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

FORM 10-Q

☑**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended September 30, 2019
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)	**(I.R.S. Employer Identification No.)**
222 Central Park Avenue , Suite 2100	
Virginia Beach , Virginia	**23462**
(Address of principal executive offices)	**(Zip Code)**

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.01 par value per share	AHH	New York Stock Exchange
6.75% Series A Cumulative Redeemable Perpetual Preferred Stock, $0.01 par value per share	AHHPrA	New York Stock Exchange

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 every Interactive Data File required to be submitted 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 such files). ☒ Yes ☐ No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	☒	Accelerated Filer	☐
Non-Accelerated Filer	☐	Smaller Reporting Company	☐
		Emerging Growth Company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

As of November 4, 2019, the registrant had 55,422,840 shares of common stock, $0.01 par value per share, outstanding and 2,530,000 shares of preferred stock, $0.01 par value per share, outstanding. In addition, as of November 4, 2019, Armada Hoffler, L.P., the registrant's operating partnership subsidiary, had 21,162,208 units of limited partnership interest ("OP Units") outstanding (other than OP Units held by the registrant).

ARMADA HOFFLER PROPERTIES, INC.

QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTER ENDED SEPTEMBER 30, 2019

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PART I. Financial Information

Item 1. Financial Statements

ARMADA HOFFLER PROPERTIES, INC.
Condensed Consolidated Balance Sheets
(In thousands, except par value and share data)

	September 30, 2019 (Unaudited)	December 31, 2018
ASSETS		
Real estate investments:		
Income producing property	$ 1,442,809	$ 1,037,917
Held for development	1,246	2,994
Construction in progress	129,830	135,675
	1,573,885	1,176,586
Accumulated depreciation	(214,146)	(188,775)
Net real estate investments	1,359,739	987,811
Real estate investments held for sale	—	929
Cash and cash equivalents	44,195	21,254
Restricted cash	3,411	2,797
Accounts receivable, net	22,850	19,016
Notes receivable	148,744	138,683
Construction receivables, including retentions	19,605	16,154
Construction contract costs and estimated earnings in excess of billings	624	1,358
Equity method investments	—	22,203
Operating lease right-of-use assets	33,179	—
Finance lease right-of-use assets	24,277	—
Other assets	104,435	55,177
Total Assets	$ 1,761,059	$ 1,265,382
LIABILITIES AND EQUITY		
Indebtedness, net	$ 943,371	$ 694,239
Accounts payable and accrued liabilities	18,339	15,217
Construction payables, including retentions	36,516	50,796
Billings in excess of construction contract costs and estimated earnings	3,333	3,037
Operating lease liabilities	41,387	—
Finance lease liabilities	17,891	—
Other liabilities	63,637	46,203
Total Liabilities	1,124,474	809,492
Stockholders' equity:		
Preferred stock, $0.01 par value, 100,000,000 shares authorized; 6.75% Series A Cumulative Redeemable Preferred Stock, 2,530,000 shares issued and outstanding as of September 30, 2019 and zero shares issued and outstanding as of December 31, 2018	63,250	—
Common stock, $0.01 par value, 500,000,000 shares authorized; 54,874,431 and 50,013,731 shares issued and outstanding as of September 30, 2019 and December 31, 2018, respectively	549	500
Additional paid-in capital	430,193	357,353
Distributions in excess of earnings	(100,087)	(82,699)
Accumulated other comprehensive loss	(5,308)	(1,283)
Total stockholders' equity	388,597	273,871
Noncontrolling interests in investment entities	5,510	—
Noncontrolling interests in Operating Partnership	242,478	182,019
Total Equity	636,585	455,890
Total Liabilities and Equity	$ 1,761,059	$ 1,265,382

See Notes to Condensed Consolidated Financial Statements.

ARMADA HOFFLER PROPERTIES, INC.
Condensed Consolidated Statements of Comprehensive Income
(In thousands, except per share data)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	**2018**	**2019**	**2018**
Revenues				
Rental revenues	$ 42,220	$ 28,930	$ 109,507	$ 86,227
General contracting and real estate services revenues	27,638	19,950	66,118	63,654
Total revenues	69,858	48,880	175,625	149,881
Expenses				
Rental expenses	9,924	7,103	24,615	20,049
Real estate taxes	4,180	2,840	10,759	8,388
General contracting and real estate services expenses	26,446	18,973	62,855	61,474
Depreciation and amortization	15,452	10,196	38,834	28,653
Amortization of right-of-use assets - finance leases	107	—	168	—
General and administrative expenses	2,977	2,367	9,329	8,092
Acquisition, development and other pursuit costs	93	69	550	162
Impairment charges	—	3	—	101
Total expenses	59,179	41,551	147,110	126,919
Gain on real estate dispositions	4,699	—	4,699	—
Operating income	15,378	7,329	33,214	22,962
Interest income	5,710	2,545	16,622	7,152
Interest expense on indebtedness	(8,828)	(4,677)	(22,205)	(13,547)
Interest expense on finance leases	(228)	—	(340)	—
Equity in income of unconsolidated real estate entities	—	—	273	—
Loss on extinguishment of debt	—	(11)	—	(11)
Change in fair value of interest rate derivatives	(530)	298	(3,926)	1,256
Other income	362	65	426	233
Income before taxes	11,864	5,549	24,064	18,045
Income tax benefit	199	120	339	552
Net income	12,063	5,669	24,403	18,597
Net income attributable to noncontrolling interests:				
Investment entities	(960)	—	(640)	—
Operating Partnership	(2,790)	(1,467)	(6,000)	(5,036)
Net income attributable to Armada Hoffler Properties, Inc.	8,313	4,202	17,763	13,561
Preferred stock dividends	(1,234)	—	(1,388)	—
Net income attributable to common stockholders	$ 7,079	$ 4,202	$ 16,375	$ 13,561
Net income attributable to common stockholders per share (basic and diluted)	$ 0.13	$ 0.09	$ 0.31	$ 0.29
Weighted-average common shares outstanding (basic and diluted)	53,463	49,194	52,289	46,766
Comprehensive income:				
Net income	$ 12,063	$ 5,669	$ 24,403	$ 18,597
Unrealized cash flow hedge losses	(1,247)	(130)	(5,709)	(130)
Realized cash flow hedge losses reclassified to net income	123	67	230	67
Comprehensive income	10,939	5,606	18,924	18,534
Comprehensive income attributable to noncontrolling interests:				
Investment entities	(960)	—	(640)	—
Operating Partnership	(2,473)	(1,450)	(4,547)	(5,019)
Comprehensive income attributable to Armada Hoffler Properties, Inc.	$ 7,506	$ 4,156	$ 13,737	$ 13,515

See Notes to Condensed Consolidated Financial Statements.

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ARMADA HOFFLER PROPERTIES, INC.
Condensed Consolidated Statements of Equity

(In thousands, except share data)
(Unaudited)

	Preferred stock	Common stock	Additional paid-in capital	Distributions in excess of earnings	Accumulated other comprehensive loss	Total stockholders' equity	Noncontrolling interests in investment entities	Noncontrolling interests in Operating Partnership	Total equity
Balance, December 31, 2018	$ —	$ 500	$ 357,353	$ (82,699)	$ (1,283)	$ 273,871	$ —	$ 182,019	$ 455,890
Cumulative effect of accounting change[(1)]	—	—	—	(125)	—	(125)	—	(42)	(167)
Net income	—	—	—	4,884	—	4,884	—	1,630	6,514
Unrealized cash flow hedge losses	—	—	—	—	(752)	(752)	—	(251)	(1,003)
Realized cash flow hedge losses reclassified to net income	—	—	—	—	54	54	—	18	72
Net proceeds from issuance of common stock	—	21	30,185	—	—	30,206	—	—	30,206
Restricted stock awards, net of tax withholding	—	1	754	—	—	755	—	—	755
Restricted stock award forfeitures	—	—	(4)	—	—	(4)	—	—	(4)
Redemption of operating partnership units	—	1	1,259	—	—	1,260	—	(1,260)	—
Dividends and distributions declared on common shares and units ($0.21 per share and unit)	—	—	—	(11,009)	—	(11,009)	—	(3,568)	(14,577)
Balance, March 31, 2019	—	523	389,547	(88,949)	(1,981)	299,140	—	178,546	477,686
Net income (loss)	—	—	—	4,566	—	4,566	(320)	1,580	5,826
Unrealized cash flow hedge losses	—	—	—	—	(2,547)	(2,547)	—	(912)	(3,459)
Realized cash flow hedge losses reclassified to net income	—	—	—	—	26	26	—	9	35
Net proceeds from issuance of cumulative redeemable perpetual preferred stock	63,250	—	(2,249)	—	—	61,001	—	—	61,001
Net proceeds from issuance of common stock	—	4	7,494	—	—	7,498	—	—	7,498
Restricted stock awards, net of tax withholding	—	1	463	—	—	464	—	—	464
Noncontrolling interest in acquired real estate entity	—	—	—	—	—	—	4,870	—	4,870
Issuance of operating partnership units for acquisitions	—	—	(986)	—	—	(986)	—	69,061	68,075
Dividends and distributions declared on common shares and units ($0.21 per share and unit)	—	—	—	(11,107)	—	(11,107)	—	(4,447)	(15,554)
Balance, June 30, 2019	63,250	528	394,269	(95,490)	(4,502)	358,055	4,550	243,837	606,442
Net income	—	—	—	8,313	—	8,313	960	2,790	12,063
Unrealized cash flow hedge losses	—	—	—	—	(894)	(894)	—	(353)	(1,247)

