	Retail	Taylors, South Carolina
North Point Center	Retail	Durham, North Carolina
Oakland Marketplace	Retail	Oakland, Tennessee
Parkway Marketplace	Retail	Virginia Beach, Virginia
Patterson Place	Retail	Durham, North Carolina
Perry Hall Marketplace	Retail	Perry Hall, Maryland
Providence Plaza	Retail	Charlotte, North Carolina
Renaissance Square	Retail	Davidson, North Carolina
Sandbridge Commons	Retail	Virginia Beach, Virginia
Socastee Commons	Retail	Myrtle Beach, South Carolina
Southgate Square	Retail	Colonial Heights, Virginia
Southshore Shops	Retail	Chesterfield, Virginia
South Retail	Retail	Virginia Beach, Virginia*
South Square	Retail	Durham, North Carolina
Stone House Square	Retail	Hagerstown, Maryland
Studio 56 Retail	Retail	Virginia Beach, Virginia*
Tyre Neck Harris Teeter	Retail	Portsmouth, Virginia
Waynesboro Commons	Retail	Waynesboro, Virginia
Wendover Village	Retail	Greensboro, North Carolina
Encore Apartments	Multifamily	Virginia Beach, Virginia*
Liberty Apartments	Multifamily	Newport News, Virginia
Smith’s Landing	Multifamily	Blacksburg, Virginia
The Cosmopolitan	Multifamily	Virginia Beach, Virginia*

* Located in the Town Center of Virginia Beach

As of December 31, 2016, the following properties were under development or construction:

Property	Segment	Location	Ownership Interest
Brooks Crossing	Office/Retail	Newport News, Virginia	65%
Johns Hopkins Village	Multifamily	Baltimore, Maryland	80% (1)
Lightfoot Marketplace	Retail	Williamsburg, Virginia	70%
Town Center Phase VI	Multifamily	Virginia Beach, Virginia*	80%
Harding Place	Multifamily	Charlotte, North Carolina	80%

(1) The noncontrolling interest holder of Johns Hopkins Village has the right to exchange its 20% ownership interest for Class A units of limited partnership interest in the Operating Partnership ("Class A Units") upon and for a period of one year after the project's completion. The Company is entitled to a preferred return of 9% on its investment in Johns Hopkins Village.

*Located in the Town Center of Virginia Beach

2. *Significant Accounting Policies*

Basis of Presentation

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

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

Use of Estimates

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

Segments

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

Revenue Recognition

Rental Revenues

The Company leases its properties under operating leases and recognizes base rents when earned on a straight-line basis over the lease term. Rental revenues include $1.1 million, $1.9 million and $2.2 million of straight-line rent adjustments for each of the three years ended December 31, 2016. The Company begins recognizing rental revenue when the tenant has the right to take possession of or controls the physical use of the property under lease. The extended collection period for accrued straight-line rental revenue along with the Company's evaluation of tenant credit risk may result in the nonrecognition of all or a portion of straight-line rental revenue until the collection of such revenue is reasonably assured. The Company recognizes contingent rental revenue (e.g., percentage rents based on tenant sales thresholds) when the sales thresholds are met. Contingent rents included in rental revenues were $0.1

million for each of the three years ended December 31, 2016. The Company recognizes leasing incentives as reductions to rental revenue on a straight-line basis over the lease term. Leasing incentive amortization for each of the three years ended December 31, 2016 was $0.8 million, $0.8 million and $0.7 million, respectively. The Company recognizes fair value adjustments recorded at the time of lease assumption in rental income on a straight line basis as a reduction to revenue over the remaining life of the lease or any renewal periods for which the Company determines have value at the time of acquisition. The Company recognizes cost reimbursement revenue for real estate taxes, operating expenses and common area maintenance costs on an accrual basis during the periods in which the expenses are incurred. The Company recognizes lease termination fees either upon termination or amortizes them over any remaining lease term.

General Contracting and Real Estate Services Revenues

The Company recognizes general contracting revenue on construction contracts using the percentage-of-completion method. Under this method, the Company recognizes revenue and an estimated profit as construction contract costs are incurred based on the proportion of incurred costs to total estimated construction contract costs at completion. Construction contract costs include all direct material, labor and subcontract costs as well as any indirect costs related to contract performance. Provisions for estimated losses on uncompleted contracts are recognized immediately in the period in which such losses are determined. Changes in job performance, job conditions and estimated profitability, including those arising from contract penalty provisions and final contract settlements, may result in revisions to costs and income and are recognized in the period in which they are determined. Profit incentives are included in revenues when their realization is probable and when they can be reasonably estimated.

The Company recognizes real estate services revenues from property development and management when realized and earned, generally as such services are provided. Multiple contracts with a single counterparty are not combined into a single contract for the revenue recognition purposes.

Real Estate Investments

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

The Company capitalizes direct and indirect project costs associated with the initial construction of a property until the property is substantially complete and ready for its intended use. Capitalized project costs include preacquisition development and preconstruction costs including overhead, salaries and related costs of personnel directly involved, real estate taxes, insurance, utilities, ground rent and interest. Interest capitalized during each of the three years ended December 31, 2016 was $1.0 million, $1.0 million and $3.1 million, respectively. Overhead, salaries and related personnel costs capitalized during each of the three years ended December 31, 2016 were $1.7 million, $2.1 million and $2.4 million, respectively.

The Company capitalizes preacquisition development costs directly identifiable with specific properties when the acquisition of such properties is probable. Capitalized preacquisition development costs are presented within other assets in the consolidated balance sheets. Capitalized preacquisition development costs as of December 31, 2016 and 2015 were $1.1 million and $2.5 million, respectively. Costs attributable to unsuccessful projects are expensed.

The Company recognizes real estate development grants from state and local governments as reductions to the carrying amounts of the related real estate investments when any attached conditions are satisfied and when there is reasonable assurance that the grant will be received.

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

Buildings	39 years
Capital improvements	15—20 years
Equipment	5—15 years
Tenant improvements	Term of the related lease
	(or estimated useful life, if shorter)

Operating Property Acquisitions

In connection with operating property acquisitions, the Company identifies and recognizes all assets acquired and liabilities assumed at their estimated fair values or relative fair values subsequent to the adoption of the new accounting guidance discussed below, as of the acquisition date. The purchase price allocations to tangible assets, such as land, site improvements and buildings and improvements are presented within income producing property in the consolidated balance sheets and depreciated over their estimated useful lives. Acquired lease intangibles are presented within other assets and liabilities in the consolidated balance sheets and amortized over their respective lease terms. The Company amortizes in-place lease assets as depreciation and amortization expense on a straight-line basis over the remaining term of the related leases. The Company amortizes above-market lease assets as reductions to rental revenues on a straight-line basis over the remaining term of the related leases. The Company amortizes below-market lease liabilities as increases to rental revenues on a straight-line basis over the remaining term of the related leases. The Company amortizes below-market ground lease assets as increases to rental expenses on a straight-line basis over the remaining term of the related leases. Prior to October 1, 2016, the Company expensed all costs incurred related to operating property acquisitions. On October 1, 2016, the Company adopted newly issued accounting guidance that allows capitalization of costs related to operating property acquisitions that do not meet the definition of a business under the new guidance discussed below under "Recent Accounting Pronouncements".

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

The Company values debt assumed in connection with operating property acquisitions based on a discounted cash flow analysis of the expected cash flows of the debt. Such analysis considers the contractual terms of the debt, including the period to maturity, and uses observable market-based inputs, including interest rate information as of the acquisition date. The Company also considers credit valuation adjustments for potential nonperformance risk. The Company classifies the inputs used to value debt assumed in connection with operating property acquisitions as Level 2 inputs in the fair value hierarchy as they are predominantly observable and market-based.

Real Estate Investments Held for Sale

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

The Company classified the Richmond Tower office building as held for sale as of December 31, 2015. No properties were held for sale as of December 31, 2016.

Impairment of Long Lived Assets

The Company evaluates its real estate assets for impairment on a property by property basis whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. If such an evaluation is necessary, the Company compares the carrying amount of any such real estate asset with the undiscounted expected future cash flows that are directly associated with, and that are expected to arise as a direct result of, its use and eventual disposition. If the carrying amount of a real estate asset exceeds the associated estimate of undiscounted expected future cash flows, an impairment loss is recognized to reduce the real estate asset’s carrying value to its fair value. Impairment charges recognized during each of the three years ended December 31, 2016 represent unamortized leasing or acquired intangible assets related to vacated tenants.

Cash and Cash Equivalents

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

Restricted Cash

Restricted cash represents amounts held by lenders for real estate taxes, insurance and reserves for capital improvements. The Company presents changes in cash restricted for real estate taxes and insurance as operating activities in the consolidated statements of cash flows. The Company presents changes in cash restricted for capital improvements as investing activities in the consolidated statements of cash flows.

Accounts Receivable, net

Accounts receivable include amounts from tenants for base rents, contingent rents and cost reimbursements as well as accrued straight-line rental revenue. As of December 31, 2016 and 2015, accrued straight-line rental revenue presented within accounts receivable in the consolidated balance sheets was $12.3 million and $20.3 million, respectively.

The Company’s evaluation of the collectability of accounts receivable and the adequacy of the allowance for doubtful accounts is based primarily upon evaluations of individual receivables, current economic conditions, historical experience and other relevant factors. The Company establishes reserves for tenant receivables outstanding over 90 days. For all such tenants, the Company also reserves any related accrued straight-line rental revenue. Additional reserves are recorded for more current amounts, as applicable, when the Company has determined collectability to be doubtful. As of December 31, 2016 and 2015, the allowance for doubtful accounts was not significant. The Company presents bad debt expense within rental expenses in the consolidated statements of comprehensive income.

Notes Receivable

From time to time, the Company may provide financing to third parties in the form of mortgage or mezzanine loans for the development of new real estate. Mezzanine loans are secured, in part, by pledges of ownership interests of the entities that own the underlying real estate. The Company evaluates the collectability of both the interest on and principal of each of its notes receivable based primarily upon the financial condition of the individual borrowers. A loan is determined to be impaired when, based upon current information, it is no longer probable that the Company will be able to collect all contractual amounts due from the borrower. The amount of impairment loss recognized is measured as the difference between the carrying amount of the loan and its estimated realizable value.

Leasing Costs

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

Leasing Incentives

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

Debt Issuance Costs

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

Derivative Financial Instruments

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

Stock-Based Compensation

The Company measures the compensation cost of restricted stock awards based on the grant date fair value. The Company recognizes compensation cost for the vesting of restricted stock awards using the accelerated attribution method. Compensation cost associated with the vesting of restricted stock awards is presented within either general and administrative expenses or general contracting and real estate services expenses in the consolidated statements of comprehensive income. Total stock-based compensation expense recognized during each of the three years ended December 31, 2016 was $1.1 million, $0.9 million and $0.9 million, respectively. Stock-based compensation for personnel directly involved in the development and initial construction of a property is capitalized. During each of the three years ended December 31, 2016, the Company capitalized $0.3 million, $0.4 million and $0.4 million, respectively, of stock-based compensation.

Income Taxes

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

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

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

Discontinued Operations

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

Net Income Per Share and Unit

The Company calculates net income per share and unit based upon the weighted average shares and units outstanding. Diluted net income per share and unit is calculated after giving effect to all significant potential dilutive shares outstanding during the period. Potential dilutive shares outstanding during the period include nonvested restricted stock awards. However, there were no significant potential dilutive shares or units outstanding for each of the three years ended December 31, 2016. As a result, basic and diluted outstanding shares and units were the same for all periods presented. See Note 11 for the changes in the Company’s nonvested restricted awards during each of the three years ended December 31, 2016.

Emerging Growth Company Status

The Company qualifies as an emerging growth company (“EGC”) pursuant to the Jumpstart Our Business Startups Act. An EGC may choose to take advantage of the extended private company transition period provided for complying with new or revised accounting standards that may be issued by the Financial Accounting Standards Board (the “FASB”) or the U.S. Securities and Exchange Commission (the “SEC”). The Company has elected to opt out of such extended transition period. This election is irrevocable.

Recent Accounting Pronouncements

On May 28, 2014, the FASB issued a new standard that provides a single, comprehensive model for recognizing revenue from contracts with customers. While the new standard does not supersede the guidance on accounting for leases, it could change the way the Company recognizes revenue from construction and development contracts with third party customers. The new standard will be effective for the Company on January 1, 2018. The Company plans to adopt the new standard using the full retrospective method. A substantial portion of our revenue consists of rental revenues from leasing arrangements, such as base rent, which is specifically excluded from the revenue guidance. Non-lease components, such as tenant reimbursements for real estate taxes and common area maintenance will be subject to the revenue guidance. Management is currently evaluating the potential impact of the new revenue standard on the Company’s consolidated financial statements.

On August 15, 2014, the FASB issued guidance that requires management to evaluate relevant conditions, events and certain management plans that are known or reasonably knowable as of the evaluation date in order to determine whether substantial doubt about an entity's ability to continue as a going concern exists. This new guidance states that substantial doubt exists when relevant conditions and events, considered in the aggregate, indicate that it is probably that the entity will be unable to meet its obligations as they become due within one year after the date that the financial statements are issued, or are available to be issued. The new guidance was applicable for the Company for the year ended December 31, 2016. Management performed its evaluation and determined that there was no substantial doubt about the Company's ability to continue as a going concern.

On February 25, 2016, the FASB issued a new leases standard that requires lessees to recognize most leases in their balance sheets as lease liabilities with corresponding right-of-use assets. This guidance will specifically affect the ground leases where the Company is the lessee. The new standard also makes targeted changes to lessor accounting. The new standard will be effective for the Company on January 1, 2019 and requires a modified retrospective transition approach for all leases existing at, or entered into after, the date of initial application with an option to use certain transition relief. For lease contracts with a duration of more than one year in which the Company is the lessee, the present value of future lease payments will be recognized on the balance sheet as a right-of-use asset and a

corresponding lease liability. Management is currently evaluating the potential impact of the new leases standard on the Company's consolidated financial statements.

On March 30, 2016, the FASB issued new guidance that will change the accounting for certain aspects of share-based payments to employees. Entities will be required to recognize the income tax effects of awards in the income statement when the awards vest or are settled, and allows the Company to account for forfeitures as they occur. The new guidance is effective for the Company on January 1, 2017. Management is currently evaluating the potential impact of the new guidance on the Company's consolidated financial statements.

On August 26, 2016, the FASB issued new guidance that addresses eight classification issues related to the statement of cash flows. Early adoption is permitted, including adoption in an interim period. This guidance should be applied retrospectively to each period presented. This new guidance is effective for the Company on January 1, 2018. Management is currently evaluating the potential impact of the new guidance on the Company's consolidated financial statements.

On October 26, 2016, the FASB issued new guidance that updates the consolidation guidance on how a reporting entity that is a single decision maker of a variable interest entity ("VIE") should treat indirect interests in the entity held through related parties that are under common control with the reporting entity when determining whether it is the primary beneficiary of that VIE. The new guidance is effective for the Company on January 1, 2017. Management does not expect the adoption of the new guidance to have a material effect on the Company's financial position or results of operations.

On November 17, 2016, the FASB issued new guidance that requires the statement of cash flows explain the change during the period in the total of cash and cash equivalents along with restricted cash and cash equivalents. Early adoption is permitted, including adoption in an interim period. This new guidance is effective for the Company on January 1, 2018. Management is currently evaluating the potential impact of the new guidance on the Company's consolidated financial statements.

