

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



A Solid Foundation for Sustained Growth

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



# ARMADA HOFFLER PROPERTIES... A Different Kind of REIT.

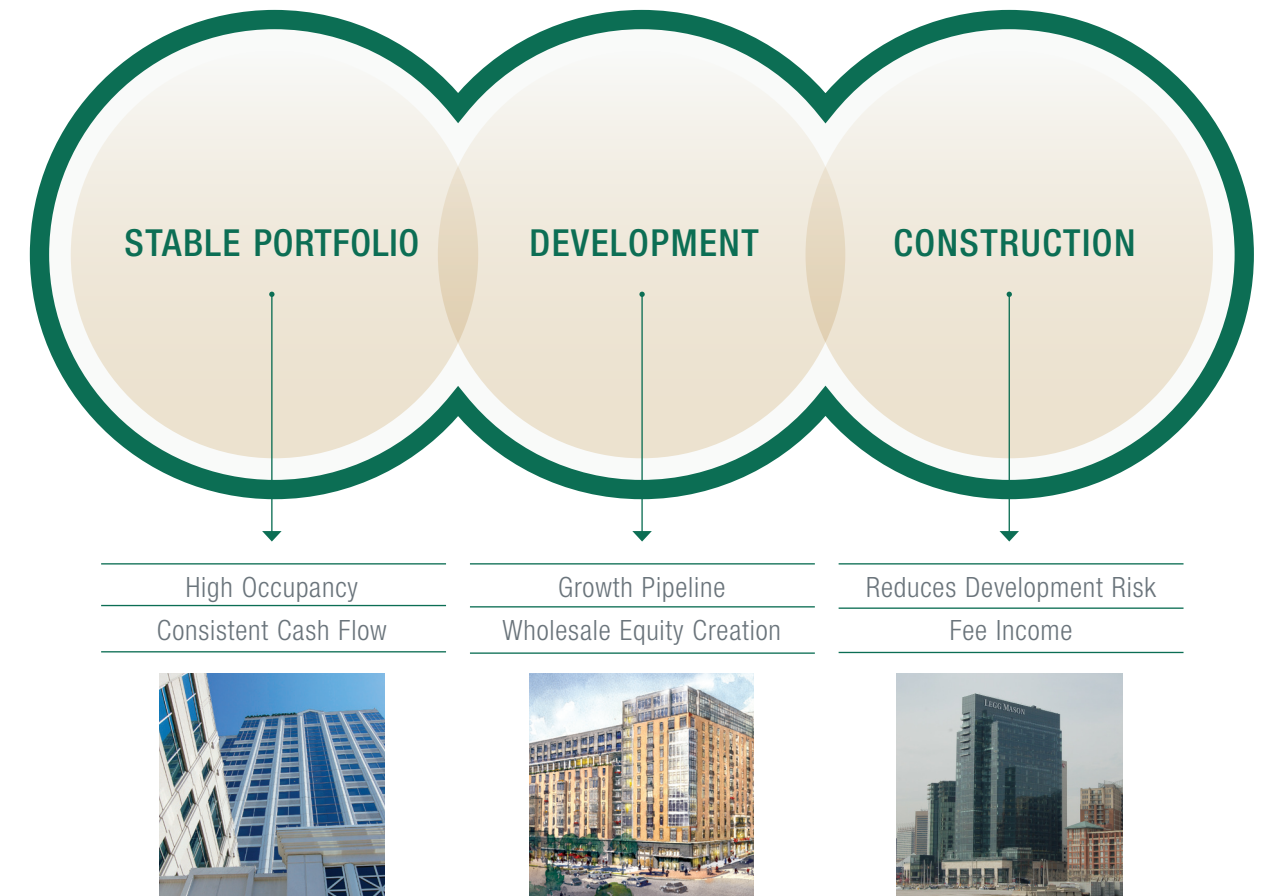
NYSE: AHH

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 United States.

We primarily target markets in the Mid-Atlantic region of the United States that exhibit attractive long-term supply and demand characteristics as well as favorable competitive dynamics. Our portfolio consists of office, retail, and multifamily properties in various markets in Virginia and North Carolina. Future growth will take us to the broader Mid-Atlantic region.

*Solid Dividend Yield Today, Powerful Growth Engine Tomorrow.*

## UNIQUE INTEGRATED BUSINESS MODEL



## TO OUR SHAREHOLDERS,

We are pleased with our operating and financial results for the year. We view 2013 as a year in which we laid a solid foundation for sustained future net operating income, stable funds from operations, and asset value growth.

We accomplished what we set out to do this year including: transitioning to a publicly traded company, executing on development opportunities, identifying attractive opportunities for the next generation pipeline, and positioning our in-place portfolio for further growth. In the May IPO, with the support of shareholders, we raised \$218 million of gross proceeds which allowed us to reposition our balance sheet to support future growth.

### THE STABLE PORTFOLIO

The stability of our portfolio is an important distinction. We have managed our assets for the past 34 years through recessionary times as well as boom times. We have successfully navigated four recessions and have come out of each one stronger and better positioned for the future.