Realized cash flow hedge losses reclassified to net income	—	—	—	—	88	88	—	35	123
Net proceeds from issuance of common stock	—	20	34,025	—	—	34,045	—	—	34,045
Restricted stock awards, net of tax withholding	—	—	461	—	—	461	—	—	461
Restricted stock award forfeitures	—	—	(1)	—	—	(1)	—	—	(1)
Issuance of operating partnership units for acquisitions	—	—	—	—	—	—	—	2,054	2,054
Redemption of operating partnership units	—	1	1,439	—	—	1,440	—	(1,440)	—
Dividends declared on preferred stock				(1,388)		(1,388)			(1,388)
Dividends and distributions declared on common shares and units ($0.21 per share and unit)	—	—	—	(11,522)	—	(11,522)	—	(4,445)	(15,967)
Balance, September 30, 2019	$ 63,250	$ 549	$ 430,193	$ (100,087)	$ (5,308)	$ 388,597	$ 5,510	$ 242,478	$ 636,585

(1) The Company recorded cumulative effect adjustments related to the new lease standard in the first quarter of 2019. See "Financial Statements — Note 2 — Significant Accounting Policies — Recent Accounting Pronouncements" for additional information.

	Preferred stock	Common stock	Additional paid-in capital	Distributions in excess of earnings	Accumulated other comprehensive loss	Total stockholders' equity	Noncontrolling interests in investment entities	Noncontrolling interests in Operating Partnership	Total equity
Balance, December 31, 2017	$ —	$ 449	$ 287,407	$ (61,166)	$ —	$ 226,690	$ —	$ 193,593	$ 420,283
Net income	—	—	—	5,040	—	5,040	—	1,943	6,983
Restricted stock awards, net of tax withholding	—	1	499	—	—	500	—	—	500
Restricted stock award forfeitures	—	—	(4)	—	—	(4)	—	—	(4)
Issuance of operating partnership units for acquisitions	—	—	—	—	—	—	—	1,696	1,696
Redemption of operating partnership units	—	2	1,797	—	—	1,799	—	(1,804)	(5)
Dividends and distributions declared ($0.20 per share and unit)	—	—	—	(9,064)	—	(9,064)	—	(3,488)	(12,552)
Balance, March 31, 2018	—	452	289,699	(65,190)	—	224,961	—	191,940	416,901
Net income	—	—	—	4,319	—	4,319	—	1,626	5,945
Net proceeds from issuance of common stock	—	35	48,946	—	—	48,981	—	—	48,981
Restricted stock awards, net of tax withholding	—	1	403	—	—	404	—	—	404
Issuance of operating partnership units for acquisitions	—	—	(5)	—	—	(5)	—	505	500
Redemption of operating partnership units	—	—	(466)	—	—	(466)	—	(2,060)	(2,526)
Dividends and distributions declared ($0.20 per share and unit)	—	—	—	(9,777)	—	(9,777)	—	(3,458)	(13,235)
Balance, June 30, 2018	—	488	338,577	(70,648)	—	268,417	—	188,553	456,970
Net income	—	—	—	4,202	—	4,202	—	1,467	5,669
Unrealized cash flow hedge losses	—	—	—	—	(97)	(97)	—	(33)	(130)
Realized cash flow hedge losses reclassified to net income	—	—	—	—	50	50	—	17	67
Net proceeds from issuance of common stock	—	7	10,541	—	—	10,548	—	—	10,548
Restricted stock awards, net of tax withholding	—	—	407	—	—	407	—	—	407
Restricted stock award forfeitures	—	—	(22)	—	—	(22)	—	—	(22)
Redemption of operating partnership units	—	1	1,346	—	—	1,347	—	(1,347)	—
Dividends and distributions declared ($0.20 per share and unit)	—	—	—	(9,940)	—	(9,940)	—	(3,433)	(13,373)
Balance, September 30, 2018	$ —	$ 496	$ 350,849	$ (76,386)	$ (47)	$ 274,912	$ —	$ 185,224	$ 460,136

See Notes to Condensed Consolidated Financial Statements.

ARMADA HOFFLER PROPERTIES, INC.
Condensed Consolidated Statements of Cash Flows
(In thousands)(Unaudited)

	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
OPERATING ACTIVITIES		
Net income	$ 24,403	$ 18,597
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of buildings and tenant improvements	27,193	21,404
Amortization of leasing costs and in-place lease intangibles	11,641	7,249
Accrued straight-line rental revenue	(2,893)	(1,789)
Amortization of leasing incentives and above or below-market rents	(287)	(211)
Amortization of right-of-use assets - finance leases	168	—
Accrued straight-line ground rent expense	(10)	187
Adjustment for uncollectable accounts	220	245
Noncash stock compensation	1,339	1,072
Impairment charges	—	101
Noncash interest expense	898	827
Interest expense on finance leases	340	—
Noncash loss on extinguishment of debt	—	11
Gain on real estate dispositions	(4,699)	—
Annapolis Junction loan discount amortization (1)	(3,727)	—
Change in fair value of interest rate derivatives	3,926	(1,256)
Equity in income of unconsolidated real estate entities	(273)	—
Changes in operating assets and liabilities:		
Property assets	(4,123)	(3,610)
Property liabilities	2,623	2,031
Construction assets	(3,452)	3,044
Construction liabilities	(642)	(13,558)
Interest receivable	(7,118)	(7,147)
Net cash provided by operating activities	45,527	27,197
INVESTING ACTIVITIES		
Development of real estate investments	(107,458)	(102,183)
Tenant and building improvements	(16,889)	(8,281)
Acquisitions of real estate investments, net of cash received	(133,345)	(57,541)
Dispositions of real estate investments, net of selling costs	32,468	4,271
Notes receivable issuances	(44,531)	(10,281)
Notes receivable paydowns	16,965	—
Leasing costs	(2,569)	(4,048)
Leasing incentives	—	(95)
Contributions to equity method investments	(535)	(5,400)
Net cash used for investing activities	(255,894)	(183,558)
FINANCING ACTIVITIES		
Proceeds from issuance of cumulative redeemable perpetual preferred stock, net	61,001	—
Proceeds from issuance of common stock, net	71,749	59,529
Common shares tendered for tax withholding	(344)	(343)
Debt issuances, credit facility and construction loan borrowings	349,157	274,427
Debt and credit facility repayments, including principal amortization	(200,879)	(138,122)
Debt issuance costs	(3,225)	(1,317)
Redemption of operating partnership units	—	(2,531)
Dividends on common stock and distributions on Operating Partnership units	(43,537)	(37,550)
Net cash provided by financing activities	233,922	154,093
Net increase (decrease) in cash, cash equivalents, and restricted cash	23,555	(2,268)
Cash, cash equivalents, and restricted cash, beginning of period	24,051	22,916
Cash, cash equivalents, and restricted cash, end of period (2)	$ 47,606	$ 20,648

See Notes to Condensed Consolidated Financial Statements.