On January 5, 2017, the FASB issued new guidance that modifies the definition of a business. Under this new guidance, many real estate acquisitions will now be considered asset acquisitions, allowing costs associated with these acquisitions to be capitalized. Early adoption is permitted on a prospective basis for interim or annual periods for which the financial statements have not been issued or made available for issuance. The Company adopted this guidance on October 1, 2016, resulting in the capitalization of approximately $0.7 million of acquisition costs related to two acquisitions in the fourth quarter of 2016. If the Company had adopted this guidance on January 1, 2016, approximately $1.4 million in acquisition costs would have been capitalized.

3. Segments

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

Net operating income of the Company's reportable segments for each of the three years ended December 31, 2016 was as follows (in thousands):

	Years Ended December 31,		
	2016	2015	2014
Office real estate			
Rental revenues	$ 20,929	$ 31,534	$ 27,827
Rental expenses	5,560	6,938	6,395
Real estate taxes	2,000	2,950	2,315
Segment net operating income	13,369	21,646	19,117
Retail real estate			
Rental revenues	56,511	32,064	23,956
Rental expenses	9,116	5,915	5,011
Real estate taxes	5,395	2,928	2,097
Segment net operating income	42,000	23,221	16,848
Multifamily residential real estate			
Rental revenues	21,915	17,574	12,963
Rental expenses	7,228	6,351	5,261
Real estate taxes	2,234	1,904	1,331
Segment net operating income	12,453	9,319	6,371
General contracting and real estate services			
Segment revenues	159,030	171,268	103,321
Segment expenses	153,375	165,344	98,754
Segment gross profit	5,655	5,924	4,567
Net operating income	$ 73,477	$ 60,110	$ 46,903

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

General contracting and real estate services revenues for each of the three years ended December 31, 2016 exclude revenue related to intercompany construction contracts of $43.3 million, $43.1 million and $85.4 million, respectively. General contracting and real estate services expenses for each of the three years ended December 31, 2016 exclude expenses related to intercompany construction contracts of $42.7 million, $42.8 million and $84.6 million, respectively. General contracting and real estate services expenses for each of the three years ended December 31, 2016 include noncash stock compensation expense of $0.2 million.

The following table reconciles net operating income to net income for each of the three years ended December 31, 2016 (in thousands):

	Years Ended December 31,		
	2016	2015	2014
Net operating income	$ 73,477	$ 60,110	$ 46,903
Depreciation and amortization	(35,328)	(23,153)	(17,569)
General and administrative expenses	(9,552)	(8,397)	(7,711)
Acquisition, development and other pursuit costs	(1,563)	(1,935)	(229)
Impairment charges	(355)	(41)	(15)
Interest income	3,228	126	—
Interest expense	(16,466)	(13,333)	(10,648)
Loss on extinguishment of debt	(82)	(512)	—
Gain on real estate dispositions	30,533	18,394	2,211
Change in fair value of interest rate derivatives	(941)	(229)	(233)
Other income	147	119	120
Income tax benefit (provision)	(343)	34	(70)
Net income	$ 42,755	$ 31,183	$ 12,759

General and administrative expenses represent costs not directly associated with the operation and management of the Company’s real estate properties and general contracting and real estate services businesses. General and administrative expenses include office personnel salaries and benefits, bank fees, accounting fees, legal fees and other corporate office expenses. General and administrative expenses for each of the three years ended December 31, 2016 include noncash stock compensation expense of $0.7 million, $0.7 million and $0.7 million, respectively.

4. *Operating Leases*

The Company’s commercial tenant leases generally range from five to 20 years, but certain leases with anchor tenants may be longer. The Company’s commercial tenant leases provide for minimum rental payments during each of the next five years and thereafter as follows (in thousands):

2017	$ 70,235
2018	65,384
2019	57,751
2020	47,217
2021	40,783
Thereafter	206,378
Total	$ 487,748

Lease terms on multifamily apartment units generally range from seven to 15 months, with a majority having 12-month lease terms. Apartment leases are not included in the preceding table as the remaining terms as of December 31, 2016 are generally less than one year.

5. *Real Estate Investments and Equity Method Investments*

The Company’s real estate investments comprised the following as of December 31, 2016 and 2015 (in thousands):

	December 31, 2016			
	Income producing property	Held for development	Construction in progress	Total
Land	$ 171,733	$ 680	$ 6,880	$ 179,293
Land improvements	45,052	—	—	45,052
Buildings and improvements	677,293	—	—	677,293
Development and construction costs	—	—	6,649	6,649
Real estate investments	$ 894,078	$ 680	$ 13,529	$ 908,287

	December 31, 2015			
	Income producing property	Held for development	Construction in progress	Total
Land	$ 70,518	$ 1,180	$ 7,750	$ 79,448
Land improvements	26,172	—	—	26,172
Buildings and improvements	482,310	—	—	482,310
Development and construction costs	—	—	45,661	45,661
Real estate investments	$ 579,000	$ 1,180	$ 53,411	$ 633,591

2016 Operating Property Acquisitions

On January 14, 2016, the Company completed the acquisition of an 11 asset retail portfolio totaling 1.1 million square feet for $170.5 million.

On April 29, 2016, the Company completed the acquisition of Southgate Square, a 220,000 square foot retail center located in Colonial Heights, Virginia, for aggregate consideration of $39.5 million, comprised of the assumption of $21.1 million in debt (which approximated fair value as of the closing date) and 1,575,185 Class A Units.

As part of the Southgate Square purchase agreement, the Company acquired an option to purchase an adjacent undeveloped land parcel from the seller. The option for the land parcel is valid for an initial period of two years, and its value would be determined by applying a mutually agreed upon capitalization rate to the base rent of tenants provided by the seller and approved by the Company. If, at the end of the two-year period, no suitable tenants have been found, the Company has the option of either paying $3.0 million to the seller for the land parcel or extending the period for an additional year. If, at the end of the additional year, no suitable tenants have been found, the Company can either pay $1.25 million to the seller for the land parcel or let the option expire. Management has evaluated the option and determined that its value is immaterial to the consolidated financial statements.

On August 4, 2016, the Company completed the acquisition of Southshore Shops, a 40,000 square foot retail center located in Midlothian, Virginia, for aggregate consideration of $9.3 million, comprised of $6.7 million in cash and 189,160 Class A Units.

On October 13, 2016, the Company completed the acquisition of Columbus Village II, a 92,000 square foot retail and entertainment center located in Virginia Beach, Virginia for aggregate consideration of 2,000,000 shares of the Company's common stock, which based on the closing stock price on the date of the acquisition, led to an acquisition price of $26.2 million, excluding capitalized acquisition costs.

On November 17, 2016, the Company completed the acquisition of Renaissance Square, a 80,000 square foot retail center located in Davidson, North Carolina, for $17.1 million, excluding capitalized acquisition costs.

The following table summarizes the purchase price allocation (including acquisition costs for Columbus Village II and Renaissance Square) of the assets acquired and liabilities assumed during the year ended December 31, 2016 (in thousands):

	Retail Portfolio	Southgate Square	Southshore Shops	Columbus Village II	Renaissance Square	Total
Land	$ 66,260	$ 8,890	$ 1,770	$ 14,536	$ 6,730	$ 98,186
Site improvements	3,870	2,140	490	939	303	7,742
Building and improvements	88,820	23,810	6,019	9,983	8,137	136,769
In-place leases	20,630	5,990	1,140	2,225	2,008	31,993
Above-market leases	1,960	100	120	—	70	2,250
Below-market leases	(11,040)	(1,400)	(190)	(939)	(10)	(13,579)
Net assets acquired	$ 170,500	$ 39,530	$ 9,349	$ 26,744	$ 17,238	$ 263,361

Rental revenues and net income from the 2016 acquired properties for the period from the respective acquisition dates to December 31, 2016 included in the consolidated statement of comprehensive income was $18.7 million and $2.9 million, respectively.

2015 Operating Property Acquisitions

On April 8, 2015, the Company completed the acquisitions of Stone House Square in Hagerstown, Maryland and Perry Hall Marketplace in Perry Hall, Maryland. In exchange for both properties, the Company paid $35.4 million of cash and issued 415,500 shares of common stock. The acquisition date fair value of the total consideration transferred in exchange for Stone House Square and Perry Hall Marketplace was $39.8 million.

On July 1, 2015, the Company completed the acquisition of Socastee Commons, a 57,000 square foot retail center in Myrtle Beach, South Carolina. The total consideration for Socastee Commons was $8.7 million, which was comprised of $3.7 million of cash and the assumption of debt with an outstanding principal balance of $5.0 million. The fair value adjustment to the assumed debt of Socastee Commons was a $0.1 million premium.

On July 10, 2015, the Company acquired Columbus Village, a 65,000 square foot retail center in Virginia Beach, Virginia. In exchange for Columbus Village, the Company assumed debt with an aggregate outstanding principal balance and fair value of $8.8 million, issued 1,000,000 Class B units of limited partnership interest in the Operating Partnership (“Class B Units”) and agreed to issue 275,000 Class C units of limited partnership interest in the Operating Partnership (“Class C Units”) on January 10, 2017. Subject to the occurrence of certain events, the Class B Units and Class C Units will not earn or accrue distributions until July 10, 2017 and January 10, 2018, respectively, at which time they automatically convert to Class A Units and may be tendered for redemption by the Operating Partnership in exchange for cash equal to the market price of shares of the Company’s common stock or, at the Company’s option and sole discretion, unregistered or registered shares of the Company’s common stock on a one-for-one basis. The estimated fair value of the Class B Units and Class C Units includes a discount for their lack of marketability and distributions until July 10, 2017 and January 10, 2018, respectively. The acquisition date fair value of the total consideration transferred in exchange for Columbus Village was $19.2 million.

On September 1, 2015, the Company acquired Providence Plaza in Charlotte, North Carolina for $26.2 million of cash. Providence Plaza is a mixed-use property comprised of three buildings totaling 103,000 square feet, a two-level parking garage and approximately one acre of land zoned for multifamily development.

The following table summarizes the acquisition date fair values of the assets acquired and liabilities assumed during the year ended December 31, 2015 (in thousands):

Land	$	29,500
Site improvements		3,290
Building and improvements		49,260
In-place leases		14,160
Above-market leases		2,260
Below-market leases		(4,420)
Indebtedness		(13,935)
Net assets acquired	$	80,115

Rental revenues and net income from the 2015 acquired properties for the period from the respective acquisition dates to December 31, 2015 included in the consolidated statement of comprehensive income was $4.8 million and $0.8 million, respectively.

2014 Operating Property Acquisitions

The Company completed the acquisition of Liberty Apartments on January 17, 2014. The fair value of the total consideration transferred at the acquisition date to acquire Liberty Apartments was $26.7 million, consisting of 695,652 Class A Units, $3.0 million in cash and the assumption of $17.0 million of debt. The fair value adjustment to the assumed debt of Liberty Apartments was a $1.5 million discount. The outstanding principal balance of the assumed debt of Liberty Apartments at the acquisition date was $18.5 million.

On August 15, 2014, the Company completed the acquisition of Dimmock Square, a 106,166 square foot retail center located in Colonial Heights, Virginia. The fair value of the total consideration transferred at the acquisition date to acquire Dimmock Square was $19.7 million, consisting of 990,952 OP Units and $10.1 million of cash that was used to immediately defease the loan secured by Dimmock Square upon its contribution to the Operating Partnership.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed during the year ended December 31, 2014 (in thousands):

Land	$	8,680
Site improvements		880
Building and improvements		35,740
In-place leases		2,220
Indebtedness		(16,966)
Above and below-market leases		(390)
Net working capital		(679)
Net assets acquired	$	29,485

Rental revenues and net loss from the 2014 acquired properties for the period from the respective acquisition dates to December 31, 2014 included in the consolidated statement of comprehensive income was $1.8 million and $(2.2) million, respectively.

Pro Forma Financial Information (Unaudited)

The following table summarizes the consolidated results of operations of the Company on a pro forma basis, as if each of the 2016 acquisitions had been acquired on January 1, 2015, each of the 2015 acquisitions had been acquired on January 1, 2014 and each of the 2014 acquisitions had been acquired on January 1, 2013 (in thousands):

	Years Ended December 31,		
	2016	2015	2014
Rental revenues	$ 101,250	$ 105,479	$ 74,530
Net income	13,327	18,492	13,378

The pro forma financial information is presented for informational purposes only and is not indicative of the results of operations that would have been achieved if these acquisitions had taken place on January 1, 2015, 2014 and 2013. The pro forma financial information includes adjustments to rental revenue and rental expenses for above and below-market leases, adjustments to depreciation and amortization expense for acquired property and in-place lease assets and adjustments to interest expense for fair value adjustments to assumed debt.

Subsequent to December 31, 2016

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

Other 2016 Real Estate Transactions

On January 7, 2016, the Company completed the sale of a building constructed for the Economic Development Authority of Newport News, Virginia. Net proceeds after transaction costs were $6.6 million. The gain on the disposition was $0.4 million.

On January 8, 2016, the Company completed the sale of the Richmond Tower office building for $78.0 million. Net proceeds after transaction costs were $77.0 million. The gain on the disposition of Richmond Tower was $26.2 million.

On June 20, 2016, the Company completed the sale of the Willowbrook Commons property located in Nashville, Tennessee for $9.2 million. The gain on the sale of the Willowbrook Commons property was less than $0.1 million.

On July 29, 2016, the Company completed the sale of the Kroger Junction property located in Pasadena, Texas for $3.7 million. The loss on the sale of the Kroger Junction property was less than $0.1 million.

On August 30, 2016, the Company entered into an operating agreement with Southern Apartment Group-Harding, LLC ("SAGH") to jointly develop an apartment development project in Charlotte, North Carolina. During the year ended December 31, 2016, the Company purchased $5.7 million of land in conjunction with the project.

On September 15, 2016, the Company completed the sale of the Oyster Point office property for $6.4 million. Net proceeds after transaction costs and settlement of liabilities were not significant. The gain on the disposition of Oyster Point was $3.8 million.

On December 22, 2016, the Company completed the sale of land adjacent to the Brooks Crossing development for $0.4 million. The gain on the disposition of the land was less than $0.1 million.

Other 2015 Real Estate Transactions

On January 5, 2015, the Company completed the sale of the Sentara Williamsburg office property for $15.4 million. Net proceeds to the Company after transaction costs were $15.2 million. The Company recognized a gain on the disposition of the Sentara Williamsburg office property of $6.2 million.

On February 13, 2015, the Company agreed to the future sale of the Oyster Point office property for $6.5 million. The Company completed the sale on September 15, 2016.

On March 31, 2015, the Company purchased land held for development in the Town Center of Virginia Beach, Virginia for $1.2 million.

On May 20, 2015, the Company completed the sale of Whetstone Apartments for $35.6 million. Net proceeds to the Company after transaction costs were $35.5 million. The Company recognized a gain on the disposition of Whetstone Apartments of $7.2 million.

On October 5, 2015, the Company purchased 3.24 acres of land in Newport News, Virginia for $0.1 million for the development of Brooks Crossing, a new urban, mixed-use and low-rise development project, in partnership with the City of Newport News.