Our occupancy continues to remain stable at 94.4% as of December 31, 2013, up slightly from the 94.2% as of December 31, 2012. Since our IPO in May, we executed on 227,000 square feet of new and renewed leases as we renewed 100% of all expiring leases.

We manage for long-term stable cash flow. This often means waiting for the right tenant and lease terms for each respective vacancy and not just filling space as quickly as possible to satisfy short-term comparisons. Similarly, it often means balancing space use, tenant credit, rental rates, additional terms, and tenant mix.

This has proven to be a very successful long-term approach and it is why our occupancy varies little from the 95% benchmark we set for ourselves while cash flow from these assets remains stable over time. We don't get overly excited when our occupancy exceeds this benchmark nor do we get overly concerned when it dips below—our focus is on the long term.

### THE DEVELOPMENT PIPELINE

We've proven over the last three decades that our development expertise, extensive corporate relationships, and long-standing track record in executing large public-private partnerships continue to drive opportunities in our direction. Along with targeted and strategic acquisitions, development has and will continue to be a growth driver for the Company.

In January 2014 we closed on the previously announced acquisition of Liberty Apartments in Newport News, Virginia. Liberty Apartments is part of a \$70 million public-private, mixed-use development project with the Newport News Shipbuilding division of Huntington Ingalls Industries, the Commonwealth of Virginia, and the Industrial Development Authority of the City of Newport News, Virginia.

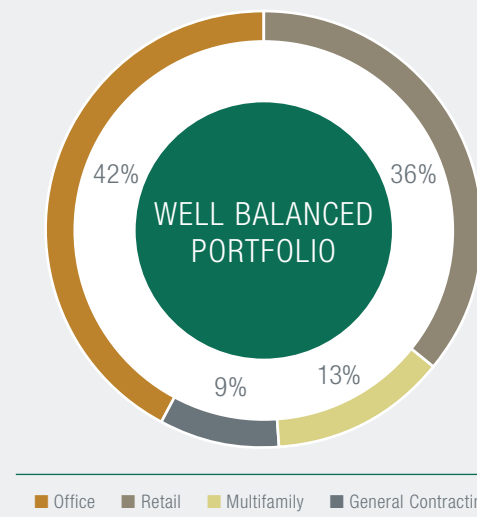
The remainder of the \$175 million development pipeline that we announced at the time of our IPO is on budget and progressing as expected. During 2014, we expect to deliver five development projects which will cost approximately \$150 million. These projects will begin delivering in the back-half of 2014 with the remainder in 2015. We continue to employ all of the tools at our disposal to maintain the wholesale to retail spread on our development projects. We believe these projects will ultimately generate net operating income of \$13–14 million on an annual basis, which represents NOI growth in excess of 30%.

During this past year, we also began to enjoy the culmination of pre-development work on the next generation pipeline. We're seeing a high number of both build-to-suit opportunities with high credit-quality tenants, which are fully stabilized upon completion and grocery-anchored shopping centers that have historically been the foundation of our stable cash flow.

Such projects enable us to not only meet, but often exceed our target development spread of 150–200 basis points and create equity for our shareholders. We believe the NOI from the next generation pipeline will begin materializing in 2015—this is slightly faster than our original expectation of a new generation of development projects in the range of \$150–175 million every 18–24 months.

## NET OPERATING INCOME

(For the year ended December 31, 2013)



A prime example of our next generation pipeline coming to fruition is our selection as the developer for a new office and manufacturing facility for Oceaneering International. We began construction on this 155,000 square foot build-to-suit project, located on 18 acres in Chesapeake, Virginia, during the fourth quarter of 2013 and will complete this 100% pre-leased facility in early 2015. We facilitated this public-private transaction among the City of Chesapeake, the Commonwealth of Virginia, and Oceaneering International.

### THIRD PARTY CONSTRUCTION FEE BUSINESS

Our third party construction company continues to support our corporate goals in many ways, including: controlling costs and time frames on our own development projects, providing a reliable source of annual income, and projecting our brand and capabilities throughout the marketplace. It is a stable source of income, value, and opportunity for growth.

### MANAGEMENT TEAM

One of the hallmarks of our Company has been our ability to attract quality individuals who stay with us for the long term. Most of our management team has been with us for at least 15 years with many individuals having over 20 years of service. The longevity of our management team and our combined commitment to the Company going forward is evidenced by the fact that we, along with previous development partners, still own over 40% of this Company.

### FINAL THOUGHTS

We believe we are well-positioned to grow net operating income and create value for our shareholders into the future, but we recognize that there is much work yet to be done. Execution will remain our focus in 2014 and 2015.