ARMADA HOFFLER PROPERTIES, INC.
Condensed Consolidated Statements of Cash Flows (Continued)
(In thousands)(Unaudited)

	Nine Months Ended September 30,	
	2019	**2018**
Supplemental Disclosures (noncash transactions):		
Increase in dividends and distributions payable	$ 3,949	$ 1,610
(Decrease) increase in accrued capital improvements and development costs	(13,204)	10,103
Issuance of operating partnership units for acquisitions	71,115	1,702
Operating Partnership units redeemed for common shares	2,700	3,151
Debt assumed at fair value in conjunction with real estate purchases	101,390	—
Note receivable extinguished in conjunction with real estate purchase	31,252	—
Equity method investment redeemed for real estate acquisition	23,011	—
Noncontrolling interest in acquired real estate entity	4,870	—
Recognition of operating lease ROU assets (3)	33,965	—
Recognition of operating lease liabilities (3)	41,631	—
Recognition of finance lease ROU assets	24,500	—
Recognition of finance lease liabilities	17,871	—
De-recognition of operating lease ROU assets - lease termination	440	—
De-recognition of operating lease liabilities - lease termination	440	—

(1) Borrower paid $5.0 million in exchange for the Company's purchase option. This is being accounted for as a loan modification fee; interest income is being recognized as additional interest income on the note receivable over the one-year remaining term.
(2) The following table provides a reconciliation of cash, cash equivalents and restricted cash reported in the Condensed Consolidated Statements of Cash Flows (in thousands):

	September 30, 2019	**September 30, 2018**
Cash and cash equivalents	$ 44,195	$ 17,732
Restricted cash (a)	3,411	2,916
Cash, cash equivalents, and restricted cash	$ 47,606	$ 20,648

(a) Restricted cash represents amounts held by lenders for real estate taxes, insurance, and reserves for capital improvements.

(3) Net of $0.4 million disposal related to the Company's preexisting lease at the Thames Street Wharf property acquired on June 26, 2019.

See Notes to Condensed Consolidated Financial Statements.

ARMADA HOFFLER PROPERTIES, INC.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

1. Business of 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 and Southeastern United States.

The Company is a real estate investment trust ("REIT"), the sole general partner of Armada Hoffler, L.P. (the "Operating Partnership") and, as of September 30, 2019, owned 72.2% 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.

As of September 30, 2019, the Company's property portfolio consisted of 56 operating properties and five properties either under development or not yet stabilized.

Refer to Note 5 for information related to the Company's recent acquisitions and dispositions of operating properties.

2. Significant Accounting Policies

Basis of Presentation

The accompanying condensed consolidated financial statements were prepared in accordance with U.S. generally accepted accounting principles ("GAAP").

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

In the opinion of management, the condensed consolidated financial statements reflect all adjustments, consisting of normal recurring accruals, which are necessary for the fair presentation of the financial condition and results of operations for the interim periods presented.

The accompanying condensed consolidated financial statements were prepared in accordance with the requirements for interim financial information. Accordingly, these interim financial statements have not been audited and exclude certain disclosures required for annual financial statements. Also, the operating results presented for interim periods are not necessarily indicative of the results that may be expected for any other interim period or for the entire year. These interim financial statements should be read in conjunction with the audited consolidated financial statements of the Company included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2018.

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 significantly from management’s estimates.

Reclassifications

Certain items have been reclassified from their prior year classifications to conform to the current year presentation. These reclassifications had no effect on net income or stockholders' equity as previously reported.

Recent Accounting Pronouncements

Leases

On February 25, 2016, the Financial Accounting Standards Board ("FASB") issued an Accounting Standards Update ("ASU") that requires lessees to recognize most leases on their balance sheets as lease liabilities with corresponding right-of-use assets (ASU 2016-02—*Leases* (Topic 842)). The new standard also makes targeted changes to lessor accounting. The Company adopted the new standard on January 1, 2019, using the modified retrospective approach for all leases existing at, or entered into after, the beginning of the earliest comparative period presented as permitted in Accounting Standards Codification ("ASC") Topic 842.

In addition, the Company elected the package of practical expedients permitted under the transition guidance within the new standard, which allowed the Company to not reassess whether any expired or existing contracts are or contain leases, not reassess the lease classification for any expired or existing leases, and not reassess initial direct costs for existing leases. As of January 1, 2019, the Company did not have any leases classified as finance leases. The Company also elected a practical expedient that allowed it to not separate non-lease components from lease components and instead to account for each lease and non-lease component as a single lease component. The adoption of the new standard as of January 1, 2019 did not impact the Company's consolidated results of operations and had no impact on cash flows.

As a lessee, the Company had six ground leases on five properties as of January 1, 2019 with initial terms that range from 20 to 65 years and options to extend up to an additional 70 years in certain cases. The exercise of lease renewal options is at the Company's sole discretion. The depreciable life of assets and leasehold improvements are limited by the expected lease term. The Company recognizes lease expense for operating leases on a straight-line basis over the lease term. The Company's lease agreements do not contain any residual value guarantees or material restrictive covenants.

The long-term ground leases represent a majority of the Company's current operating lease payments. The Company recorded right-of-use assets totaling $32.2 million and lease liabilities totaling $41.4 million upon adopting this standard on January 1, 2019. The Company utilized a weighted average discount rate of 5.4% to measure its lease liabilities upon adoption.

As a lessor, the Company leases its properties under operating leases and recognizes base rents on a straight-line basis over the lease term. The Company also recognizes revenue from tenant recoveries, through which tenants reimburse the Company on an accrual basis for certain expenses such as utilities, janitorial services, repairs and maintenance, security and alarms, parking lot and ground maintenance, administrative services, management fees, insurance, and real estate taxes. Rental revenues are reduced by the amount of any leasing incentives amortized on a straight-line basis over the term of the applicable lease. In addition, the Company recognizes contingent rental revenue (e.g., percentage rents based on tenant sales thresholds) when the sales thresholds are met. Many tenant leases include one or more options to renew, with renewal terms that can extend the lease term from one to 15 years or more. The exercise of lease renewal options is at the tenant's sole discretion. The Company includes a renewal period in the lease term only if it appears at lease inception that the renewal is reasonably assured.

The new standard includes new considerations regarding the recognition of rental revenue when collection is not probable. The Company changed its presentation and measurement of charges for uncollectable lease revenue associated with its office, retail, and residential leasing activity, reflecting those amounts as a component of rental income on the accompanying Condensed Consolidated Statement of Comprehensive Income for the three and nine months ended September 30, 2019. However, in accordance with its prospective adoption of the standard, the Company did not adjust the prior year period presentation of charges for uncollectable lease revenue associated with its office, retail, and residential leasing activity as a component of operating expenses, excluding property taxes, on the accompanying Condensed Consolidated Statement of Comprehensive Income for the three and nine months ended September 30, 2018. Instead, the Company recorded a combined adjustment of $0.2 million to the opening balances for distributions in excess of earnings and noncontrolling interest relating to receivables where collection of substantially all operating lease payments was not probable as of January 1, 2019.

Lease-related receivables, which include contractual amounts accrued and unpaid from tenants and accrued straight-line rents receivable, are reduced for credit losses. Such amounts are recognized as a reduction to real estate rental revenues. The Company evaluates the collectability of lease receivables using several factors, including a lessee’s creditworthiness. The Company recognizes a credit loss on lease-related receivables when, in the opinion of management, collection of substantially all lease payments is not probable. When collectability is determined not probable, any lease income subsequent to recognizing the credit loss is limited to the lesser of the lease income reflected on a straight-line basis or cash collected.

Credit losses

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses - Measurement of Credit Losses on Financial Instruments* (Topic 326). ASU 2016-13 significantly changes how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The guidance will replace the "incurred loss" approach under existing guidance with an "expected loss" model for instruments measured at amortized cost, such as our notes receivable. The guidance is effective for fiscal years beginning after December 15, 2019 and is to be adopted through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. While the Company is currently evaluating the impact ASU 2016-13 will have on the consolidated financial statements, the Company expects that the adoption could result in earlier recognition of a provision for loan losses on its notes receivable as a result of new forward-looking estimation requirements. The Company may estimate and record a reserve for its notes receivable upon adoption of the standard.

Other Accounting Policies

See the Company's Annual Report on Form 10-K for the year ended December 31, 2018 for a description of other accounting principles upon which basis the accompanying consolidated financial statements were prepared.