On October 30, 2015, the Company completed the sale of the Oceaneering International facility for $30.0 million. Net proceeds to the Company after transaction costs were $29.0 million. The Company recognized a gain on the disposition of Oceaneering of $5.0 million.

Other 2014 Real Estate Transactions

On April 16, 2014, the Company purchased land in Williamsburg, Virginia for $7.6 million for the development and construction of Lightfoot Marketplace.

On May 1, 2014, the Company purchased land in Chesapeake, Virginia for $0.3 million for the development and construction of a new administrative building for the Commonwealth of Virginia.

On September 29, 2014, the Company purchased land in Virginia Beach, Virginia for $0.2 million for the development and construction of a new administrative building for the Commonwealth of Virginia.

On November 20, 2014, the Company completed the sale of the Virginia Natural Gas office property for $8.9 million in cash. Net proceeds to the Company after transaction costs and tax protection payments were $7.4 million. The gain on the disposition of the Virginia Natural Gas office property was $2.2 million.

Equity Method Investments

City Center

On February 25, 2016, the Company acquired a 37% interest in Durham City Center II, LLC ("City Center") for purposes of developing a 22-story mixed use tower in Durham, North Carolina. As of December 31, 2016, the Company has invested $10.3 million in City Center. The Company has agreed to guarantee 37% of the construction loan for City Center; however, the loan is collateralized by 100% of the assets of City Center. As of December 31, 2016, the construction loan has not been drawn against.

As of December 31, 2016, the difference between the carrying value of the Company's initial investment in City Center and the amount of underlying equity was immaterial. For the year ended December 31, 2016, City Center did not have any operating activity, and therefore the Company did not receive any dividends or allocated income.

Based on the terms of City Center's operating agreement, the Company has concluded that City Center is a variable interest entity, and that the Company holds a variable interest. The Company does not have the power to direct the activities of the project that most significantly impact its performance. Accordingly, the Company is not the project's primary beneficiary and, therefore, does not consolidate City Center in its consolidated financial statements.

6. Notes Receivable

Point Street Apartments

On October 15, 2015, the Company agreed to invest up to $28.2 million in the Point Street Apartments project in the Harbor Point area of Baltimore, Maryland. Point Street Apartments is an estimated $93.0 million development project with plans for a 17-story building comprised of 289 residential units and 18,000 square feet of street-level retail space. Beatty Development Group (“BDG”) is the developer of the project and has engaged the Company to serve as construction general contractor. Point Street Apartments is scheduled to open in 2017; however, management can provide no assurances that Point Street Apartments will open on the anticipated timeline.

BDG secured a senior construction loan of up to $70.0 million to fund the development and construction of Point Street Apartments on November 10, 2016. The Company has agreed to guarantee $25.0 million of the senior construction loan in exchange for the option to purchase up to an 88% controlling interest in Point Street Apartments upon completion of the project as follows: (i) an option to purchase a 79% indirect interest in Point Street Apartments for $27.3 million, exercisable within one year from the project’s completion (the “First Option”) and (ii) provided that the Company has exercised the First Option, an option to purchase an additional 9% indirect interest in Point Street Apartments for $3.1 million, exercisable within 27 months from the project’s completion (the “Second Option”). The Company currently has a $2.1 million letter of credit for the guarantee of the senior construction loan.

The Company’s investment in the Point Street Apartments project is in the form of a loan under which BDG may borrow up to $28.2 million (the “BDG loan”). Interest on the BDG loan accrues at 8.0% per annum and matures on the earlier of: (i) November 1, 2018, which may be extended by BDG under two one-year extension options, (ii) the maturity date or earlier termination of the senior construction loan or (iii) the date the Company exercises the Second Option as described further below.

In the event the Company exercises the First Option, BDG is required to pay down the outstanding BDG loan in full, with the difference between the BDG loan and $28.2 million applied to the senior construction loan . In the event the Company exercises the Second Option, BDG is required to simultaneously repay any remaining amounts outstanding under the BDG loan, with any excess proceeds received from the exercise of the Second Option applied against the senior construction loan. In the event the Company does not exercise either the First Option or the Second Option, the interest rate on the BDG loan will automatically be reduced to the interest rate on the senior construction loan for the remaining term of the BDG loan.

As of December 31, 2016, the Company had funded $20.6 million under the BDG loan and for the year ended December 31, 2016, the Company recognized $1.2 million of interest income on the BDG loan.

Management has concluded that this entity is a VIE. Because BDG is the developer of Point Street Apartments, the Company does not have the power to direct the activities of the project that most significantly impact its performance, nor is the Company the party most closely associated with the project. Therefore, the Company is not the project's primary beneficiary.

Annapolis Junction

On April 21, 2016, the Company entered into a note receivable with a maximum principal balance of $42.0 million in the Annapolis Junction residential component of the Annapolis Junction Town Center project in Maryland (“Annapolis Junction”). Annapolis Junction is an estimated $102.0 million mixed-use development project with plans for 416 residential units, 17,000 square feet of retail space and a 150-room hotel. Annapolis Junction Apartments Owner, LLC (“AJAO”) is the developer of the residential component and has engaged the Company to serve as construction general contractor for the residential component. Annapolis Junction is scheduled to open in 2017; however, management can provide no assurances that Annapolis Junction will open on the anticipated timeline or at the anticipated cost.

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

Option, an option to purchase an additional 8% indirect interest in Annapolis Junction for the lesser of the seller's actual or budgeted cost, exercisable within 27 months from the project's completion (the "Second Option").

The Company's investment in the Annapolis Junction project is in the form of a loan under which AJAO may borrow up to $48.0 million, including a $6.0 million interest reserve (the "AJAO loan"). Interest on the AJAO loan accrues at 10.0% per annum and matures on the earlier of: (i) December 21, 2020, which may be extended by AJAO under two one-year extension options, (ii) the maturity date or earlier termination of the senior construction loan or (iii) the date the Company exercises the Second Option as described further below. In the event that the Company exercises the First Option, AJAO is required to simultaneously pay down both the senior construction loan and the AJAO loan by 80%, at which time the interest rate on the AJAO loan will automatically be reduced to the interest rate on the senior construction loan. In the event the Company exercises the Second Option, AJAO is required to simultaneously repay any remaining amounts outstanding under the AJAO loan, with any excess proceeds received from the exercise of the Second Option applied against the remaining balance of the senior construction loan. In the event that the Company does not exercise either the First Option or the Second Option, the interest rate on the AJAO loan will automatically be reduced to the interest rate on the senior construction loan for the remaining term of the AJAO loan. During the year ended December 31, 2016, the Company recognized $2.0 million of interest income on the note. No portion of the note receivable balance is past due and the Company has not recorded an impairment balance on the note.

The balance on the Annapolis Junction note was $38.9 million as of December 31, 2016.

Management has concluded that this entity is a VIE. Because AJAO is the developer of Point Street Apartments, the Company does not have the power to direct the activities of the project that most significantly impact its performance, nor is the Company the party most closely associated with the project. Therefore, the Company is not the project's primary beneficiary.

7. Construction Contracts

Construction contract costs and estimated earnings in excess of billings represent reimbursable costs and amounts earned under contracts in progress as of the balance sheet date. Such amounts become billable according to contract terms, which usually consider the passage of time, achievement of certain milestones or completion of the project. Billings of $13.5 million and $19.2 million were netted against construction contract costs and estimated earnings as of December 31, 2016 and 2015, respectively. The Company expects to bill and collect substantially all construction contract costs incurred as of December 31, 2016 during the year ending December 31, 2017.

The Company defers precontract costs when such costs are directly associated with specific anticipated contracts and their recovery is probable. Precontract costs of $1.5 million and $0.5 million were deferred as of December 31, 2016 and 2015, respectively.

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

Construction receivables and payables include retentions—amounts that are generally withheld until the completion of the contract or the satisfaction of certain restrictive conditions such as fulfillment guarantees. As of December 31, 2016 and 2015, construction receivables included retentions of $11.5 million and $10.8 million, respectively. The Company expects to collect substantially all construction receivables as of December 31, 2016 during the year ending December 31, 2017. As of December 31, 2016 and 2015, construction payables included retentions of $14.6 million and $12.3 million, respectively. The Company expects to pay substantially all construction payables as of December 31, 2016 during the year ending December 31, 2017.

The Company's net position on uncompleted construction contracts comprised the following as of December 31, 2016 and 2015 (in thousands):

	December 31,	
	2016	2015
Costs incurred on uncompleted construction contracts	$ 333,744	$ 228,184
Estimated earnings	10,936	9,739
Billings	(354,737)	(240,059)
Net position	$ (10,057)	$ (2,136)

	December 31,	
	2016	2015
Construction contract costs and estimated earnings in excess of billings	$ 110	$ 88
Billings in excess of construction contract costs and estimated earnings	(10,167)	(2,224)
Net position	$ (10,057)	$ (2,136)

The Company expects to complete all uncompleted contracts as of December 31, 2016 during the years ending December 31, 2017, 2018 and 2019.

8. *Indebtedness*

The Company’s indebtedness was comprised of the following as of December 31, 2016 and 2015 (dollars in thousands):

	Principal Balance		Stated Interest Rate	Stated Maturity Date
	December 31,		December 31,	
	2016	2015	2016	
249 Central Park Retail (1)	$ 17,076	$ 15,282	LIBOR + 1.95%	August 8, 2021
Fountain Plaza Retail (1)	10,281	7,641	LIBOR + 1.95%	August 8, 2021
South Retail (1)	7,493	6,742	LIBOR + 1.95%	August 8, 2021
4525 Main Street (2)	32,034	31,613	3.25%	September 10, 2021
Encore Apartments (2)	24,966	25,184	3.25%	September 10, 2021
North Point Center Note 5 (3)	643	664	LIBOR + 2.00%	February 1, 2017
Oyster Point	—	6,400	LIBOR+1.40%-2.00%	February 28, 2017
Harrisonburg Regal	3,256	3,463	6.06%	June 8, 2017
Commonwealth of Virginia - Chesapeake	4,933	4,933	LIBOR + 1.90%	August 28, 2017
Hanbury Village Note 1	20,709	20,970	6.67%	October 11, 2017
Lightfoot Marketplace	12,194	7,759	LIBOR + 1.90%	November 14, 2017
Sandbridge Commons	9,376	9,010	LIBOR + 1.85%	January 17, 2018
Southgate Square	21,150	—	LIBOR + 2.00%	April 29, 2021
Columbus Village Note 1 (3)	6,258	6,429	LIBOR + 2.00%	April 5, 2018
Columbus Village Note 2	2,266	2,310	LIBOR + 2.00%	April 5, 2018
Johns Hopkins Village	43,841	3,968	LIBOR + 1.90%	July 30, 2018
North Point Center Note 1	9,776	9,969	6.45%	February 5, 2019
Revolving credit facility	107,000	74,000	LIBOR+1.40%-2.00%	February 20, 2019
Term loan(3)	50,000	50,000	LIBOR+1.35%-1.95%	February 20, 2020
Term loan	50,000	—	LIBOR+1.35%-1.95%	February 20, 2020
Socastee Commons	4,866	4,957	4.57%	January 6, 2023
North Point Center Note 2	2,564	2,662	7.25%	September 15, 2025
Smith's Landing	20,511	21,226	4.05%	June 1, 2035
Liberty Apartments	20,005	20,312	5.66%	November 1, 2043
The Cosmopolitan	45,884	46,519	3.75%	July 1, 2051
Total principal balance	$ 527,082	$ 382,013		
Unamortized fair value adjustments	(1,250)	(1,287)		
Unamortized debt issuance costs	(3,652)	(3,133)		
Indebtedness, net	$ 522,180	$ 377,593		

(1) Cross collateralized.
(2) Cross collateralized.
(3) Subject to an interest rate swap agreement.

The Company's indebtedness was comprised of the following fixed and variable-rate debt as of December 31, 2016 and 2015 (in thousands):

	December 31,	
	2016	2015
Fixed-rate debt	$ 241,472	$ 159,743
Variable-rate debt	285,610	222,270
Total principal balance	$ 527,082	$ 382,013

Certain loans require the Company to comply with various financial and other covenants, including the maintenance of minimum debt coverage ratios. As of December 31, 2016, the Company was in compliance with all loan covenants.

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

Year	Scheduled Principal Payments	Term-Loan Maturities	Total Payments
2017	$ 3,778	$ 41,432	$ 45,210
2018	3,655	60,873	64,528
2019	3,485	116,333	119,818
2020	4,482	100,000	104,482
2021	3,588	106,274	109,862
Thereafter	77,615	5,567	83,182
Total	$ 96,603	$ 430,479	$ 527,082

Credit Facility

On February 20, 2015, the Operating Partnership, as borrower, and the Company, as parent guarantor, entered into a $200.0 million senior unsecured credit facility that includes a $150.0 million senior unsecured revolving credit facility and a $50.0 million senior unsecured term loan facility. The credit facility includes an accordion feature that allows the total commitments to be increased to $350.0 million, subject to certain conditions. On January 5, 2016 and March 31, 2016, the Company increased the total borrowing capacity to $225.0 million and $250.0 million, respectively. The credit facility replaced the prior $155.0 million senior secured revolving credit facility that was scheduled to mature on May 13, 2016.

Depending on the Operating Partnership's total leverage, the revolving credit facility bears interest at LIBOR plus 1.40% to 2.00% and the term loan facility bears interest at LIBOR plus 1.35% to 1.95%. As of December 31, 2016, the interest rates on the revolving credit facility and the term loan facility were 2.32% and 2.27%, respectively. If the Company attains investment grade credit ratings from S&P and Moody's, the Operating Partnership may elect to have borrowings become subject to interest rates based on such credit ratings.

The Operating Partnership is also obligated to pay an unused commitment fee of 15 or 25 basis points on the unused portions of the commitments under the credit facility, depending on the amount of borrowings under the new credit facility.

The revolving credit facility has a scheduled maturity date of February 20, 2019, with a one-year extension option, subject to certain conditions, and the term loan facility has a scheduled maturity date of February 20, 2020. The Operating Partnership may, at any time, voluntarily prepay any loan under the credit facility in whole or in part without a material premium or penalty.

The amount permitted to be borrowed under the new credit facility, together with all of the Operating Partnership's other unsecured indebtedness is generally limited to the lesser of: (i) 60% of the value of the unencumbered borrowing

base properties, (ii) the maximum amount of principal that would result in a debt service coverage ratio of 1.50 to 1.0, and (iii) the maximum aggregate loan commitment, which was $250.0 million as of December 31, 2016.

The credit facility requires the Operating Partnership to comply with various financial covenants, affirmative covenants and other restrictions, including the following:

- Total leverage ratio of the Company of not more than 60% (or 65% for the two consecutive quarters following any acquisition that is equal to or greater than 10% of our total asset value (as defined in the credit agreement), but only up to two times during the term of the credit facility);
- Ratio of adjusted EBITDA to fixed charges of the Company of not less than 1.50 to 1.0;
- Tangible net worth of not less than the sum of $220.0 million and 75% of the net equity proceeds received after December 31, 2014;
- Ratio of variable rate indebtedness to total asset value of not more than 30%;
- Ratio of secured indebtedness to total asset value of not more than 45%; and
- Ratio of secured recourse debt to total asset value of not more than 25%.

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

Subsequent to December 31, 2016

On February 1, 2017, the Company increased the borrowings under the senior unsecured term loan facility to $125.0 million and increased the total capacity of the senior unsecured credit facility to $275.0 million, pursuant to the accordion feature of the credit facility.