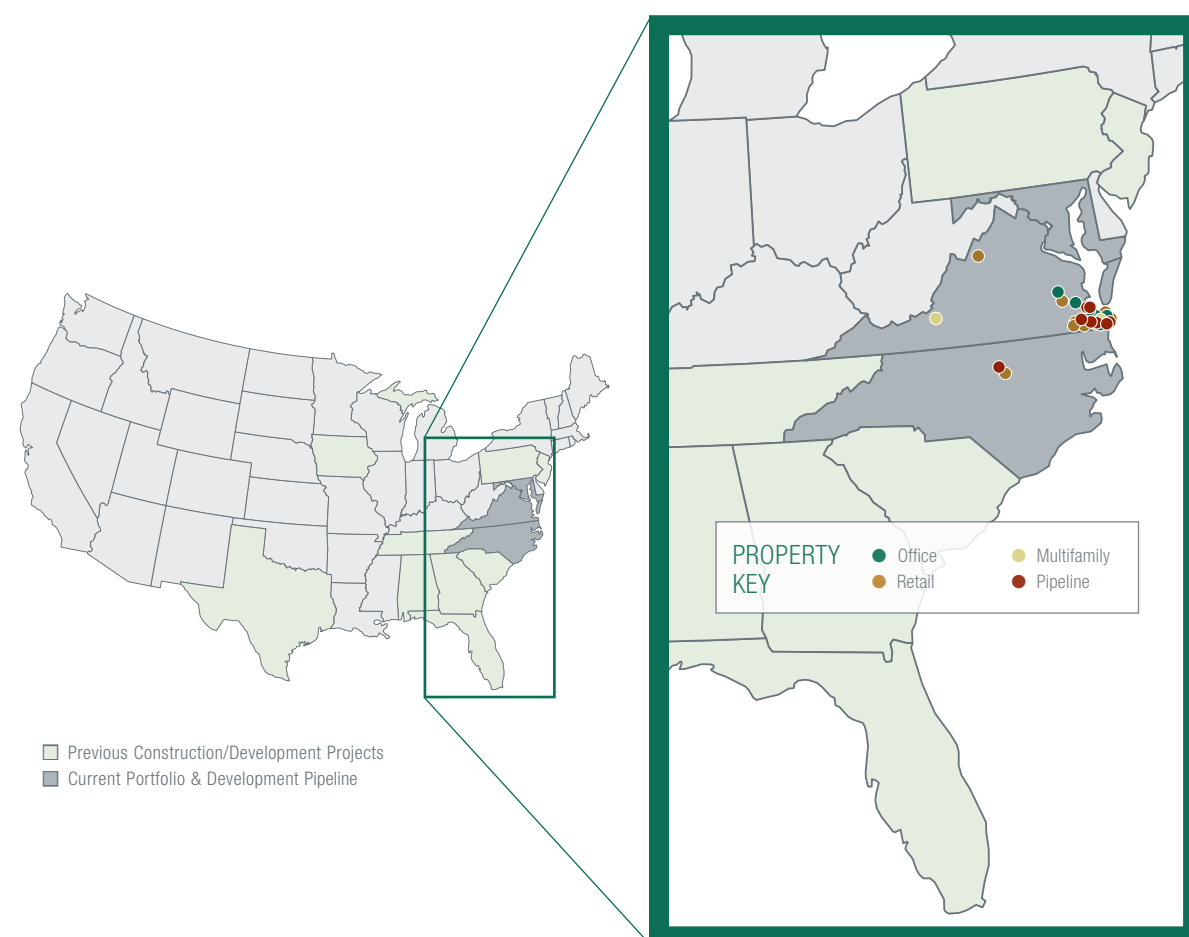
Sincerely,

Louis S. Haddad, *President and Chief Executive Officer*

We build more than structures, *We Build Trust*. The successful relationships and credibility we have built since 1979 offers high returns today and a powerful growth engine for tomorrow.



OUR CORE MARKET



2013  
10-K FINANCIAL REPORT

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**Daniel A. Hoffler**  
*Executive Chairman of the Board*

**A. Russell Kirk**  
*Vice Chairman of the Board*

**Louis S. Haddad**  
*President and Chief Executive Officer*

**John W. Snow**  
*Lead Independent Director*

**George F. Allen**  
*Independent Director*

**James A. Carroll**  
*Independent Director*

**James C. Cherry**  
*Independent Director*

**Joseph W. Prueher**  
*Independent Director*

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## SENIOR MANAGEMENT

**Louis S. Haddad**  
*President and Chief Executive Officer*

**Eric E. Apperson**  
*President of Construction*

**Shelly R. Hampton**  
*President of Asset Management*

**Anthony P. Nero**  
*President of Development*

**Michael P. O'Hara**  
*Chief Financial Officer and Treasurer*

**Eric L. Smith**  
*Vice President of Operations and Secretary*

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## SHAREHOLDER INFORMATION

**Corporate Office**  
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222 Central Park Avenue, Suite 2100  
Virginia Beach, VA 23462  
757.366.4000  
www.ArmadaHoffler.com

**Independent Accountants & Auditors**  
Ernst & Young LLP  
The Edgeworth Building  
Suite 201  
2100 East Cary Street  
Richmond, VA 23223  
804.344.6000

**Transfer Agent**  
Broadridge  
2 Journal Square, 7th Floor  
Jersey City, NJ 07306  
201.714.3800

**Investor Services**  
If you have questions regarding security ownership or would like to request printed information, please contact the Company's Investor Relations Department. Email Julie Trudell at [jtrudell@ArmadaHoffler.com](mailto:jtrudell@ArmadaHoffler.com) or call 757.366.6692.