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 the three and nine months ended September 30, 2019 and 2018 was as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Office real estate				
Rental revenues	$ 10,283	$ 5,149	$ 23,220	$ 15,537
Rental expenses	2,753	1,551	6,097	4,435
Real estate taxes	1,141	515	2,319	1,519
Segment net operating income	6,389	3,083	14,804	9,583
Retail real estate				
Rental revenues	20,780	16,932	57,273	50,251
Rental expenses	3,116	2,761	8,583	7,974
Real estate taxes	2,219	1,703	5,923	5,041
Segment net operating income	15,445	12,468	42,767	37,236
Multifamily residential real estate				
Rental revenues	11,157	6,849	29,014	20,439
Rental expenses	4,055	2,791	9,935	7,640
Real estate taxes	820	622	2,517	1,828
Segment net operating income	6,282	3,436	16,562	10,971
General contracting and real estate services				
Segment revenues	27,638	19,950	66,118	63,654
Segment expenses	26,446	18,973	62,855	61,474
Segment gross profit	1,192	977	3,263	2,180
Net operating income	$ 29,308	$ 19,964	$ 77,396	$ 59,970

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

General contracting and real estate services revenues for the three months ended September 30, 2019 and 2018 exclude revenue related to intercompany construction contracts of $22.4 million and $38.5 million, respectively. General contracting and real estate services revenues for the nine months ended September 30, 2019 and 2018 exclude revenue related to intercompany construction contracts of $82.6 million and $98.6 million, respectively.

General contracting and real estate services expenses for the three months ended September 30, 2019 and 2018 exclude expenses related to intercompany construction contracts of $22.2 million and $38.2 million, respectively. General contracting and real estate services expenses for the nine months ended September 30, 2019 and 2018 exclude expenses related to intercompany construction contracts of $81.8 million and $97.7 million, respectively.

The following table reconciles net operating income to net income, the most directly comparable GAAP measure, for the three and nine months ended September 30, 2019 and 2018 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net operating income	$ 29,308	$ 19,964	$ 77,396	$ 59,970
Depreciation and amortization	(15,452)	(10,196)	(38,834)	(28,653)
Amortization of right-of-use assets - finance leases	(107)	—	(168)	—
General and administrative expenses	(2,977)	(2,367)	(9,329)	(8,092)
Acquisition, development and other pursuit costs	(93)	(69)	(550)	(162)
Impairment charges	—	(3)	—	(101)
Gain on real estate dispositions	4,699	—	4,699	—
Interest income	5,710	2,545	16,622	7,152
Interest expense on indebtedness	(8,828)	(4,677)	(22,205)	(13,547)
Interest expense on finance leases	(228)	—	(340)	—
Equity in income of unconsolidated real estate entities	—	—	273	—
Loss on extinguishment of debt	—	(11)	—	(11)
Change in fair value of interest rate derivatives	(530)	298	(3,926)	1,256
Other income	362	65	426	233
Income tax benefit	199	120	339	552
Net income	$ 12,063	$ 5,669	$ 24,403	$ 18,597

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, including corporate office personnel salaries and benefits, bank fees, accounting fees, legal fees, and other corporate office expenses.

4. Leases

Lessee Disclosures

The components of lease cost for the three and nine months ended September 30, 2019 were as follows (in thousands):

	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2019
Operating lease cost	$ 655	$ 2,050
Finance lease cost:		
Amortization of right-of-use assets (a)	146	223
Interest on lease liabilities	228	340

(a) Includes amortization of below-market ground lease intangible assets

The table below presents supplemental cash flow information related to leases during the three and nine months ended September 30, 2019 (in thousands):

	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2019
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	$ 477	$ 1,501
Operating cash flows from finance leases	206	317
Financing cash flows from finance leases	—	—

Additional information related to leases as of September 30, 2019 were as follows (in thousands):

	September 30, 2019
Weighted Average Remaining Lease Term (years)	
Operating leases	45.7
Finance leases	41.5
Weighted Average Discount Rate	
Operating leases	5.4%
Finance leases	5.2%

Maturities of lease liabilities as of September 30, 2019 were as follows (in thousands):

Year Ending December 31,	Operating Leases	Finance Leases
2019 (excluding nine months ended September 30, 2019)	$ 478	$ 216
2020	2,080	864
2021	2,137	864
2022	2,361	868
2023	2,400	873
Thereafter	105,961	43,903
Total lease liabilities	115,417	47,588
Less imputed interest	(74,030)	(29,697)
Present value of lease liabilities	$ 41,387	$ 17,891

Lessor Disclosures

Rental revenue for the three and nine months ended September 30, 2019 comprised the following (in thousands):

	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2019
Base rent and tenant charges	$ 41,236	$ 106,227
Accrued straight-line rental adjustment	745	2,893
Lease incentive amortization	(187)	(555)
Above/below market lease amortization	426	942
Total rental revenue	$ 42,220	$ 109,507

The Company's commercial tenant leases provide for minimum rental payments during each of the next five years and thereafter as follows (in thousands):

Year Ending December 31,	Operating Leases
2019 (excluding nine months ended September 30, 2019)	$ 24,083
2020	94,370
2021	87,474
2022	80,172
2023	69,962
Thereafter	317,305
Total	$ 673,366

5. Real Estate Investment

Property Acquisitions

On February 6, 2019, the Company acquired an additional outparcel phase of Wendover Village in Greensboro, North Carolina for a contract price of $2.7 million plus capitalized acquisition costs of $0.1 million. This phase is leased by a single tenant.

On March 14, 2019, the Company acquired the office and retail portions of the One City Center project in exchange for a redemption of its 37% equity ownership in the joint venture with Austin Lawrence Partners, which totaled $23.0 million as of the acquisition date, and a cash payment of $23.2 million. The Company also incurred capitalized acquisition costs of $0.1 million.

On April 24, 2019, the Company exercised its option to purchase 79% of the interests in the partnership that owns 1405 Point in exchange for extinguishing the Company's $31.3 million note receivable on the project, making a cash payment of $0.3 million, and assuming a loan payable of $64.9 million, which was recorded at its fair value of $65.8 million. The Company also incurred capitalized acquisition costs of $0.1 million.

On May 23, 2019, the Company acquired Red Mill Commons and Marketplace at Hilltop from Venture Realty Group for consideration comprised of 4.1 million Class A Units (as defined in Note 11), the assumption of $35.7 million of mortgage debt principal, and $4.5 million in cash. The negotiated price was $105.0 million, which contemplated the price of the Company's common stock of $15.55 per share when the purchase and sale agreement was executed. The aggregate acquisition cost was $109.3 million, which consisted of 4.1 million Class A Units valued at $68.1 million (using the price of the Company's common stock of $16.50 on the date of the acquisition), mortgage debt valued at $35.6 million, cash consideration of $4.5 million, and capitalized acquisition costs of $1.1 million. In connection with the acquisition, the Company and the Operating Partnership entered into a tax protection agreement with the contributors pursuant to which the Company and the Operating Partnership agreed, subject to certain exceptions, to indemnify the contributors for up to 10 years against certain tax liabilities incurred by them, if such liabilities result from a transaction involving a direct or indirect taxable disposition of either or both of these properties or if the Operating Partnership fails to maintain and allocate to the contributors for taxation purposes minimum levels of Operating Partnership liabilities.

On June 26, 2019, the Company acquired Thames Street Wharf, a class A office building located in the Harbor Point development of Baltimore, Maryland, for $101.0 million in cash and $0.3 million of capitalized acquisition costs.

The following table summarizes the purchase price allocation (including acquisition costs) based on relative fair value of the assets acquired and intangible liabilities assumed for the six operating properties purchased during the nine months ended September 30, 2019 (in thousands):

	Wendover Village additional outparcel	One City Center	1405 Point	Red Mill Commons	Marketplace at Hilltop	Thames Street Wharf
Land	$ 1,633	$ 2,678	$ — (a)	$ 44,252	$ 2,023 (b)	$ 15,861
Site improvements	50	163	298	2,558	691	150
Building and improvements	888	28,039	92,866	27,790	19,195	64,539
Furniture and fixtures	—	—	2,302	—	—	—
In-place leases	101	15,140	3,371	9,973	4,565	24,385
Above-market leases	111	—	—	1,463	599	—
Below-market leases	—	—	—	(6,221)	(1,136)	(3,636)
Finance lease liabilities	—	—	(8,671)	—	(9,200)	—
Finance lease right-of-use assets	—	—	11,730 (a)	—	12,770 (b)	—
Net assets acquired	$ 2,783	$ 46,020	$ 101,896	$ 79,815	$ 29,507	$ 101,299

(a) Land is subject to a ground lease.
(b) Portion of land is subject to a ground lease.