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

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

Other 2016 Financing Activity

On August 8, 2016, the Company repaid the existing $15.1 million mortgage loan secured by 249 Central Park Retail, the $6.7 million mortgage loan on South Retail and the $7.6 million mortgage loan on Fountain Plaza and refinanced them with a $35.0 million five-year term mortgage loan that bears interest at LIBOR plus 1.95% and matures on August 8, 2021. The new mortgage loan is collateralized by all three properties. The loss on extinguishment of debt recognized on the refinancing was less than $0.1 million.

On August 30, 2016, the Company repaid the existing $31.6 million construction loan secured by 4525 Main Street and the $25.2 million construction loan on Encore Apartments and refinanced them with a $57.0 million five-year term mortgage loan that bears interest at 3.25% and matures on September 10, 2021. The new mortgage is collateralized by both properties. The loss on extinguishment of debt recognized on the refinancing was less than $0.1 million for the year ended December 31, 2016.

During the year ended December 31, 2016, the Company borrowed $44.4 million under its construction loans to fund new development and construction.

Other 2015 Financing Activity

On May 20, 2015, the Company repaid the $17.8 million construction loan secured by Whetstone Apartments and recognized a loss on extinguishment of debt of $0.1 million representing unamortized debt issuance costs.

On May 27, 2015, the Company repaid the existing $24.4 million mortgage secured by Smith’s Landing and refinanced the property with a new $21.6 million loan that bears interest at 4.05% and matures on June 1, 2035. As a result of the refinancing, the Company recognized a $0.1 million loss on extinguishment of debt representing the unamortized debt issuance costs associated with the repaid mortgage.

On July 1, 2015, the Company assumed debt with an outstanding principal balance of $5.0 million in connection with the acquisition of Socastee Commons. The mortgage bears interest at 4.57% and matures on January 6, 2023.

On July 10, 2015, the Company assumed two loans with an aggregate outstanding principal balance of $8.8 million in connection with the acquisition of Columbus Village. Both loans bear interest at LIBOR plus 2.00% and mature on April 5, 2018.

On July 30, 2015, the Company entered into a $50.0 million loan agreement to fund the development and construction of Johns Hopkins Village. The construction loan bears interest at LIBOR plus 1.90% and matures on July 30, 2018.

On September 1, 2015, the Company repaid the $6.1 million mortgage secured by the Oyster Point office building.

On October 6, 2015, the Operating Partnership entered into a $6.4 million note secured by the Oyster Point office building, which bears interest at LIBOR plus 1.40% to 2.00% and matures on February 28, 2017. This note was paid in full in conjunction with the sale of the Oyster Point office building.

On October 30, 2015, the Company repaid the $18.7 million construction loan secured by the Oceaneering International building and recognized a loss on debt extinguishment of debt of $0.1 million representing unamortized debt issuance costs.

Other 2014 Financing Activity

On January 17, 2014, the Company assumed $17.0 million of debt at fair value in connection with the acquisition of Liberty Apartments. The fair value adjustment to the assumed debt of Liberty Apartments was a $1.5 million discount. The outstanding principal balance of the assumed debt of Liberty Apartments at the acquisition date was $18.5 million. On June 13, 2014, the Company borrowed the remaining $2.4 million available under the Liberty Apartments loan. The loan amortizes over 30 years, bears interest at 5.66% and matures on November 1, 2043.

On February 28, 2014, the Company closed on a $19.5 million loan to fund the development and construction of the Oceaneering International facility. The construction loan bears interest at LIBOR plus 1.75% and matures on February 28, 2018.

On August 15, 2014, the Company defeased the loan secured by Dimmock Square for $10.1 million.

On August 28, 2014, the Company closed on a $5.4 million loan to fund the development and construction of a new administrative building for the Commonwealth of Virginia. The construction loan bears interest at LIBOR plus 1.90% and matures on August 28, 2017.

On November 3, 2014, the Company repaid North Point Center Note 4 for $1.0 million.

On November 14, 2014, the Company closed on a $15.0 million loan to fund the development and construction of Lightfoot Marketplace. The construction loan bears interest at LIBOR plus 1.90% and matures on November 14, 2017.

9. Derivative Financial Instruments

On February 20, 2015, the Operating Partnership entered into a $50.0 million floating-to-fixed interest rate swap attributable to one-month LIBOR indexed interest payments. The $50.0 million interest rate swap has a fixed rate of 2.00%, an effective date of March 1, 2016 and a maturity date of February 20, 2020. The Operating Partnership

entered into this interest rate swap agreement in connection with the $50.0 million senior unsecured term loan facility that bears interest at LIBOR plus 1.35% to 1.95%, depending on the Operating Partnership's total leverage. The Company designated this interest rate swap as a cash flow hedge of variable interest payments based on one-month LIBOR.

On July 13, 2015, the Operating Partnership entered into a $6.5 million floating-to-fixed interest rate swap attributable to one-month LIBOR indexed interest payments. The $6.5 million interest rate swap has a fixed rate of 3.05%, an effective date of July 13, 2015 and a maturity date of April 5, 2018. The Company designated this interest rate swap as a cash flow hedge of variable interest payments based on one-month LIBOR.

On October 26, 2015, the Operating Partnership entered into a LIBOR interest rate cap agreement on a notional amount of $75.0 million at a strike rate of 1.25% for a premium of $0.1 million. The interest rate cap agreement expires on October 15, 2017.

On February 25, 2016, the Operating Partnership entered into a LIBOR interest rate cap agreement on a notional amount of $75.0 million at a strike rate of 1.50% for a premium of less than $0.1 million. The interest rate cap agreement expires on March 1, 2018.

On June 17, 2016, the Operating Partnership entered into a LIBOR interest rate cap agreement on a notional amount of $70.0 million at a strike rate of 1.00% for a premium of less than $0.1 million. The interest rate cap agreement expires on June 17, 2018.

On March 14, 2014, the Operating Partnership entered into a LIBOR interest rate cap agreement on a notional amount of $50.0 million at a strike rate of 1.25% for a premium of $0.4 million. The interest rate cap agreement expires on March 1, 2017.

The Company's derivatives comprised the following as of December 31, 2016 and 2015 (in thousands):

	December 31,					
	2016			2015		
	Notional	Fair Value		Notional	Fair Value	
	Amount	Asset	Liability	Amount	Asset	Liability
Interest rate swaps	$ 56,901	$ —	$ (829)	$ 57,093	$ —	$ (1,082)
Interest rate caps	270,000	259	—	246,546	164	—
Total	$ 326,901	$ 259	$ (829)	$ 303,639	$ 164	$ (1,082)

The changes in the fair value of the Company's derivatives during each of the three years ended December 31, 2016 was as follows (in thousands):

	Years Ended December 31,		
	2016	2015	2014
Interest rate swaps	$ (795)	$ (1,071)	$ 5
Interest rate caps	(146)	(233)	(238)
Total	$ (941)	$ (1,304)	$ (233)
Comprehensive income statement presentation:			
Change in fair value of interest rate derivatives	$ (941)	$ (229)	$ (233)
Unrealized gain (loss) on cash flow hedge	—	(1,075)	—
Total	$ (941)	$ (1,304)	$ (233)

Effective March 31, 2016, the Company determined that the short-cut method of hedge accounting was not appropriate for two of its interest-rate swaps and, for accounting purposes, the hedge relationship was terminated. The swaps were entered into in February and July 2015. Accordingly, changes in fair value of the swap should have been recorded in income rather than other comprehensive income. The Company determined that the errors were immaterial to all previously issued financial statements. The Company recognized $0.7 million of accumulated other comprehensive income and $0.4 million, which was previously allocated to noncontrolling interest as of December 31, 2015, in earnings during the first quarter of 2016. Subsequent changes in the value of the interest rate swap for the period from January 1, 2016 to December 31, 2016 were also recognized in earnings during the year ended December 31, 2016. Net income for the year ended December 31, 2015 was overstated by $1.0 million. In reaching its conclusions, management considered the nature of the error, the effect of the error on operating results for 2015, and the effects of the error on important financial statement measures, including related trends.

The Company has not designated any of its interest rate caps as hedging instruments under GAAP.

Subsequent to December 31, 2016

On February 1, 2017, the North Point Center Note 5 was paid in full, which terminated the interest rate swap agreement associated with the note. The loss on the interest rate swap agreement was not significant.

On February 7, 2017, the Operating Partnership entered into a LIBOR interest rate cap agreement on a notional amount of $50.0 million at a strike rate of 1.50% for a premium of $0.2 million. The interest rate cap expires on March 1, 2019.

10. Equity

Stockholders' Equity

As of December 31, 2016 and 2015, the Company's authorized capital was 500 million shares of common stock and 100 million shares of preferred stock. The Company had 37.5 million and 30.1 million shares of common stock issued and outstanding as of December 31, 2016 and 2015, respectively. No shares of preferred stock were issued and outstanding as of December 31, 2016 and 2015.

On April 8, 2015, the Company issued 415,500 shares of common stock in a private placement as partial consideration for the acquisition of Perry Hall Marketplace.

On May 5, 2015, the Company commenced an at-the-market continuous equity program through which the Company may, from time to time, issue and sell shares of its common stock having an aggregate offering price of up to $50.0 million (the "Prior ATM Program"). During the year ended December 31, 2015, the Company issued and sold an aggregate of 1,108,149 shares of common stock at a weighted average price of $10.26 per share. Net proceeds to the Company after offering costs and commissions were $10.9 million.

On May 4, 2016, the Company commenced a new at-the-market continuous equity offering program (the “2016 ATM Program”) through which the Company may, from time to time, issue and sell shares of its common stock having an aggregate offering price of up to $75.0 million. Upon commencing the 2016 ATM Program, the Company simultaneously terminated the Prior ATM Program, which the Company entered into in May 2015 and under which, the Company issued and sold an aggregate of 1,152,919 shares of common stock at a weighted average price of $10.87 per share, resulting in aggregatenet proceeds after offering costs and commissions of $12.2 million. From the inception date of the 2016 ATM Program through December 31, 2016, the Company issued and sold an aggregate of 4,159,936 shares of common stock at a weighted average price of $13.45 per share under the 2016 ATM Program, receiving net proceeds after offering costs and commissions of $54.8 million.

On October 13, 2016, the Company completed the acquisition of Columbus Village II, a stabilized retail asset for aggregate consideration of 2,000,000 shares of common stock, which based on the closing stock price on the date of the acquisition, leads to an acquisition price of $26.2 million. On October 19, 2016, the Company filed a registration statement covering resales of the shares pursuant to a registration rights agreement with the sellers.

On December 9, 2015, the Company completed an underwritten public offering of 3,450,000 shares of common stock. The net proceeds to the Company after deducting the underwriting discount and related offering costs were $35.1 million.

On September 15, 2014, the Company completed an underwritten public offering of 5,750,000 shares of common stock. The net proceeds to the Company after deducting the underwriting discount and related offering costs were $49.3 million.

Noncontrolling Interests

As of December 31, 2016 and 2015, the Company held a 68.1% and 65.6% interest in the Operating Partnership, respectively. As the sole general partner and the majority interest holder, the Company consolidates the financial position and results of operations of the Operating Partnership. Noncontrolling interests in the Company represent OP Units not held by the Company.

As partial consideration for Columbus Village, the Operating Partnership issued 1,000,000 Class B Units on July 10, 2015 and issued 275,000 Class C Units on January 10, 2017. Subject to the occurrence of certain events, the Class B Units and Class C Units will not earn or accrue distributions until July 10, 2017 and January 10, 2018, respectively, at which time they automatically convert to Class A Units.

On January 17, 2014, the Operating Partnership issued 695,652 Class A Units as partial consideration for the acquisition of Liberty Apartments. On March 31, 2014, the Operating Partnership issued 30,000 Class A Units in exchange for all noncontrolling interests in Sandbridge Commons. The Company recognized the difference between the fair value of the Class A Units issued and the adjustment to the carrying amount of the noncontrolling interests in Sandbridge Commons directly in equity as additional paid-in capital. On August 15, 2014, the Operating Partnership issued 990,952 Class A Units as partial consideration for the acquisition of Dimmock Square.

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

Common Stock Dividends and Class A Unit Distributions

During the year ended December 31, 2016, the Company declared the following dividends per share and distributions per unit:

Declaration Date	Record Date	Paid Date	Dividend Per Share/Distribution Per Unit
January 31, 2016	March 30, 2016	April 7, 2016	$ 0.18
May 2, 2016	June 29, 2016	July 7, 2016	0.18
August 4, 2016	September 28, 2016	October 6, 2016	0.18
November 3, 2016	December 28, 2016	January 5, 2017	0.18
		Total	$ 0.72

During the year ended December 31, 2016, the Company paid cash dividends of $22.7 million to common stockholders and the Operating Partnership paid cash distributions of $11.1 million to holders of Class A Units.

The tax treatment of dividends paid to common stockholders during the year ended December 31, 2016 was as follows (unaudited):

Capital gains	—%
Ordinary income	78.00%
Return of capital	22.00%
Total	100.00%

During the year ended December 31, 2015, the Company declared the following dividends per share and distributions per unit:

Declaration Date	Record Date	Paid Date	Dividend Per Share/Distribution Per Unit
January 28, 2015	April 1, 2015	April 9, 2015	$ 0.17
May 8, 2015	July 1, 2015	July 9, 2015	0.17
August 6, 2015	October 1, 2015	October 8, 2015	0.17
November 6, 2015	December 31, 2015	January 7, 2016	0.17
		Total	$ 0.68

During the year ended December 31, 2015, the Company paid cash dividends of $17.1 million to common stockholders and the Operating Partnership paid cash distributions of $9.9 million to holders of Class A Units.

The tax treatment of dividends paid to common stockholders during the year ended December 31, 2015 was as follows (unaudited):

Capital gains	—%
Ordinary income	64.21%
Return of capital	35.79%
Total	100.00%

During the year ended December 31, 2014, the Company declared the following dividends per share and distributions per unit:

Declaration Date	Record Date	Paid Date	Dividend Per Share/Distribution Per Unit
February 18, 2014	April 1, 2014	April 10, 2014	$ 0.16
May 9, 2014	July 1, 2014	July 10, 2014	0.16
August 4, 2014	October 1, 2014	October 9, 2014	0.16
November 10, 2014	December 30, 2014	January 8, 2015	0.16
		Total	$ 0.64

During the year ended December 31, 2014, the Company paid cash dividends of $13.2 million to common stockholders and the Operating Partnership paid cash distributions of $8.9 million to holders of OP Units.

The tax treatment of dividends paid to common stockholders during the year ended December 31, 2014 was as follows (unaudited):

Capital gains	5.3%
Ordinary income	52.3%
Return of capital	42.4%
Total	100.0%

Subsequent to December 31, 2016

On January 5, 2017, the Company paid cash dividends of $6.7 million to common stockholders and the Operating Partnership paid cash distributions of $3.0 million to holders of Class A Units. These dividends and distributions were declared and accrued as of December 31, 2016.

On January 10, 2017, the Company issued 275,000 Class C Units pursuant to the terms of the previously completed Columbus Village acquisition.

On January 10, 2017, the Company issued 68,691 Class A Units for the remaining 20% interests in the Town Center Phase VI project.

On February 2, 2017, the Board of Directors declared a cash dividend of $0.19 per share to stockholders of record on March 29, 2017.