Property Disposition

On April 1, 2019, the Company sold Waynesboro Commons for a sale price of $1.1 million. There was no gain or loss recognized on the disposition.

On August 15, 2019, the Company sold Lightfoot Marketplace for a sale price of $30.3 million. The gain on disposition was $4.5 million. In conjunction with this sale, the Company paid off the $17.9 million note payable secured by this property.

Subsequent to September 30, 2019

On October 25, 2019, the Company purchased land in Roswell, Georgia for a purchase price of $5.0 million for the development of a mixed-use property.

6. Equity Method Investment

One City Center

On February 25, 2016, the Company acquired a 37% interest in One City Center, a joint venture with Austin Lawrence Partners, for purposes of developing a 22-story mixed use tower in Durham, North Carolina. During the nine months ended September 30, 2019, the Company invested an additional $0.5 million in One City Center.

For the period from January 1, 2019 to March 13, 2019, One City Center had operating income of $0.3 million allocated to the Company. For the three and nine months ended September 30, 2018, One City Center had no operating activity, and therefore the Company received no allocated income.

On March 14, 2019, the Company acquired the office and retail portions of the One City Center project in exchange for its 37% equity ownership in the joint venture and a cash payment of $23.2 million. See Note 5 for additional discussion.

7. Notes Receivable

The Company had the following notes receivable outstanding as of September 30, 2019 and December 31, 2018 ($ in thousands):

	Outstanding loan amount				
Development Project	**September 30, 2019**	**December 31, 2018**	**Maximum loan commitment**	**Interest rate**	**Interest compounding**
1405 Point	$ —	$ 30,238	$ 31,032	8.0%	Monthly
The Residences at Annapolis Junction	38,571	36,361	48,105	10.0%	Monthly
North Decatur Square	—	18,521	29,673	15.0%	Annually
Delray Plaza	12,526	7,032	15,000	15.0%	Annually
Nexton Square	14,718	14,855	17,000	15.0%	Monthly
Interlock Commercial	54,112	18,269	95,000	15.0%	None
Solis Apartments at Interlock	22,544	13,821	41,100	13.0%	Annually
Total mezzanine	142,471	139,097	$ 276,910		
Other notes receivable	1,333	1,275			
Notes receivable guarantee premium	5,702	2,800			
Notes receivable discount, net (a)	(762)	(4,489)			
Total notes receivable	$ 148,744	$ 138,683			

Interest on the mezzanine loans is accrued and funded utilizing the interest reserves for each loan, which are components of the respective maximum loan commitments, and such accrued interest is added to the loan receivable balances. The Company recognized interest income for the three and nine months ended September 30, 2019 and 2018 as follows (in thousands):

Development Project	Three Months Ended September 30, 2019		Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019		Nine Months Ended September 30, 2018
1405 Point	$ —		$ 547	$ 783		$ 1,483
The Residences at Annapolis Junction	2,340	(a)	1,166	6,536	(a)	3,374
North Decatur Square	178		569	1,509		1,561
Delray Plaza	429		228	1,153		676
Nexton Square	550		19	1,584		19
Interlock Commercial	1,595		—	3,425		—
Solis Apartments at Interlock	596		—	1,567		—
Total mezzanine	5,688		2,529	16,557		7,113
Other interest income	22		16	65		39
Total interest income	$ 5,710		$ 2,545	$ 16,622		$ 7,152

(a) Includes amortization of the $5.0 million loan modification fee paid by the borrower in November 2018.

As of September 30, 2019 and December 31, 2018, there was no allowance for loan losses. During the three and nine months ended September 30, 2019 and 2018, there was no provision for loan losses recorded for any of the Company's notes receivable. The Company's management performs a quarterly analysis of the loan portfolio to determine if an impairment has occurred based on the progress of development activities including leasing activities, projected development costs, and current and projected mezzanine and senior construction loan balances.

Delray Plaza

On January 8, 2019, the Delray Plaza loan was modified to increase the maximum amount of the loan to $15.0 million and increase the payment guarantee amount to $5.2 million.

Nexton Square

On February 8, 2019, the developer of Nexton Square closed on a senior construction loan with a maximum borrowing capacity of $25.2 million. The developer used proceeds from its original draw in part to repay $2.1 million of the mezzanine loan. Upon the closing of this senior construction loan, the Company entered into a payment guarantee for $12.6 million of the senior loan.

Interlock Commercial

On April 19, 2019, the borrower executed its senior construction loan, and the Company's payment guarantee of up to $30.7 million became effective. See Note 15 for additional information.

1405 Point

On April 24, 2019, the Company exercised its option to purchase 79% of the interests in the partnership that owns 1405 Point in exchange for extinguishing its note receivable on the project and a cash payment of $0.3 million. The project is subject to a loan payable of $64.9 million.

The Residences at Annapolis Junction

The Residences at Annapolis Junction loan was originated inclusive of options for the Company to purchase up to 88% of the related development project from the developer, Annapolis Junction Apartments Owner, LLC (“AJAO”). On November 16, 2018, AJAO refinanced the senior construction loan with a one year senior loan of $83.0 million. This senior loan may be extended for one additional year if certain minimum debt yields and minimum debt service coverage ratios are met by AJAO. Concurrent with the refinancing of the senior construction loan, the Company agreed to modify the mezzanine loan receivable with AJAO as follows:

- The Company agreed to guarantee $8.3 million of the new senior loan;
- The Company agreed to extend the maturity of the mezzanine loan, which will mature concurrently with the

new senior loan;

- The Company terminated its rights under the purchase options;
- AJAO paid a fee of $5.0 million; and
- AJAO paid down $11.1 million of the outstanding mezzanine loan balance, which was comprised of a $9.9 million payment of accrued interest and a $1.2 million payment of principal.

The fee of $5.0 million paid by AJAO is being accounted for as a loan discount that is being recognized as interest income over the remaining term of the loan using the effective interest method.

North Decatur Square

On July 22, 2019, the borrower paid off the North Decatur Square note receivable in full. The Company received the outstanding principal and interest in the amount of $20.0 million.

8. 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. The Company expects to bill and collect substantially all construction contract costs and estimated earnings in excess of billings as of September 30, 2019 during the next twelve months.

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

The following table summarizes the changes to the balances in the Company's construction contract costs and estimated earnings in excess of billings account and the billings in excess of construction contract costs and estimated earnings account for the nine months ended September 30, 2019 and 2018 (in thousands):

	Nine Months Ended September 30, 2019		Nine Months Ended September 30, 2018	
	Construction contract costs and estimated earnings in excess of billings	**Billings in excess of construction contract costs and estimated earnings**	**Construction contract costs and estimated earnings in excess of billings**	**Billings in excess of construction contract costs and estimated earnings**
Beginning balance	$ 1,358	$ 3,037	$ 245	$ 3,591
Revenue recognized that was included in the balance at the beginning of the period	—	(3,037)	—	(3,591)
Increases due to new billings, excluding amounts recognized as revenue during the period	—	4,256	—	2,400
Transferred to receivables	(2,015)	—	(245)	—
Construction contract costs and estimated earnings not billed during the period	624	—	576	—
Changes due to cumulative catch-up adjustment arising from changes in the estimate of the stage of completion	657	(923)	151	(633)
Ending balance	$ 624	$ 3,333	$ 727	$ 1,767

The Company defers pre-contract costs when such costs are directly associated with specific anticipated contracts and their recovery is probable. Pre-contract costs of $1.0 million and $1.4 million were deferred as of September 30, 2019 and December 31, 2018, respectively. Amortization of pre-contract costs for the nine months ended September 30, 2019 and 2018 was $0.1 million and zero, respectively.

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 September 30, 2019 and December 31, 2018, construction receivables included retentions of $5.4 million and $8.5 million, respectively. The Company expects to collect substantially all construction receivables outstanding as of September 30, 2019 during the next twelve months. As of September 30, 2019 and December 31, 2018, construction payables included retentions of $15.8

million and $21.6 million, respectively. The Company expects to pay substantially all construction payables outstanding as of September 30, 2019 during the next twelve months.

The Company's net position on uncompleted construction contracts comprised the following as of September 30, 2019 and December 31, 2018 (in thousands):

	September 30, 2019	December 31, 2018
Costs incurred on uncompleted construction contracts	$ 656,874	$ 594,006
Estimated earnings	23,527	20,375
Billings	(683,110)	(616,060)
Net position	$ (2,709)	$ (1,679)
Construction contract costs and estimated earnings in excess of billings	$ 624	$ 1,358
Billings in excess of construction contract costs and estimated earnings	(3,333)	(3,037)
Net position	$ (2,709)	$ (1,679)

The Company's balances and changes in construction contract price allocated to unsatisfied performance obligations (backlog) as of September 30, 2019 and 2018 were as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Beginning backlog	$ 178,632	$ 37,921	$ 165,863	$ 49,167
New contracts/change orders	22,054	7,138	73,250	39,514
Work performed	(27,594)	(19,879)	(66,021)	(63,501)
Ending backlog	$ 173,092	$ 25,180	$ 173,092	$ 25,180

The Company expects to complete a majority of the uncompleted contracts in place as of September 30, 2019 during the next 12 to 18 months.

9. Indebtedness

Credit Facility

The Company has a senior credit facility that was modified on January 31, 2019 using the accordion feature to increase the maximum total commitments to $355.0 million, comprised of a $150.0 million senior unsecured revolving credit facility (the "revolving credit facility") and a $205.0 million senior unsecured term loan facility (the "term loan facility" and, together with the revolving credit facility, the "credit facility"), with a syndicate of banks.

The credit facility includes an accordion feature that allows the total commitments to be further increased to $450.0 million, subject to certain conditions, including obtaining commitments from any one or more lenders. The revolving credit facility has a scheduled maturity date of October 26, 2021, with two six-month extension options, subject to certain conditions, including payment of a 0.075% extension fee at each extension. The term loan facility has a scheduled maturity date of October 26, 2022.

The revolving credit facility bears interest at LIBOR (the London Inter-Bank Offered Rate) plus a margin ranging from 1.40% to 2.00% and the term loan facility bears interest at LIBOR plus a margin ranging from 1.35% to 1.95%, in each case depending on the Company's total leverage. The Company is also obligated to pay an unused commitment fee of 15 or 25 basis points on the unused portions of the commitments under the revolving credit facility, depending on the amount of borrowings under the credit facility.

As of September 30, 2019 and December 31, 2018, the outstanding balance on the revolving credit facility was $110.0 million and $126.0 million, respectively, and the outstanding balance on the term loan facility was $205.0 million and $180.0 million, respectively. As of September 30, 2019, the effective interest rates on the revolving credit facility and the term loan facility were 3.57% and 3.52%, respectively. The Company may, at any time, voluntarily prepay any loan under the credit facility in whole or in part without premium or penalty.

The Operating Partnership is the borrower under the credit facility, and its obligations under the credit facility are guaranteed by the Company and certain of its subsidiaries that are not otherwise prohibited from providing such guaranty. The credit agreement contains customary representations and warranties and financial and other affirmative and negative covenants. The Company's ability to borrow under the credit facility is subject to ongoing compliance with a number of financial covenants, affirmative covenants, and other restrictions. The credit agreement includes customary events of default, in certain cases subject to customary cure periods. The occurrence of an event of default, if not cured within the applicable cure period, would permit the lenders to, among other things, declare the unpaid principal, accrued and unpaid interest, and all other amounts payable under the credit facility to be immediately due and payable.

The Company is currently in compliance with all covenants governing the credit facility.

Other 2019 Financing Activity

On January 31, 2019, the Company paid off North Point Center Note 1.

On March 11, 2019, the Company received $7.4 million of additional funding on the loan secured by Lightfoot Marketplace. On August 15, 2019, the Company sold the property and paid off the outstanding balance of $17.9 million.

On March 14, 2019, the Company obtained a loan secured by One City Center in the amount of $25.6 million in conjunction with the acquisition of this property. This loan may be increased to $27.6 million subject to certain conditions.
The loan bears interest at a rate of LIBOR plus a spread of 1.85% and will mature on April 1, 2024.

On April 24, 2019, the Company exercised its option to purchase 79% of the partnership that owns 1405 Point in exchange for extinguishing its note receivable on the project and a cash payment of $0.3 million. The project was acquired subject to a loan payable of $64.9 million, which was recorded at its fair value of $65.8 million. The loan matures on May 1, 2020 and bears interest at a rate of LIBOR plus a spread of 2.75%; this spread will decrease to 2.50% upon stabilization (as defined in the loan agreement).

On May 23, 2019, the Company assumed notes payable in connection with the acquisition of Red Mill Commons and Marketplace at Hilltop with outstanding principal balances of $24.9 million and $10.8 million, respectively. The following table summarizes the note balance at assumption, fair value at assumption, maturity date, and interest rate for each loan ($ in thousands):

Loan name	Note balance at assumption	Fair value of loan at assumption	Loan maturity date	Loan interest rate
Red Mill North	$ 4,451	$ 4,520	12/31/2028	4.73%
Red Mill South	6,310	6,090	5/1/2025	3.57%
Red Mill Central	2,640	2,690	6/17/2024	4.80%
Red Mill West	11,548	11,540	6/1/2022	4.23%
Marketplace at Hilltop	10,740	10,790	10/1/2022	4.42%
	$ 35,689	$ 35,630		

On June 26, 2019, the Company obtained a loan secured by Thames Street Wharf in the amount of $70.0 million in conjunction with the acquisition of this property. The loan bears interest at a rate of LIBOR plus a spread of 1.30% and will mature on June 26, 2022.

On June 26, 2019, the Company entered into a $76.0 million syndicated construction loan facility for the Wills Wharf development project in Baltimore, Maryland. The facility bears interest at a rate of LIBOR plus a spread of 2.25% during construction activities and will mature on June 26, 2023. The facility will have an unused commitment fee of 25 basis points until the Company has borrowed at least $19.0 million under the facility.

During the nine months ended September 30, 2019, the Company borrowed $77.8 million under its existing construction loans to fund new development and construction.

Subsequent to September 30, 2019

On October 3, 2019, the Company amended and restated the credit facility to, among other things, extend the initial maturity date of the revolving credit facility to January 24, 2024 and the maturity date of the term loan facility to January 24, 2025. In addition, the interest rate for the revolving credit facility was lowered to LIBOR plus a margin ranging from 1.30% to 1.85% and the interest rate for the term loan facility was lowered to LIBOR plus a margin ranging from 1.25% to 1.80%, in each case depending on the Company's total leverage. The amended and restated credit facility includes an increased accordion feature that allows the total commitments to be increased to $700.0 million, subject to certain conditions, including obtaining commitments from any one or more lenders.

On October 29, 2019, the Company extended and modified the Premier loan. The Company increased the balance on the loan to $25.0 million by receiving additional proceeds of $2.7 million. The loan bears interest at a rate of LIBOR plus a spread of 1.55% and will mature on October 31, 2024.

In October 2019, the Company increased its borrowings under the revolving credit facility by $12.0 million.

In October 2019, the Company borrowed $9.5 million on its construction loans to fund development activities.

10. Derivative Financial Instruments

The Company may enter into interest rate derivative contracts to manage exposure to interest rate risks. The Company does not use derivative financial instruments for trading or speculative purposes. Derivative financial instruments are recognized at fair value and presented within other assets and other liabilities in the condensed 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 in the condensed consolidated statements of comprehensive income. For derivatives that qualify as cash flow hedges, 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.