11. Stock-Based Compensation

The Company’s 2013 Equity Incentive Plan permits the grant of restricted stock awards, stock options, stock appreciation rights, performance units and other equity-based awards up to an aggregate of 700,000 shares of common stock over the ten-year term of the plan. As of December 31, 2016, the Company had 218,050 shares of common stock reserved for issuance under the 2013 Equity Incentive Plan.

During the three years ended December 31, 2016, the Company granted an aggregate of 0.1 million, 0.1 million and 0.1 million shares of restricted stock to employees and nonemployee directors, respectively. The weighted average grant date fair value of the restricted stock awards granted during each of the three years ended December 31, 2016 was $1.4 million, $1.2 million and $1.3 million, respectively. Employee restricted stock awards generally vest over a period of two years: one-third immediately on the grant date and the remaining two-thirds in equal amounts on the first two anniversaries following the grant date, subject to continued service to the Company. Nonemployee director restricted stock awards vest either immediately upon grant or over a period of one year, subject to continued service to the Company. Unvested restricted stock awards are entitled to receive dividends from their grant date.

During each of the three years ended December 31, 2016, the Company recognized $1.2 million, $1.0 million and $1.3 million of stock-based compensation, respectively. As of December 31, 2016, the total unrecognized compensation cost related to nonvested restricted shares was $0.4 million, substantially all of which the Company expects to recognize over the next 15 months.

The following table summarizes the changes in the Company's nonvested restricted stock awards during the year ended December 31, 2016:

	Restricted Stock Awards	Weighted Average Grant Date Fair Value Per Share
Nonvested as of January 1, 2016	102,055	$ 10.52
Granted	121,243	11.22
Vested	(118,374)	10.63
Forfeited	(85)	10.84
Nonvested as of December 31, 2016	104,839	$ 11.20

Restricted stock awards granted and vested during the year ended December 31, 2016 include 20,011 shares tendered by employees to satisfy minimum statutory tax withholding obligations.

12. *Fair Value of Financial Instruments*

Fair value measurements are based on assumptions that market participants would use in pricing an asset or a liability. The hierarchy for inputs used in measuring fair value is as follows:

Level 1 Inputs—quoted prices in active markets for identical assets or liabilities

Level 2 Inputs—observable inputs other than quoted prices in active markets for identical assets and liabilities

Level 3 Inputs—unobservable inputs

Except as disclosed below, the carrying amounts of the Company's financial instruments approximate their fair value. Financial assets and liabilities whose fair values are measured on a recurring basis using Level 2 inputs consist of interest rate swaps and interest rate caps. The Company measures the fair values of these assets and liabilities based on prices provided by independent market participants that are based on observable inputs using market-based valuation techniques.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. For disclosure purposes, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement.

The fair value of the Company's debt is sensitive to fluctuations in interest rates. Discounted cash flow analysis based on Level 2 inputs is generally used to estimate the fair value of the Company's debt.

Considerable judgment is used to estimate the fair value of financial instruments. The estimates of fair value presented herein are not necessarily indicative of the amounts that could be realized upon disposition of the financial instruments.

The carrying amounts and fair values of the Company's financial instruments, all of which are based on Level 2 inputs, as of December 31, 2016 and 2015 were as follows (in thousands):

	December 31,			
	2016		2015	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Indebtedness, net	$ 522,180	$ 527,414	$ 377,593	$ 384,691
Interest rate swap liabilities	829	829	1,082	1,082
Interest rate cap assets	259	259	164	164

13. Income Taxes

The income tax benefit (provision) for each of the three years ended December 31, 2016 comprised the following (in thousands):

	Years Ended December 31,		
	2016	2015	2014
Federal income taxes:			
Current	$ (197)	$ 102	$ (37)
Deferred	(109)	(72)	(6)
State income taxes:			
Current	(24)	13	(26)
Deferred	(13)	(9)	(1)
Income tax benefit (provision)	$ (343)	$ 34	$ (70)

As of December 31, 2016 and 2015, the Company had $0.5 million and $0.6 million of net deferred tax assets representing basis differences in the assets of the TRS and stock-based compensation attributable to the TRS.

Management has evaluated the Company's income tax positions and concluded that the Company has no uncertain income tax positions as of December 31, 2016 and 2015. The Company is subject to examination by the applicable taxing authorities for the tax years 2013 through 2016. For the year ended December 31, 2016, the Company was subject to three separate tax examinations. The Internal Revenue Service ("IRS") is examining the Company's 2014 income tax returns. The Virginia Department of Taxation is examining the Company's Virginia tax returns for the tax years 2013 through 2016, and the North Carolina Department of Revenue is examining the Company's North Carolina sales tax returns for the tax years 2013 through 2016. The North Carolina Department of Revenue sales tax audit was completed in December 2016 resulting in no liability to the Company.

14. Other Assets

Other assets were comprised of the following as of December 31, 2016 and 2015 (in thousands):

	December 31,	
	2016	2015
Acquired lease intangibles, net	$ 38,853	$ 18,418
Leasing costs, net	9,338	10,839
Leasing incentives, net	4,764	5,408
Prepaid expenses and other	10,056	2,781
Advance deposits on property acquisitions	75	3,500
Preacquisition development costs	1,079	2,504
Other assets	$ 64,165	$ 43,450

15. Other Liabilities

Other liabilities were comprised of the following as of December 31, 2016 and 2015 (in thousands):

	December 31,	
	2016	2015
Dividends and distributions payable	$ 9,727	$ 7,621
Deferred ground rent payable	8,202	7,484
Acquired lease intangibles, net	15,545	5,872
Prepaid rent and other	3,227	2,145
Security deposits	1,679	1,267
Interest rate swaps	829	1,082
Other liabilities	$ 39,209	$ 25,471

16. Acquired Lease Intangibles

The following table summarizes the Company’s acquired lease intangibles as of December 31, 2016 (in thousands):

	December 31, 2016		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
In-place lease assets	$ 49,124	$ 15,350	$ 33,774
Above-market lease assets	4,490	1,138	3,352
Below-market lease liabilities	18,039	2,494	15,545
Below-market ground lease assets	1,920	193	1,727

The following table summarizes the Company’s acquired lease intangibles as of December 31, 2015 (in thousands):

	December 31, 2015		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
In-place lease assets	$ 19,700	$ 5,128	$ 14,572
Above-market lease assets	2,380	314	2,066
Below-market lease liabilities	6,640	768	5,872
Below-market ground lease assets	1,920	140	1,780

Amortization of in-place lease assets, net below-market lease liabilities and below-market ground lease assets for the year ended December 31, 2016 was $10.2 million, $1.8 million and less than $0.9 million, respectively.

Amortization of in-place lease assets, net below-market lease liabilities and below-market ground lease assets for the year ended December 31, 2015 was $2.9 million, $0.1 million and less than $0.1 million, respectively.

Amortization of in-place lease assets, net below-market lease liabilities and below-market ground lease assets for the year ended December 31, 2014 was $1.3 million, $0.2 million, and less than $0.1 million, respectively.

As of December 31, 2016, the weighted-average remaining lives of in-place lease assets, above-market lease assets, and below-market lease assets were 5.3 years, 6.7 years and 9.9 years, respectively. As of December 31, 2016, the weighted-average remaining life of below-market lease renewal options was 9.0 years.

Estimated amortization of acquired lease intangibles for each of the five succeeding years is as follows (in thousands):

	Rental Revenues	Rental Expenses	Depreciation and Amortization
Year ending December 31,			
2017	$ 1,002	$ 53	$ 9,535
2018	993	53	6,682
2019	883	53	5,192
2020	743	53	3,522
2021	755	53	2,125

17. Related Party Transactions

The Company provides general contracting and real estate services to certain related party entities that are not included in these consolidated financial statements. Revenue from construction contracts with related party entities of the Company was $26.7 million, $9.6 million and $5.3 million for each of the three years ended December 31, 2016, respectively. Gross profits from such contracts were $1.0 million, $0.3 million and $0.3 million for each of the three years ended December 31, 2016, respectively. Amounts from related parties of the Company included in construction receivables as of December 31, 2016 and 2015 were $3.4 million and $1.8 million, respectively. Real estate services fees from affiliated entities of the Company was $0.5 million for the year ended December 31, 2014 and were not significant for either of the years ended December 31, 2016 or 2015. In addition, affiliated entities also reimburse the Company for monthly maintenance and facilities management services provided to the properties. Cost reimbursements earned by the Company from affiliated entities were not significant for any of the three years ended December 31, 2016.

In connection with the formation transactions for the Company's initial public offering, the Operating Partnership entered into tax protection agreements that indemnify certain directors and executive officers of the Company from their tax liabilities resulting from the potential future sale of certain of the Company’s properties within seven (or, in a limited number of cases, ten) years of the completion of the formation transactions on May 13, 2013. Upon completing the sale of the Virginia Natural Gas office property on November 20, 2014, the Operating Partnership paid $1.3 million under such tax protection agreements. The $1.3 million of tax protection payments made in connection with the Virginia Natural Gas office property sale is presented within gain on real estate dispositions in the consolidated statements of comprehensive income.

18. Commitments and Contingencies

Legal Proceedings

The Company is from time to time involved in various disputes, lawsuits, warranty claims, environmental and other matters arising in the ordinary course of its business. Management makes assumptions and estimates concerning the likelihood and amount of any potential loss relating to these matters.

The Company currently is a party to various legal proceedings, none of which management expects will have a material adverse effect on the Company’s financial position, results of operations or liquidity. Management accrues a liability for litigation if an unfavorable outcome is determined to be probable and the amount of loss can be reasonably estimated. If an unfavorable outcome is determined by management to be probable and a range of loss can be reasonably estimated, management accrues the best estimate within the range; however, if no amount within the range is a better estimate than any other, the minimum amount within the range is accrued. Legal fees related to litigation are expensed as incurred. Management does not believe that the ultimate outcome of these matters, either individually or in the aggregate, could have a material adverse effect on the Company’s financial position or results of operations; however, litigation is subject to inherent uncertainties.

Under the Company’s leases, tenants are typically obligated to indemnify the Company from and against all liabilities, costs and expenses imposed upon or asserted against it as owner of the properties due to certain matters relating to the operation of the properties by the tenant.

Commitments

The Company has a bonding line of credit for its general contracting construction business and is contingently liable under performance and payment bonds, bonds for cancellation of mechanics liens and defect bonds. Such bonds collectively totaled $40.5 million and $183.0 million as of December 31, 2016 and 2015, respectively.

The Operating Partnership has entered into standby letters of credit using the available capacity under the credit facility. The letters of credit relate to the guarantee of future performance on certain of the Company’s construction contracts. Letters of credit generally are available for draw down in the event the Company does not perform. As of December 31, 2016 and 2015, the Operating Partnership had total outstanding letters of credit of $4.1 million and $8.0 million, respectively. The amount outstanding at December 31, 2016 includes a $2.1 million letter of credit related to the guarantee on the Point Street Apartments senior construction loan.

The Company has five ground leases on four properties with initial terms that range from 20 to 65 years and options to extend up to an additional 40 years in certain cases. The Company also leases automobiles and equipment.

Future minimum rental payments during each of the next five years and thereafter are as follows (in thousands):

2017	$	1,715
2018		1,738
2019		1,813
2020		1,821
2021		1,840
Thereafter		91,453
Total	$	100,380

Ground rent expense for each of the three years ended December 31, 2016 was $2.0 million, $1.7 million and $1.8 million, respectively.

Concentrations of Credit Risk

The majority of the Company’s properties are located in Hampton Roads, Virginia. For each of the three years ended December 31, 2016, rental revenues from Hampton Roads properties represented 52%, 68% and 69%, respectively, of the Company’s rental revenues. Many of the Company’s Hampton Roads properties are located in the Town Center of Virginia Beach. For each of the three years ended December 31, 2016, rental revenues from Town Center properties represented 41%, 46% and 47%, respectively, of the Company’s rental revenues. Rental revenues from Richmond Tower, which we sold in January 2016, individually represented 1%, 11% and 13% of the Company’s rental revenues for each of the three years ended December 31, 2016, respectively.

A single construction project in Baltimore, Maryland represented 18% and 64% of the Company’s general contracting and real estate services revenues for the years ended December 31, 2016 and 2015, respectively. The same project

represented 29% and 50% of the Company's general contracting and real estate services segment gross profit for the years ended December 31, 2016 and 2015, respectively.

19. *Selected Quarterly Financial Data (Unaudited)*

The following tables summarize certain selected quarterly financial data for 2016 and 2015 (in thousands, except per share data):

	2016 Quarters			
	First	Second	Third	Fourth
Rental revenues	$ 23,283	$ 24,251	$ 25,305	$ 26,516
General contracting and real estate services revenues	36,803	33,200	38,552	50,475
Net operating income	17,371	17,973	18,393	19,740
Net income (1)	26,533	3,131	7,946	5,145
Net income attributable to stockholders	17,370	2,034	5,212	3,458
Net income per share: basic and diluted	$ 0.57	$ 0.06	$ 0.15	$ 0.09

	2015 Quarters			
	First	Second	Third	Fourth
Rental revenues	$ 18,190	$ 19,908	$ 21,303	$ 21,771
General contracting and real estate services revenues	29,071	47,066	53,822	41,309
Net operating income	12,702	15,101	16,488	15,819
Net income	8,118	10,285	4,337	8,443
Net income attributable to stockholders	5,105	6,521	2,688	5,328
Net income per share: basic and diluted	$ 0.20	$ 0.25	$ 0.10	$ 0.19

(1) First quarter amount includes a $26.2 million gain on the disposition of Richmond Tower.

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SCHEDULE III—Consolidated Real Estate Investments and Accumulated Depreciation
December 31, 2016

		Initial Cost		Cost Capitalized	Gross Carrying Amount					Year of
	Encumbrances	Land	Building and Improvements	Subsequent to Acquisition	Land	Building and Improvements	Total	Accumulated Depreciation	Net Carrying Amount(1)	Construction/ Acquisition
Office										
4525 Main Street	$ 32,034	$ 982	$ —	$ 40,759	$ 982	$ 40,759	$ 41,741	$ 3,007	$ 38,734	2014
Armada Hoffler Tower	— (2)	1,976	—	56,613	1,976	56,613	58,589	27,427	31,162	2002
Commonwealth of Virginia—Chesapeake	4,933	328	—	6,211	328	6,211	6,539	587	5,952	2015
Commonwealth of Virginia—Virginia Beach	—	208	—	2,159	208	2,159	2,367	181	2,186	2015
One Columbus	— (2)	960	10,269	7,345	960	17,614	18,574	9,627	8,947	1984/2000
Two Columbus	— (2)	53	—	19,036	53	19,036	19,089	5,999	13,090	2009
Total office	**$ 36,967**	**$ 4,507**	**$ 10,269**	**$ 132,123**	**$ 4,507**	**$ 142,392**	**$ 146,899**	**$ 46,828**	**$ 100,071**	
Retail										
249 Central Park Retail	$ 17,076	$ 712	$ —	$ 14,838	$ 712	$ 14,838	$ 15,550	$ 7,641	$ 7,909	2004
Alexander Pointe	— (2)	4,050	4,880	23	4,050	4,903	8,953	232	8,721	1997
Bermuda Crossroads	— (2)	5,450	10,641	689	5,450	11,330	16,780	1,804	14,976	2001/2013
Broad Creek Shopping Center	— (2)	—	—	15,845	—	15,845	15,845	8,446	7,399	1997-2001
Broadmoor Plaza	—	2,410	9,010	24	2,410	9,034	11,444	437	11,007	1980
Brooks Crossing	—	117	—	2,276	117	2,276	2,393	22	2,371	2016
Columbus Village	8,524	7,631	10,135	—	7,631	10,135	17,766	439	17,327	1985/2015
Columbus Village II	—	14,536	10,922	14	14,536	10,936	25,472	104	25,368	1995/1996
Commerce Street Retail	— (2)	118	—	3,209	118	3,209	3,327	1,173	2,154	2008
Courthouse 7-Eleven	— (2)	1,007	—	1,043	1,007	1,043	2,050	136	1,914	2011
Dick’s at Town Center	— (2)	67	—	10,522	67	10,522	10,589	3,507	7,082	2002
Dimmock Square	— (2)	5,100	13,126	46	5,100	13,172	18,272	877	17,395	1998/2014
Fountain Plaza Retail	10,281	425	—	7,112	425	7,112	7,537	2,950	4,587	2004
Gainsborough Square	— (2)	2,229	—	7,064	2,229	7,064	9,293	3,005	6,288	1999
Greentree Shopping Center	—	1,523	—	4,280	1,523	4,280	5,803	377	5,426	2014
Hanbury Village	20,709 (2)	3,793	—	19,262	3,793	19,262	23,055	5,770	17,285	2009
Harper Hill Commons	— (2)	2,840	8,510	12	2,840	8,522	11,362	301	11,061	2004
Harrisonburg Regal	3,256	1,554	—	4,149	1,554	4,149	5,703	1,881	3,822	1999
Lightfoot Marketplace	12,194	7,628	—	14,728	7,628	14,728	22,356	227 (3)	22,129	0 (3)
North Hampton Market	— (2)	7,250	10,210	140	7,250	10,350	17,600	469	17,131	2004
North Point Center	12,983 (2)	1,936	—	25,119	1,936	25,119	27,055	11,788	15,267	1998
Oakland Marketplace	—	1,850	3,370	10	1,850	3,380	5,230	436	4,794	2004
Parkway Marketplace	— (2)	1,150	—	3,540	1,150	3,540	4,690	1,678	3,012	1998

Patterson Place	— (2)	15,059	20,180	11	15,059	20,191	35,250	676	34,574	2004
Perry Hall Marketplace	— (2)	3,240	8,316	91	3,240	8,407	11,647	548	11,099	2001/2015
Providence Plaza	— (2)	9,950	12,369	476	9,950	12,845	22,795	505	22,290	2008/2015
Renaissance Place	—	6,730	8,439	—	6,730	8,439	15,169	47	15,122	2008
Sandbridge Commons	9,376	5,267	—	7,236	5,267	7,236	12,503	511	11,992	2015
Socastee Commons	4,866	2,320	5,380	45	2,320	5,425	7,745	328	7,417	2000/2015
South Retail	7,493	190	—	7,623	190	7,623	7,813	3,731	4,082	2002
South Square	—	14,130	12,670	14	14,130	12,684	26,814	476	26,338	1977/2005
Southgate Square	21,150	8,890	25,950	62	8,890	26,012	34,902	620	34,282	1991/2016
Southshore Shops	—	1,770	6,509	5	1,770	6,514	8,284	85	8,199	2006
Stone House Square	— (2)	6,360	16,350	236	6,360	16,586	22,946	974	21,972	2008/2015
Studio 56 Retail	— (2)	76	—	2,477	76	2,477	2,553	727	1,826	2007
Tyre Neck Harris Teeter	— (2)	—	—	3,306	—	3,306	3,306	756	2,550	2011
Waynesboro Commons	—	1,300	1,610	10	1,300	1,620	2,920	192	2,728	1993
Wendover Village	— (2)	12,710	14,490	7	12,710	14,497	27,207	498	26,709	2004
Total retail	**$ 127,908**	**$161,368**	**$ 213,067**	**$ 155,544**	**$161,368**	**$ 368,611**	**$529,979**	**$ 64,374**	**$ 465,605**	
Mutifamily										
Encore Apartments	$ 24,966	$ 1,293	$ —	$ 30,124	$ 1,293	$ 30,124	$ 31,417	$ 1,997	$ 29,420	2014
Harding Place	—	5,706	—	2,453	5,706	2,453	8,159	—	8,159	— (3)
Liberty Apartments	20,005	3,580	23,494	1,215	3,580	24,709	28,289	2,566	25,723	2013/2014
Johns Hopkins Village	43,841	—	—	65,875	—	65,875	65,875	863 (3)	65,012	— (3)
Smith's Landing	20,511	—	35,105	1,153	—	36,258	36,258	4,284	31,974	2009/2013
The Cosmopolitan	45,884	985	—	56,957	985	56,957	57,942	18,641	39,301	2006
Town Center Phase VI	—	1,174	—	1,615	1,174	1,615	2,789	—	2,789	—
Total multifamily	**$ 155,207**	**$ 12,738**	**$ 58,599**	**$ 159,392**	**$ 12,738**	**$ 217,991**	**$230,729**	**$ 28,351**	**$ 202,378**	
Held for development	**$ —**	**$ 680**	**$ —**	**$ —**	**$ 680**	**$ —**	**$ 680**	**$ —**	**$ 680**	
Real estate investments	**$ 320,082**	**$179,293**	**$ 281,935**	**$ 447,059**	**$179,293**	**$ 728,994**	**$908,287**	**$ 139,553**	**$ 768,734**	

(1) The net carrying amount of real estate for federal income tax purposes was $655.9 million as of December 31, 2016.

(2) Borrowing base collateral for the credit facility as of December 31, 2016.

(3) Construction in progress as of December 31, 2016.

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

Buildings	39 years
Capital improvements	15—20 years
Equipment	5—15 years
Tenant improvements	Term of the related lease
	(or estimated useful life, if shorter)

	Real Estate Investments		Accumulated Depreciation	
	December 31,			
	2016	2015	2016	2015
Balance at beginning of the year	$ 633,591	$ 595,000	$ 125,380	$ 116,099
Construction costs and improvements	56,630	52,533	—	—
Acquisitions	248,987	83,230	—	—
Dispositions	(30,467)	(23,181)	(352)	(668)
Reclassifications	(454)	(73,991)	(8,928)	(8,729)
Depreciation	—	—	23,453	18,678
Balance at end of the year	$ 908,287	$ 633,591	$ 139,553	$ 125,380

INDEX TO EXHIBITS

Exhibit Number	Description
3.1	Articles of Amendment and Restatement of Armada Hoffler Properties, Inc. (Incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-3, filed on June 2, 2014)
3.2	Amended and Restated Bylaws of Armada Hoffler Properties, Inc. (Incorporated by reference to Exhibit 3.2 to the Company's Registration Statement on Form S-11/A, filed on April 26, 2013)
4.1	Form of Certificate of Common Stock of Armada Hoffler Properties, Inc. (Incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-11/A, filed on May 2, 2013)
10.1	Amended and Restated Agreement of Limited Partnership of Armada Hoffler, L.P. (Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q, filed on November 12, 2013)
10.2†	Armada Hoffler Properties, Inc. 2013 Equity Incentive Plan (Incorporated by reference to Exhibit 10.2 to the Company's Registration Statement on Form S-11/A, filed on April 26, 2013)
10.3†	Form of Restricted Stock Award Agreement (Time Vesting) (Incorporated by reference to Exhibit 10.3 to the Company's Registration Statement on Form S-11/A, filed on May 2, 2013)
10.4	Indemnification Agreement between Armada Hoffler Properties, Inc. and each of the Directors and Officers listed on Schedule A thereto (Incorporated by Reference to Exhibit 10.4 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2015, filed on March 2, 2016)
10.5	Tax Protection Agreement by and among Armada Hoffler Properties, Inc. and the persons listed on the signature page thereto (Incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q, filed on November 12, 2013)
10.6	Representation, Warranty and Indemnity Agreement among Armada Hoffler Properties, Inc., Armada Hoffler, L.P. and Daniel A. Hoffler (Incorporated by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q, filed on November 12, 2013)
10.7†	Armada Hoffler, L.P. Executive Severance Benefit Plan with the participants listed on Schedule A thereto (Incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q, filed on April November 12, 2013)
10.8	Contribution Agreement by and among Armada Hoffler, L.P., Armada Hoffler Properties, Inc. and Daniel A. Hoffler, dated as of February 11, 2013 (Incorporated by reference to Exhibit 10.8 to the Company's Registration Statement on Form S-11/A, filed on April 26, 2013)
10.9	Contribution Agreement by and among Armada Hoffler, L.P., Armada Hoffler Properties, Inc. and A. Russell Kirk, dated February 12, 2013 (Incorporated by reference to Exhibit 10.9 to the Company's Registration Statement on Form S-11/A, filed on April 26, 2013)
10.10	Contribution Agreement by and among Armada Hoffler, L.P., Armada Hoffler Properties, Inc. and Louis S. Haddad, dated as of February 11, 2013 (Incorporated by reference a to Exhibit 10.10 to the Company's Registration Statement on Form S-11/A, filed on April 26, 2013)
10.11	Contribution Agreement by and among Armada Hoffler, L.P., Armada Hoffler Properties, Inc. and Anthony P. Nero, dated as of February 12, 2013 (Incorporated by reference to Exhibit 10.11 to the Company's Registration Statement on Form S-11/A, filed on April 26, 2013)
10.12	Contribution Agreement by and among Armada Hoffler, L.P., Armada Hoffler Properties, Inc., and Eric E. Apperson, dated as of February 11, 2013 (Incorporated by reference to Exhibit 10.12 to the Company's Registration Statement on Form S-11/A, filed on April 26, 2013)

Exhibit Number	Description
10.13	Contribution Agreement by and among Armada Hoffler, L.P., Armada Hoffler Properties, Inc., and Michael P. O'Hara, dated as of February 11, 2013 (Incorporated by reference to Exhibit 10.13 to the Company's Registration Statement on Form S-11/A, filed on April 26, 2013)
10.14	Contribution Agreement by and among Armada Hoffler, L.P., Armada Hoffler Properties, Inc., and John C. Davis, dated as of February 11, 2013 (Incorporated by reference to Exhibit 10.14 to the Company's Registration Statement on Form S-11/A, filed on April 26, 2013)
10.15	Contribution Agreement by and among Armada Hoffler, L.P., Armada Hoffler Properties, Inc., and Alan R. Hunt, dated as of February 11, 2013 (Incorporated by reference to Exhibit 10.15 to the Company's Registration Statement on Form S-11/A, filed on April 26, 2013)
10.16	Contribution Agreement by and among Armada Hoffler, L.P., Armada Hoffler Properties, Inc., and Shelly R. Hampton, dated as of February 11, 2013 (Incorporated by reference to Exhibit 10.16 to the Company's Registration Statement on Form S-11/A, filed on April 26, 2013)
10.17	Contribution Agreement by and among Armada Hoffler, L.P., Armada Hoffler Properties, Inc., and William Christopher Harvey, dated as of February 11, 2013 (Incorporated by reference to Exhibit 10.17 to the Company's Registration Statement on Form S-11/A, filed on April 26, 2013)
10.18	Contribution Agreement by and among Armada Hoffler, L.P., Armada Hoffler Properties, Inc., and Eric L. Smith, dated as of February 12, 2013 (Incorporated by reference to Exhibit 10.18 to the Company's Registration Statement on Form S-11/A, filed on April 12, 2013)
10.19	Contribution Agreement by and among Armada Hoffler, L.P., Armada Hoffler Properties, Inc., and John E. Babb, dated as of January 31, 2013 (Incorporated by reference to Exhibit 10.19 to the Company's Registration Statement on Form S-11/A, filed on April 12, 2013)
10.20	Contribution Agreement by and among Armada Hoffler, L.P., Armada Hoffler Properties, Inc., and Rickard E. Burnell, dated as of February 12, 2013 (Incorporated by reference to Exhibit 10.20 to the Company's Registration Statement on Form S-11/A, filed on April 26, 2013)
10.21	Contribution Agreement by and among Armada Hoffler, L.P., Armada Hoffler Properties, Inc., and A/H TWA Associates, L.L.C., dated as of February 11, 2013 (Incorporated by reference to Exhibit 10.21 to the Company's Registration Statement on Form S-11/A, filed on April 12, 2013)
10.22	Contribution Agreement by and among Armada Hoffler, L.P., Armada Hoffler Properties, Inc., and RMJ Kirk Fortune Bay, L.L.C., dated as of February 11, 2013 (Incorporated by reference to Exhibit 10.22 to the Company's Registration Statement on Form S-11/A, filed on April 12, 2013)
10.23	Contribution Agreement by and among Armada Hoffler, L.P., Armada Hoffler Properties, Inc., and Kirk Gainsborough, L.L.C., dated as of February 11, 2013 (Incorporated by reference to Exhibit 10.23 to the Company's Registration Statement on Form S-11/A, filed on April 12, 2013)
10.24	Contribution Agreement by and among Armada Hoffler, L.P., Armada Hoffler Properties, Inc., and Chris A. Sanders, dated as of January 25, 2013 (Incorporated by reference to Exhibit 10.24 to the Company's Registration Statement on Form S-11/A, filed on April 26, 2013)
10.25	Contribution Agreement by and among Armada Hoffler, L.P., Armada Hoffler Properties, Inc., and Allen O. Keene, dated as of January 21, 2013 (Incorporated by reference to Exhibit 10.25 to the Company's Registration Statement on Form S-11/A, filed on April 12, 2013)
10.26	Contribution Agreement by and among Armada Hoffler, L.P., Armada Hoffler Properties, Inc., and Bruce G. Ford, dated as of January 31, 2013 (Incorporated by reference to Exhibit 10.26 to the Company's Registration Statement on Form S-11/A, filed on April 12, 2013)