As of September 30, 2019, the Company had the following LIBOR interest rate caps ($ in thousands), which are not designated as cash flow hedges for accounting purposes:

Origination Date	Expiration Date	Notional Amount	Strike Rate	Premium Paid
9/18/2017	10/1/2019	$ 50,000	1.50%	$ 199
11/28/2017	12/1/2019	50,000	1.50%	359
3/7/2018	4/1/2020	50,000	2.25%	310
7/16/2018	8/1/2020	50,000	2.50%	319
12/11/2018	1/1/2021	50,000	2.75%	210
5/15/2019	6/1/2022	100,000	2.50%	288
Total		$ 350,000		$ 1,685

As of September 30, 2019, the Company held the following floating-to-fixed interest rate swaps ($ in thousands):

Related Debt	Notional Amount		Index	Swap Fixed Rate	Debt effective rate	Effective Date	Expiration Date
Senior unsecured term loan	$ 50,000		1-month LIBOR	2.00%	3.50%	3/1/2016	2/20/2020
Senior unsecured term loan	50,000		1-month LIBOR	2.78%	4.28%	5/1/2018	5/1/2023
John Hopkins Village	52,032	(a)	1-month LIBOR	2.94%	4.19%	8/7/2018	8/7/2025
Senior unsecured term loan	10,500	(a)(b)	1-month LIBOR	3.02%	4.52%	10/12/2018	10/12/2023
249 Central Park Retail, South Retail, and Fountain Plaza Retail	34,456	(a)	1-month LIBOR	2.25%	3.85%	4/1/2019	8/10/2023
Senior unsecured term loan	50,000	(a)	1-month LIBOR	2.26%	3.76%	4/1/2019	10/22/2022
Total	$ 246,988						

(a) Designated as a cash flow hedge.
(b) Prior to August 15, 2019, this swap was used as a hedge for the cash flows for the loan secured by Lightfoot Marketplace.

This loan was paid off on August 15, 2019. This swap is now being used as a hedge for the cash flows for a portion of the Company's unsecured term loan facility.

For the interest rate swaps designated as cash flow hedges, realized losses are reclassified out of accumulated other comprehensive loss to interest expense in the Condensed Consolidated Statements of Comprehensive Income due to payments made to the swap counterparty. During the next 12 months, the Company anticipates reclassifying approximately $1.3 million of net hedging losses from accumulated other comprehensive loss into earnings to offset the variability of the hedged items during this period.

The Company's derivatives were comprised of the following as of September 30, 2019 and December 31, 2018 (in thousands):

	September 30, 2019 (Unaudited)			December 31, 2018		
	Notional Amount	Fair Value		Notional Amount	Fair Value	
		Asset	Liability		Asset	Liability
Derivatives not designated as accounting hedges						
Interest rate swaps	$ 100,000	$ —	$ (2,416)	$ 100,000	$ 303	$ (749)
Interest rate caps	350,000	122	—	350,000	1,790	—
Total derivatives not designated as accounting hedges	450,000	122	(2,416)	450,000	2,093	(749)
Derivatives designated as accounting hedges						
Interest rate swaps	146,988	—	(7,204)	63,208	—	(1,725)
Total derivatives	$ 596,988	$ 122	$ (9,620)	$ 513,208	$ 2,093	$ (2,474)

The changes in the fair value of the Company's derivatives during the three and nine months ended September 30, 2019 and 2018 were comprised of the following (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Interest rate swaps	$ (1,477)	$ 319	$ (7,679)	$ 673
Interest rate caps	(299)	(151)	(1,956)	453
Total change in fair value of interest rate derivatives	$ (1,776)	$ 168	$ (9,635)	$ 1,126
Comprehensive income statement presentation:				
Change in fair value of interest rate derivatives	$ (529)	$ 298	$ (3,926)	$ 1,256
Unrealized cash flow hedge gains losses	(1,247)	(130)	(5,709)	(130)
Total change in fair value of interest rate derivatives	$ (1,776)	$ 168	$ (9,635)	$ 1,126

11. Equity

Stockholders' Equity

On February 26, 2018, the Company commenced an at-the-market continuous equity offering program (the "ATM Program") through which the Company may, from time to time, issue and sell shares of its common stock. On August 6, 2019, the Company entered into amendments (the "Amendments") to the separate sales agreements related to the ATM Program, which, among other things, increased the aggregate offering price of shares of the Company's common stock under the ATM Program from $125.0 million to $180.7 million. Prior to the date of the Amendments, the Company had sold shares having an aggregate offering price of $105.7 million, resulting in shares having an aggregate offering price of $75.0 million remaining available for sale under the ATM Program as of August 6, 2019. During the nine months ended September 30, 2019, the Company issued and sold 4,476,565 shares of common stock at a weighted average price of $16.28 per share under the ATM Program, receiving net proceeds after offering costs and commissions of $71.9 million.

On June 18, 2019, the Company issued 2,530,000 shares of its 6.75% Series A Cumulative Redeemable Perpetual Preferred Stock, $0.01 par value per share ("Series A Preferred Stock"), with a liquidation preference of $25.00 per share, which included 330,000 shares issued upon the underwriters' full exercise of their option to purchase additional shares. Net proceeds from the offering, after the underwriting discount but before offering expenses payable by the Company, were approximately $61.3 million. The Company used the net proceeds to fund a portion of the purchase price of Thames Street Wharf, a 263,426 square foot office building located in the Harbor Point neighborhood of Baltimore, Maryland. The balance of the net proceeds was used to repay a portion of the outstanding borrowings under the Company's unsecured revolving credit facility and for general corporate purposes.

In connection with the issuance of the Series A Preferred Stock, on June 18, 2019, the Operating Partnership issued to the Company 2,530,000 6.75% Series A Cumulative Redeemable Perpetual Preferred Units (the "Series A Preferred Units"), which have economic terms that are identical to the Company's Series A Preferred Stock. The Series A Preferred Units were issued in exchange for the Company's contribution of the net proceeds from the offering of the Series A Preferred Stock to the Operating Partnership.

Dividends on the Series A Preferred Stock will be payable quarterly in arrears on or about the 15th day of each January, April, July and October. The first dividend on the Series A Preferred Stock was paid on October 15, 2019. The Series A Preferred Stock does not have a stated maturity date and is not subject to any sinking fund or mandatory redemption provisions. Upon liquidation, dissolution or winding up, the Series A Preferred Stock will rank senior to the Company's common stock with respect to the payment of distributions and other amounts. Except in instances relating to preservation of the Company's qualification as a REIT or pursuant to the Company's special optional redemption right, the Series A Preferred Stock is not redeemable prior to June 18, 2024. On and after June 18, 2024, the Company may, at its option, redeem the Series A Preferred Stock, in whole, at any time, or in part, from time to time, for cash at a redemption price of $25.00 per share, plus any accrued and unpaid dividends (whether or not declared) to, but excluding, the redemption date.

Upon the occurrence of a change of control (as defined in the articles supplementary designating the terms of the Series A Preferred Stock), the Company has a special optional redemption right that enables it to redeem the Series A Preferred Stock, in whole or in part and within 120 days after the first date on which a change of control has occurred resulting in neither the Company nor the surviving entity having a class of common stock listed on the NYSE, NYSE American, or NASDAQ or the acquisition of beneficial ownership of its stock entitling a person to exercise more than 50% of the total voting power of all our stock entitled to vote generally in election of directors. The special optional redemption price is $25.00 per share, plus any accrued and unpaid dividends (whether or not declared) to, but excluding, the date of redemption.

Upon the occurrence of a change of control, holders will have the right (unless the Company has elected to exercise its special optional redemption right to redeem their Series A Preferred Stock) to convert some or all of such holder's Series A Preferred Stock into a number of shares of the Company's common stock equal to the lesser of:

- the quotient obtained by dividing (i) the sum of the $25.00 liquidation preference plus the amount of any accrued and unpaid distributions to, but not including, the change of control conversion date (unless the change of control conversion date is after a record date for a Series A Preferred Stock distribution payment and prior to the corresponding Series A Preferred Stock distribution payment date, in which case no additional amount for such accrued and unpaid distribution will be included in this sum) by (ii) the Common Stock Price (as defined in the articles supplementary designating the terms of the Series A Preferred Stock); and

- 2.97796 (i.e., the Share Cap), subject to certain adjustments;

subject, in each case, to certain adjustments and provisions for the receipt of alternative consideration of equivalent value as described in the articles supplementary designating the terms of the Series A Preferred Stock.

Noncontrolling Interests

As of September 30, 2019 and December 31, 2018, the Company held a 72.2% and 74.5% common interest, respectively, in the Operating Partnership. As of September 30, 2019, the Company also held a preferred interest in the Operating Partnership in the form of preferred units with a liquidation preference of $63.3 million. The Company is the primary beneficiary of the Operating Partnership as it has the power to direct the activities of the Operating Partnership and the rights to absorb 72.2% of the net income of the Operating Partnership. As the primary beneficiary, the Company consolidates the financial position and results of operations of the Operating Partnership. Noncontrolling interests in the Operating Partnership represent units of limited partnership interest in the Operating Partnership not held by the Company.