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Exhibit Number	Description
10.27	Contribution Agreement by and among Armada Hoffler, L.P., Armada Hoffler Properties, Inc., and DIAN, LLC, dated as of January 28, 2013 (Incorporated by reference to Exhibit 10.27 to the Company’s Registration Statement on Form S-11/A, filed on April 26, 2013)
10.28	Contribution Agreement by and among Armada Hoffler, L.P., Armada Hoffler Properties, Inc., and Compson of Richmond, L.C., Thomas Comparato and Lindsey Smith Comparato, dated as of January 31, 2013 (Incorporated by reference to Exhibit 10.28 to the Company’s Registration Statement on Form S-11/A, filed on April 26, 2013)
10.29	Contribution Agreement by and among Armada Hoffler, L.P., Armada Hoffler Properties, Inc., and Bruce Smith Enterprises, LLC and Bruce B. Smith, dated as of January 31, 2013 (Incorporated by reference to Exhibit 10.29 to the Company’s Registration Statement on Form S-11/A, filed on April 12, 2013)
10.30	Contribution Agreement by and among Armada Hoffler, L.P., Armada Hoffler Properties, Inc., and Steyn, LLC, dated as of January 31, 2013 (Incorporated by reference to Exhibit 10.30 to the Company’s Registration Statement on Form S-11/A, filed on April 12, 2013)
10.31	Contribution Agreement by and among Armada Hoffler, L.P., Armada Hoffler Properties, Inc., and D&F Beach, L.L.C., dated as of February 1, 2013 (Incorporated by reference to Exhibit 10.31 to the Company’s Registration Statement on Form S-11/A, filed on April 12, 2013)
10.32	Contribution Agreement by and among Armada Hoffler, L.P., Armada Hoffler Properties, Inc., and DF Smith’s Landing, LLC, dated as of January 31, 2013 (Incorporated by reference to Exhibit 10.32 to the Company’s Registration Statement on Form S-11/A, filed on April 12, 2013)
10.33	Contribution Agreement by and among Armada Hoffler, L.P., Armada Hoffler Properties, Inc., and Spratley Family Holdings, L.L.C., dated as of January 22, 2013 (Incorporated by reference to Exhibit 10.33 to the Company’s Registration Statement on Form S-11/A, filed on April 12, 2013)
10.34	Contribution Agreement by and among Armada Hoffler, L.P., Armada Hoffler Properties, Inc., and Columbus One, LLC, DP Columbus Two, LLC, City Center Associates, LLC, TC Block 7 Partners LLC, TC Block 12 Partners LLC, TC Block 3 Partners LLC, TC Block 6 Partners LLC, TC Block 8 Partners LLC, TC Block 11 Partners LLC and TC Apartment Partners, LLC, dated as of February 1, 2013 (Incorporated by reference to Exhibit 10.34 to the Company’s Registration Statement on Form S-11/A, filed on April 26, 2013)
10.35	Asset Purchase Agreement by and among AHP Asset Services, LLC and Armada Hoffler Holding Company, Inc., dated as of , 2013 (Incorporated by reference to Exhibit 10.36 to the Company’s Registration Statement on Form S-11/A, filed on May 2, 2013)
10.36	Contribution Agreement for the Apprentice School Apartment property by and among Armada Hoffler, L.P., Washington Avenue Associates, L.L.C. and Washington Avenue Apartments, L.L.C., and dated as of , 2013 (Incorporated by reference to the Company’s Registration Statement on Form S-11/A, filed on May 2, 2013)
10.37	Land Option Agreement by and between and Armada Hoffler, L.P. and Courthouse Marketplace Parcel 7, L.L.C., dated as of May 1, 2013 (Incorporated by reference to Exhibit 10.38 to the Company’s Registration Statement on Form S-11/A, filed on May 2, 2013)
10.38	Land Option Agreement by and between and Armada Hoffler, L.P. and Courthouse Marketplace Outparcels, L.L.C., dated as of May, 1 2013 (Incorporated by reference to Exhibit 10.39 to the Company’s Registration Statement on Form S-11/A, filed on May 2, 2013)
10.39	Land Option Agreement by and between and Armada Hoffler, L.P. and Hanbury Village, LLC, dated as of May 1, 2013 (Incorporated by reference to Exhibit 10.40 to the Company’s Registration Statement on Form S-11/A, filed on May 2, 2013)

Exhibit Number	Description
10.40	Land Option Agreement by and between and Armada Hoffler, L.P. and Lake View AH-VNG, LLC, dated as of May 1, 2013 (Incorporated by to Exhibit 10.41 reference to the Company's Registration Statement on Form S-11/A, filed on May 2, 2013)
10.41	Land Option Agreement by and between and Armada Hoffler, L.P. and Oyster Point Hotel Associates, L.L.C., dated as of May 1, 2013 (Incorporated by reference to Exhibit 10.42 to the Company's Registration Statement on Form S-11/A, filed on May 2, 2013)
10.42	Contribution Agreement by and among Armada Hoffler, L.P., Armada Hoffler Properties, Inc. and Oyster Point Investors, L.P., dated as of February 11, 2013 (Incorporated by reference to Exhibit 10.43 to the Company's Registration Statement on Form S-11/A, filed on April 26, 2013)
10.43†	Form of Restricted Stock Award Agreement for Directors (Incorporated by reference to Exhibit 10.44 to the Company's Registration Statement on Form S-11/A, filed on May 2, 2013)
10.44	Option Agreement dated May 1, 2013 by and between Armada/Hoffler Properties, L.L.C. and Armada Hoffler, L.P. (Incorporated by reference to Exhibit 10.45 to the Company's Registration Statement on Form S-11/A, filed on May 2, 2013)
10.45	Option Transfer Agreement by and among Town Center Associates, L.L.C. Armada/Hoffler Properties, L.L.C., City Center Associates, L.L.C. and Armada Hoffler, L.P., dated as of May 10, 2013 (Incorporated by reference to Exhibit 10.14 to the Company's Quarterly Report on Form 10-Q, filed on August 14, 2013)
10.46	Construction Loan Agreement among TCA Block 11 Apartments, LLC and TCA Block 11 Office, LLC as Borrower and Bank of America, N.A., as Administrative Agent, dated as of July 30, 2013 (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed on August 13, 2013)
10.47	Credit Agreement by and among Armada Hoffler, L.P., Armada Hoffler Properties, Inc. and Bank of America, N.A., dated as of February 20, 2015 (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed on February 25, 2015)
10.48	Unconditional Guaranty Agreement by Armada Hoffler, L.P. and certain subsidiaries of Armada Hoffler, L.P. named therein for the benefit of the Administrative Agent and the lenders named in the Credit Agreement, dated as of February 20, 2015 (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed on February 25, 2015)
10.49	Amendment No. 1, dated as of March 19, 2014, to the First Amended and Restated Agreement of Limited Partnership of Armada Hoffler, L.P., dated as of May 13, 2013 (Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q, filed on May 15, 2014)
10.50†	Armada Hoffler Properties, Inc. Short-Term Incentive Program (Incorporated by reference to Exhibit 10.53 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2014, filed on March 16, 2015)
10.51	Amendment No. 2, dated as of July 10, 2015, to the First Amended and Restated Agreement of Limited Partnership of Armada Hoffler, L.P., dated as of May 13, 2013 (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed on July 16, 2015)
10.52	Construction Loan Agreement, dated as of July 30, 2015, by and among Hopkins Village, LLC, as Borrower, Bank of America, N.A., and the other financial institutions party thereto (Incorporated by reference to Exhibit 10.1 the Company's Current Report on Form 8-K, filed on August 5, 2015)
10.53	Agreement of Sale and Purchase, dated as of November 2, 2015, by and between AH Richmond Tower I, LLC and Kireland Management, LLC (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed on January 13, 2016)

Exhibit Number	Description
10.54	First Amendment to Agreement of Sale and Purchase, dated as of November 10, 2015, by and between AH Richmond Tower I, LLC and Kireland Management, LLC (Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed on January 13, 2016)
10.55	Purchase and Sale Agreement, dated as of December 3, 2015, by and between DDR-SAU South Square, L.L.C., DDR-SAU Durham Patterson, L.L.C., DDR-SAU Wendover Phase II, L.L.C., DDR-SAU Salisbury Alexander, L.L.C., DDR-SAU Winston-Salem Harper Hill, L.L.C., DDR-SAU Greer North Hampton Market, L.L.C., DDR-SAU Nashville Willowbrook, L.L.C., DDR-SAU South Bend Broadmoor, L.L.C., DDR-SAU Oakland, L.L.C., DDR-SAU Waynesboro, L.L.C., DDR-SAU Pasadena Red Bluff Limited Partnership and AHP Acquisitions, LLC (Incorporated by reference to Exhibit 10.55 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2015, filed on March 2, 2016)
10.56	First Amendment to Purchase and Sale Agreement, dated as of December 14, 2015, by and between DDR-SAU South Square, L.L.C., DDR-SAU Durham Patterson, L.L.C., DDR-SAU Wendover Phase II, L.L.C., DDR-SAU Salisbury Alexander, L.L.C., DDR-SAU Winston-Salem Harper Hill, L.L.C., DDR-SAU Greer North Hampton Market, L.L.C., DDR-SAU Nashville Willowbrook, L.L.C., DDR-SAU South Bend Broadmoor, L.L.C., DDR-SAU Oakland, L.L.C., DDR-SAU Waynesboro, L.L.C., DDR-SAU Pasadena Red Bluff Limited Partnership and AHP Acquisitions, LLC (Incorporated by reference to Exhibit 10.56 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2015, filed on March 2, 2016)
10.57*	Form of Performance Unit Award Agreement
21.1*	List of Subsidiaries of Armada Hoffler Properties, Inc.
23.1*	Consent of Ernst & Young LLP, Independent Public Accounting Firm
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1**	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2**	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Presentation Linkbase Document
*	Filed herewith
**	Furnished herewith
†	Management contract or compensatory plan or arrangement

PERFORMANCE UNIT AWARD AGREEMENT

THIS PERFORMANCE UNIT AWARD AGREEMENT (the "Agreement"), dated as of the [ ] day of [ ], 20[ ], governs the Performance Unit Award granted by ARMADA HOFFLER PROPERTIES, INC., a Maryland corporation (the "Company"), to [ ] (the "Participant"), in accordance with and subject to the provisions of the Company's 2013 Equity Incentive Plan (the "Plan"). A copy of the Plan has been made available to the Participant. All terms used in this Agreement that are defined in the Plan have the same meaning given them in the Plan.

1. Grant of Performance Units. In accordance with the Plan, and effective as of [ ], 20[ ] (the "Grant Date"), the Company hereby grants to the Participant, subject to the terms and conditions of the Plan and this Agreement, an award of Performance Units (the "Award"). The Performance Units are notional units (not actual shares of Common Stock), representing an unfunded, unsecured right to receive shares of Common Stock in the future based on the level of achievement of the performance criteria set forth in Exhibit A over a performance period commencing on [ ], 20[ ], and ending on the earlier of (a) the day preceding the third anniversary thereof, and (b) a Control Change Date (the "Performance Period"). The "target" number of Performance Units awarded is [_________] (the "Target Award"). The actual number of Performance Units earned will be determined in accordance with Exhibit A and Section 2 of this Agreement, and may be greater than or less than the Target Award.

2. Determination of Amount Earned; Vesting; Termination of Employment.

(a) Determination of Amount Earned. Within sixty (60) days after the end of the Performance Period, the Committee shall determine the number of Earned Performance Units, if any, pursuant to Exhibit A and this Section 2(a). If a Control Change Date occurs during the Performance Period (resulting in the closing of the Performance Period as of the Control Change Date), the amount of Earned Performance Units shall be determined as follows: (i) the amount of Performance Units earned based on Absolute TSR (as such term is defined in Exhibit A), if any, shall be calculated based on the Company's Absolute TSR through the Control Change Date, with the Absolute TSR percentages in the left column of the table in Section 2(a) of Exhibit A prorated by multiplying such percentages by a fraction, the numerator of which is the number of days from and including the first day of the Performance Period through the Control Change Date, and the denominator of which is 1,096, and (ii) the amount of Performance Units earned based on Relative TSR (as such term is defined in Exhibit A), if any, shall be calculated in accordance with Exhibit A based on TSR calculated through the Control Change Date.

(b) Vesting. Subject to Section 2(c) below, fifty percent (50%) of any Earned Performance Units shall vest on the last day of the Performance Period, twenty-five percent (25%) of any Earned Performance Units shall vest on the first (1st) anniversary of the last day of the Performance Period, and the remaining twenty-five percent (25%) of any Earned Performance Units shall vest on the second (2nd) anniversary of the last day of the Performance Period (each such date, a "Vesting Date," and each period between the first day of the Performance Period and a Vesting Date, a "Vesting Period"). For the avoidance of doubt, if a Control Change Date occurs during the Performance Period, the last day of the Performance Period shall be the Control Change Date for all purposes under this Agreement, including this Section 2(b).

(c) Termination of Employment. Except as provided in Sections 2(c)(i) and (ii) below, if the Participant's employment with the Company and its Affiliates (and any successors thereto) terminates on or before a Vesting Date, any unvested Performance Units shall immediately and automatically be forfeited as of the date of termination, and the Participant shall have no further rights with respect to this Award.

(i) *Involuntary Termination Before a Control Change Date*. If, before a Control Change Date, the Participant's employment with the Company and its Affiliates (and any successors thereto) terminates due to an Involuntary Termination, the number of Earned Performance Units that vest on each remaining Vesting Date (which shall not be accelerated due to the

termination), if any, shall be prorated by multiplying the number of Earned Performance Units that otherwise would have vested on such Vesting Date by a fraction, the numerator of which is the number of days the Participant was employed during the applicable Vesting Period, and the denominator of which is the total number of days in the Vesting Period.

(ii) *Involuntary Termination Following a Control Change Date*. If, within the period beginning on a Control Change Date and ending on the date twenty-four (24) months following the Control Change Date, the Participant's employment with the Company and its Affiliates (and any successors thereto) terminates due to an Involuntary Termination, all Earned Performance Units, to the extent unvested, shall immediately vest as of the date of the termination of employment and, within sixty (60) days following the date of such termination, the Company will issue to the Participant one share of Common Stock for each outstanding Earned Performance Unit (together with any related Dividend Equivalent Rights) provided the Participant has executed and delivered a general release of claims in favor of the Company and its Affiliates (and any successor(s) thereto) on the Company's standard form of release agreement, and such release has become irrevocable within sixty (60) days following the date of termination. To the extent the Company determines that the Performance Units constitute nonqualified deferred compensation for purposes of Section 409A of the Code ("Section 409A") and such sixty (60) day period spans two calendar years, any earned shares of Common Stock shall be issued in the later calendar year.

(iii) *Cause*. For purposes of this Agreement, a termination of the Participant's employment with the Company or an Affiliate (or any successors thereto) is with Cause if such employment is terminated on account of (i) the Participant's continued failure to perform the duties and responsibilities of his or her position, the Participant's failure to perform a material duty or the Participant's material breach of an obligation under an agreement with the Company or a breach of a material and written Company policy other than by reason of mental or physical illness or injury, (ii) the Participant's breach of a fiduciary duty to the Company, (iii) the Participant's conduct that is demonstrably and materially injurious to the Company, materially or otherwise or (iv) the Participant's conviction of, or plea of *nolo contendre* to, a felony or crime involving moral turpitude or fraud or dishonesty involving assets of the Company and that in all cases is described in a written notice from the Company and that is not cured, to the reasonable satisfaction of the Company, within thirty (30) days after such notice is received by the Participant.

(iv) *Disability*. For purposes of this Agreement, the Participant shall be considered to have a Disability if the Participant is considered "disabled," as that term is used in Section 409A(a)(2)(C) of the Code.

(v) *Good Reason*. For purposes of this Agreement, the Participant's resignation is with Good Reason if the Participant resigns on account of (i) the Company's material breach of an agreement with the Participant or a direction from the Board that the Participant act or refrain from acting which in either case would be unlawful or contrary to a material and written Company policy, (ii) a material reduction in the Participant's base salary or annual bonus opportunity or (iii) a requirement that the Participant relocate the Participant's employment more than fifty (50) miles from the location of the Participant's principal office on the Date of Grant, without the consent of the Participant. The Participant's resignation shall not be a resignation with Good Reason unless the Participant gives the Company written notice (delivered within thirty (30) days after the Participant knows of the event, action, etc. that the Participant asserts constitutes Good Reason), the event, action, etc. that the Participant asserts constitutes Good Reason is not cured, to the reasonable satisfaction of the Participant, within thirty (30) days after such notice and the Participant resigns effective not later than thirty (30) days after the expiration of such cure period.

(vi) *Involuntary Termination*. For purposes of this Agreement, the term “Involuntary Termination” means a termination of the Participant’s employment (A) due to the Participant’s Disability or death, (B) by the Company or an Affiliate (or any successors thereto) without Cause, or (C) by the Participant for Good Reason.

3. Timing and Manner of Payment of Earned Performance Units. Except as provided in Section 2(c)(ii) above, (a) within sixty (60) days following the first Vesting Date (either the last day of the Performance Period or the Control Change Date, as applicable), the Company shall issue to the Participant one share of Common Stock for each Earned Performance Unit that vests as of such Vesting Date, (b) with respect of any Earned Performance Units that vest on the first (1st) and/or second (2nd) anniversary of the last day of the Performance Period (or on such anniversaries of a Control Change Date, as applicable), the Company shall issue one share of Common Stock for each Earned Performance Unit that vests as of such Vesting Date, with such shares issued on the applicable Vesting Date.

4. Tax Withholding. In accordance with Section 14.05 of the Plan (or any successor provision), the Company shall have the power and right to deduct or withhold, or require the Participant to remit to the Company, an amount sufficient to satisfy any federal, state, local and other taxes (including the Participant’s payroll tax obligations) required by law to be withheld with respect to this Award. Any minimum statutory federal, state, district or city withholding tax obligations may be satisfied (a) by surrendering to the Company shares of Common Stock previously acquired by the Participant; or (b) by authorizing the Company to withhold or reduce the number of shares of Common Stock otherwise issuable to the Participant upon the settlement of the Performance Units.

5. Dividend Equivalent Rights. The Participant shall also be entitled to Dividend Equivalent Rights with respect to the Performance Units. If the Company declares a normal dividend on its shares of Common Stock and the record date of such dividend is prior to the earlier of the date the Performance Units (i) are converted into shares of Common Stock or (ii) terminate, the Participant shall receive a Dividend Equivalent Right equal to such normal dividend for each outstanding Performance Unit. Any such Dividend Equivalent Rights shall be accumulated (without interest) and shall be subject to the same terms and conditions as are applicable to the Performance Units to which the Dividend Equivalent Right relates, including, without limitation, the restrictions on transfer, forfeiture, vesting and payment provisions contained in this Agreement. Earned Dividend Equivalent Rights, if any, shall be paid either in cash or by issuance of a number of shares of Common Stock having a value equal to the amount of cash that would be paid if the Dividend Equivalent Rights were settled in cash, rounding down to the nearest whole share, as determined by the Committee in its sole discretion, with such payment or issuance of shares occurring on the date shares of Common Stock are issued in respect of the Earned Performance Units to which the Dividend Equivalent Rights relate.

6. Transferability. The Performance Units and any right to receive shares of Common Stock and any related Dividend Equivalent Rights pursuant to this Award cannot be transferred, assigned, alienated, or otherwise encumbered in any manner other than by will or the laws of descent and distribution.

7. Stockholder Rights. The Participant shall not have any privileges of a stockholder of the Company with respect to the Performance Units (including the right to vote and to receive dividends and other distributions paid with respect to shares of Common Stock) unless and until, and only to the extent, the Performance Units are settled by the issuance of shares of Common Stock to the Participant. Notwithstanding the foregoing, the Participant shall be entitled to Dividend Equivalent Rights pursuant to Section 5.

8. Changes in Capitalization. The Performance Units shall be subject to the provisions of Article XII of the Plan relating to adjustments upon changes in Common Stock.

9. No Right to Continued Employment. Neither this Agreement nor the grant of the Performance Units shall give the Participant any rights with respect to continued employment by the Company or an Affiliate or interfere with the right of the Company or an Affiliate to terminate the Participant’s employment.

10. Governing Law. This Agreement shall be governed by the laws of the State of Maryland except to the extent that Maryland law would require the application of the laws of another State.

11. Conflicts. In the event of any conflict between the provisions of the Plan as in effect on the Date of Grant and this Agreement, the provisions of the Plan shall govern. All references herein to the Plan shall mean the Plan as in effect on the Date of Grant.

12. Participant Bound by Plan. The Participant hereby acknowledges that a copy of the Plan has been made available to the Participant and the Participant agrees to be bound by all the terms and provisions of the Plan.

13. Binding Effect. Subject to the limitations stated above and in the Plan, this Agreement shall be binding upon the Participant and the Participant's successors in interest and the Company and any successors of the Company.

14. Clawback Policy. This Award, and any amounts earned hereunder shall be subject to any clawback or similar policy of the Company, as may be adopted from time to time.

15. Section 409A. It is intended that any amounts payable under this Performance Unit Award be exempt from the provisions of Section 409A and the Treasury Regulations relating thereto. No amount shall be payable pursuant to a termination of the Participant's employment unless such termination constitutes a separation from service under Section 409A. To the extent any amounts payable upon the Participant's separation from service are nonqualified deferred compensation under Section 409A, and if the Participant is at such time a specified employee under Section 409A, then to the extent required under Section 409A payment of such amounts shall be postponed until six (6) months following the date of the Participant's separation from service (or until any earlier date of the Participant's death), upon which date all such postponed amounts shall be paid to the Participant in a lump sum, and any remaining payments due shall be paid as otherwise provided herein. The determination of whether the Participant is a specified employee shall made by the Company in accordance with Section 409A. Additionally, to the extent required under Section 409A, a Control Change Date shall not be deemed to have occurred unless the Change in Control also constitutes a "change in control event" described in Treasury Regulation Section 1.409A-3(i)(5).

IN WITNESS WHEREOF, the Company and the Participant have executed this Agreement effective as of the date first above written.

ARMADA HOFFLER PROPERTIES, INC.

By: ____________________________________
Name:
Title:

PARTICIPANT

By: ____________________________________
Name:
Title:

EXHIBIT A

1. Performance Goal: Total Shareholder Return (“TSR”) during the Performance Period.

2. Number of Performance Units Earned: The number of Performance Units earned under this Agreement will be based [●]% on Absolute TSR and [●]% on Relative TSR. TSR shall be expressed as a percentage, calculated as the quotient of (A) Ending Stock Price plus Dividends Paid and (B) Beginning Stock Price, minus one (1):

TSR = ((Ending Stock Price + Dividends Paid)/Beginning Stock Price) - 1

(a) Absolute TSR: To determine the number of Performance Units earned based upon Absolute TSR, the Target Award shall first be multiplied by [●]% (such product, the “Target Absolute Award”). Following the determination of TSR, the amount of the Target Absolute Award earned shall be determined based on the following chart. Interpolation shall be used in the event the percent does not fall directly on one of the percentages listed in the chart and in no event will the payout as a percent of the Target Absolute Award exceed [●]%.

Absolute TSR	Payout as a Percent of Target Absolute Award
36% and above	[●]%
30%	[●]%
24%	[●]%
Less than 24%	[●]%

(b) Relative TSR: To determine the number of Performance Units earned based upon Relative TSR, the Target Award shall first be multiplied by [●]% (such product, the “Target Relative Award”). To determine Relative TSR, the Index Companies will be ranked from highest TSR to lowest TSR (with the Index Company with the lowest TSR being ranked number 1, the Index Company with the second lowest TSR being ranked number 2 and so on) and determining the Company’s percentile rank based upon its position in the list by dividing the Company’s positon by the total number of Index Companies (including the Company) and rounding the quotient to the nearest hundredth. For example, if the Company were ranked 108 on the list of 144 Index Companies, its percentile rank would be [●]%. The number of Performance Units earned based upon Relative TSR shall then be determined based upon the following chart. Interpolation shall be used in the event the Company’s percentile rank does not fall directly on one of the ranks listed in the chart and in no event will the payout as a percent of Target Relative Awards exceed [●]%.

Relative TSR	Payout as a Percent of Target Relative Award
75th Percentile	[●]%
62½th Percentile	[●]%
50th Percentile	[●]%
Below 50th Percentile	[●]%

(c) Earned Performance Units. The total number of Performance Units earned is determined by adding the Performance Units earned based upon Absolute TSR and the Performance Units earned based upon Relative TSR (such total, the "Earned Performance Units").

3. Definitions

(a) "Beginning Stock Price" shall mean the average trailing closing price of a share of Common Stock or a share of Index Company stock, as the case may be, for the five (5) trading days immediately prior to the first day of the Performance Period.

(b) "Ending Stock Price" shall mean the highest average trailing closing price during any 30 consecutive trading days of a share of Common Stock or a share of Index Company stock, as the case may be, during the final ninety (90) days of the Performance Period.

(c) "Dividends Paid" shall include all dividends and distributions made and declared, assuming such dividends and distributions are deemed to have been reinvested in additional shares of Common Stock or additional shares of an Index Company, as applicable.

(d) "Index Companies" means the constituent companies of the MSCI US REIT Index on the first day of the Performance Period; provided, however, that any such company the shares of which are not readily tradable on a national securities market as of the last day of the Performance Period shall not be included in the Index Companies.

Exhibit 21.1

List of Subsidiaries of Armada Hoffler Properties, Inc.

Name	Place of Organization
A/H Harrisonburg Regal L.L.C.	Virginia
A/H North Pointe, Inc.	Virginia
AH Columbus II, L.L.C.	Virginia
AH Durham Apartments, L.L.C.	Virginia
AH Greentree, L.L.C.	Virginia
AH Richmond Tower I, L.L.C.	Virginia
AH Sandbridge, L.L.C.	Virginia
AH Southeast Commerce Center, L.L.C.	Virginia
AHP Acquisitions, LLC	Virginia
AHP Asset Services, LLC	Virginia
AHP Construction, LLC	Virginia
AHP Development, LLC	Virginia
AHP Holding, Inc.	Virginia
AHP Tenant Services, LLC	Virginia
Alexander Pointe Salisbury, LLC	Virginia
Armada Hoffler Manager, LLC	Virginia
Armada Hoffler, L.P.	Virginia
Armada/Hoffler Block 8 Associates, L.L.C.	Virginia
Armada/Hoffler Charleston Associates, L.P.	Virginia
Armada/Hoffler Tower 4, L.L.C.	Virginia
Bermuda Shopping Center, L.L.C.	Virginia
Block 11 Manager, LLC	Virginia
Broad Creek PH. I, L.L.C.	Virginia
Broad Creek PH. II, L.L.C.	Virginia
Broad Creek PH. III, L.L.C.	Virginia
Broadmoor Plaza Indiana, LLC	Virginia
BSE/AH Blacksburg Apartments, LLC	Virginia
Columbus Tower, L.L.C.	Virginia
Columbus Town Center, LLC	Virginia
Columbus Town Center II, LLC	Virginia
Courthouse Marketplace Outparcels, L.L.C.	Virginia
Courthouse Office Building, LLC	Virginia
Dimmock Square Marketplace, LLC	Virginia
Durham City Center II, LLC	North Carolina
FBJ Investors, Inc.	Virginia
Ferrell Parkway Associates, L.L.C.	Virginia
Gateway Centre, L.L.C.	Virginia
Greenbrier Ocean Partners, LLC	Virginia
Greenbrier Ocean Partners II, LLC	Virginia
Greenbrier Technology Center II Associates, L.L.C.	Virginia
Hanbury Village II, L.L.C.	Virginia
Harding Place Residential Partners, LLC	Virginia
Harper Hill North Carolina, LLC	Virginia

Name	Place of Organization
Hoffler and Associates EAT, LLC	Virginia
Hopkins Village, L.L.C.	Virginia
HT Tyre Neck, L.L.C.	Virginia
Lightfoot Marketplace Shopping Center, LLC	Virginia
New Armada Hoffler Properties I, LLC	Virginia
New Armada Hoffler Properties II, LLC	Virginia
North Hampton Market South Carolina, LLC	Virginia
North Point Development Associates, L.L.C.	Virginia
North Point Development Associates, L.P.	Virginia
North Pointe Outparcels, L.L.C.	Virginia
North Pointe PH. 1 Limited Partnership	Virginia
North Pointe VW4, L.L.C.	Virginia
North Pointe-CGL, L.L.C.	Virginia
Oakland Marketplace Tennessee, LLC	Virginia
Oyster Point Office Building, LLC	Virginia
Patterson Place Durham, LLC	Virginia
Perry Hall Maryland, LLC	Virginia
Providence Plaza Charlotte, LLC	Virginia
Renaissance Charlotte, LLC	Virginia
Socastee Myrtle Beach, LLC	Virginia
Southgate Square Virginia, LLC	Virginia
Southshore Pointe, LLC	Virginia
South Square Durham, LLC	Virginia
Southeast Commerce Center Associates, LLC	Virginia
Stone House Maryland, LLC	Virginia
TCA 9 Plaza, LLC	Virginia
TCA 10 GP, LLC	Virginia
TCA Block 11 Apartments, LLC	Virginia
TCA Block 11 Office, LLC	Virginia
TCA Block 4 Retail, L.L.C.	Virginia
TCA Block 6, L.L.C.	Virginia
Tower Manager, LLC	Virginia
Town Center Associates, LLC	Virginia
Town Center Associates 7, L.L.C.	Virginia
Town Center Associates 9, LLC	Virginia
Town Center Associates 12, L.L.C.	Virginia
Town Center Block 10 Apartments, L.P.	Virginia
Washington Avenue Apartments, L.L.C.	Virginia
Waynesboro Commons Virginia, LLC	Virginia
Wendover Village Greensboro, LLC	Virginia
Williamsburg Medical Building, LLC	Virginia

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following:

(1) Registration Statement (Form S-8 No.333-188545) pertaining to the 2013 Equity Incentive Plan of Armada Hoffler Properties, Inc., and
(2) Registration Statements (Forms S-3 No. 333-196473, 333-204063, and 333-214176) of Armada Hoffler Properties, Inc.;

of our report dated March 1, 2017, with respect to the consolidated financial statements and schedule of Armada Hoffler Properties, Inc. included in this Annual Report (Form 10-K) for the year ended December 31, 2016.

/s/ Ernst & Young LLP

McLean, Virginia
March 1, 2017

EXHIBIT 31.1

SARBANES-OXLEY SECTION 302(a) CERTIFICATION

I, Louis S. Haddad, certify that:

1. I have reviewed this Annual Report on Form 10-K of Armada Hoffler Properties, Inc.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 1, 2017

/s/ Louis S. Haddad

Louis S. Haddad
President and Chief Executive Officer

EXHIBIT 31.2

SARBANES-OXLEY SECTION 302(a) CERTIFICATION

I, Michael P. O'Hara, certify that:

1. I have reviewed this Annual Report on Form 10-K of Armada Hoffler Properties, Inc.

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting.

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: March 1, 2017

/s/ Michael P. O'Hara

Michael P. O'Hara
Chief Financial Officer and Treasurer

EXHIBIT 32.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Armada Hoffler Properties Inc. (the "Company") on Form 10-K for the period ended December 31, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Louis S. Haddad, President and Chief Executive Officer, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, in my capacity as an officer of the Company that, to my knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 1, 2017	/s/ Louis S. Haddad
	Louis S. Haddad
	President and Chief Executive Officer

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Armada Hoffler Properties Inc. (the “Company”) on Form 10-K for the period ended December 31, 2016, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Michael P. O'Hara, Chief Financial Officer and Treasurer, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, in my capacity as an officer of the Company that, to my knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 1, 2017

/s/ Michael P. O'Hara

Michael P. O'Hara

Chief Financial Officer and Treasurer