As of September 30, 2019, there were 21,167,104 Class A units of limited partnership interest in the Operating Partnership ("Class A Units") not held by the Company. The Company's financial position and results of operations are the same as those of the Operating Partnership.

Additionally, the Operating Partnership owns a majority interest in certain non-wholly-owned operating and development properties. The noncontrolling interest for investment entities of $5.5 million relates to the minority partners' interest in certain joint venture entities as of September 30, 2019, including 1405 Point, Hoffler Place, and Lightfoot Marketplace, which was sold during the three months ended September 30, 2019 but for which proceeds have not yet been distributed to the partners. The noncontrolling interest for consolidated real estate entities was zero as of December 31, 2018.

On January 2, 2019, due to the holders of Class A Units tendering an aggregate of 118,471 Class A Units for redemption by the Operating Partnership, the Company elected to satisfy the redemption requests through the issuance of an equal number of shares of common stock.

On May 23, 2019, the Operating Partnership issued 4,125,759 Class A Units valued at $68.1 million in connection with the acquisition of Red Mill Commons and Marketplace at Hilltop.

On May 30, 2019, the Operating Partnership issued 60,000 Class A Units valued at $1.0 million in exchange for the remaining 35% ownership interest in Brooks Crossing Office, which was previously owned by Tidewater Partners.

On July 1, 2019, due to the holders of Class A Units tendering an aggregate of 125,118 Class A Units for redemption by the Operating Partnership, the Company elected to satisfy the redemption requests through the issuance of an equal number of shares of common stock.

On August 20, 2019, the Operating Partnership issued 40,864 Class A Units valued at $0.7 million due to the satisfaction of certain leasing requirements associated with the 2018 acquisition of Lexington Square.

On September 20, 2019, the Operating Partnership issued 73,666 Class A Units valued at $1.3 million upon the satisfaction of certain leasing and development requirements associated with the 2016 acquisition of Southgate Square.

Common Stock Dividends and Class A Unit Distributions

On January 3, 2019, the Company paid cash dividends of $10.0 million to common stockholders, and the Operating Partnership paid cash distributions of $3.4 million to holders of Class A Units.

On April 4, 2019, the Company paid cash dividends of $11.0 million to common stockholders, and the Operating Partnership paid cash distributions of $3.6 million to holders of Class A Units.

On July 3, 2019, the Company paid cash dividends of $11.1 million to common stockholders, and the Operating Partnership paid cash distributions of $4.4 million to holders of Class A Units.

On August 7, 2019, the Board of Directors declared a cash dividend and distribution of $0.21 per share and unit payable on October 3, 2019 to stockholders and unitholders of record on September 25, 2019.

On August 7, 2019, the Board of Directors declared a cash dividend and distribution of $0.54844 per share on its 6.75% Series A Cumulative Redeemable Perpetual Preferred Stock payable on October 15, 2019 to stockholders of record on October 1, 2019.

Subsequent to September 30, 2019

On October 1, 2019, due to a holder of Class A Units tendering an aggregate of 4,896 Class A Units for redemption by the Operating Partnership, the Company elected to satisfy the redemption request through the issuance of an equal number of shares of common stock.

On October 3, 2019, the Company paid cash dividends of $11.5 million to common stockholders, and the Operating Partnership paid cash distributions of $4.4 million to holders of Class A Units other than the Company.

On October 15, 2019, the Company paid cash dividends of $1.4 million to holders of shares of Series A Preferred Stock.

In October 2019, the Company sold an aggregate of 543,513 shares of common stock at a weighted average price of $18.14 per share under the ATM Program, receiving net proceeds, after offering costs and commissions, of $9.7 million.

12. Stock-Based Compensation

The Company’s Amended and Restated 2013 Equity Incentive Plan (the "Equity 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 1,700,000 shares of common stock. As of September 30, 2019, there were 894,680 shares available for issuance under the Equity Plan.

During the nine months ended September 30, 2019, the Company granted an aggregate of 153,173 shares of restricted stock to employees and non-employee directors with a weighted average grant date fair value of $15.41 per share. 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. Non-employee 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 the nine months ended September 30, 2019, the Company issued performance-based awards in the form of restricted stock units to certain employees. The performance period for these awards is three years, with a required two-year service period immediately following the expiration of the performance period in order to fully vest. The compensation expense and the effect on the Company’s weighted average diluted shares calculation were immaterial. During the nine months ended September 30, 2019, 10,755 shares were issued with a grant date fair value of $15.42 per share due to the partial vesting of performance units awarded to certain employees in 2016.

During the three months ended September 30, 2019 and 2018, the Company recognized $0.5 million and $0.4 million, respectively, of stock-based compensation cost. During the nine months ended September 30, 2019 and 2018, the Company recognized $2.0 million and $1.6 million, respectively, of stock-based compensation cost. As of September 30, 2019, there were 144,122 nonvested restricted shares outstanding; the total unrecognized compensation expense related to nonvested restricted shares was $1.1 million, which the Company expects to recognize over the next 18 months.

13. 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 — quoted prices in active markets for identical assets or liabilities

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

Level 3 — unobservable inputs

Except as disclosed below, the carrying amounts of the Company’s financial instruments approximate their fair values. Financial assets and liabilities whose fair values are measured on a recurring basis using Level 2 inputs consist of interest rate swaps and 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.

Financial assets and liabilities whose fair values are not measured at fair value but for which the fair value is disclosed include the Company's notes receivable and indebtedness. The fair value is estimated by discounting the future cash flows of each instrument at estimated market rates consistent with the maturity, credit characteristics, and other terms of the arrangements, which are Level 3 inputs under the fair value hierarchy.

In certain cases, the inputs used to estimate the 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.

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 as of September 30, 2019 and December 31, 2018 were as follows (in thousands):

	September 30, 2019		December 31, 2018	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Indebtedness	$ 943,371	$ 949,106	$ 694,239	$ 688,437
Notes receivable	148,744	148,744	138,683	138,683
Interest rate swap liabilities	9,620	9,620	2,474	2,474
Interest rate swap and cap assets	122	122	2,093	2,093

14. Related Party Transactions

The Company provides general contracting and real estate services to certain related party entities that are included in these condensed consolidated financial statements. Revenue from construction contracts with these entities for the three months ended September 30, 2018 was less than $0.1 million, and gross profit from such contracts was less than $0.1 million. Revenue from construction contracts with related party entities for the nine months ended September 30, 2018 was $1.5 million, and gross profit from such contracts was $0.3 million. There was no such revenue or gross profit for the three and nine months ended September 30, 2019.

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 Company's initial public offering and formation transactions completed on May 13, 2013.

Subsequent to September 30, 2019

In October 2019, the Company executed construction contracts with an aggregate price of $7.5 million with the developer of an apartment building and parking garage to be located in Virginia Beach, Virginia. The developer is owned in part by executives of the Company. The contracts are projected to result in aggregate gross profit of $0.3 million to the Company.

15. 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 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 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.

Guarantees

In connection with the Company's mezzanine lending activities, the Company has made guarantees to pay portions of certain senior loans of third parties associated with the development projects. The following table summarizes the guarantees made by the Company as of September 30, 2019 (in thousands):

Development project	Payment guarantee amount
The Residences at Annapolis Junction	$ 8,300
Delray Plaza	5,180
Nexton Square	12,600
Interlock Commercial	30,654
Total	$ 56,734

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 $29.2 million and $34.8 million as of September 30, 2019 and December 31, 2018, respectively.

The Company 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 September 30, 2019 and December 31, 2018, the Operating Partnership had total outstanding letters of credit of $0.3 million and $2.1 million, respectively.

Subsequent to September 30, 2019

On October 3, 2019, the Company canceled the outstanding $0.3 million letter of credit.

Item 2.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 (the "Operating Partnership"), of which we are the sole general partner. The following discussion should be read in conjunction with the financial statements and notes thereto appearing elsewhere in this report.

Forward-Looking Statements

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 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 timelines, 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;
- the inability of one or more mezzanine loan borrowers to repay mezzanine loans in accordance with their contractual terms;
- 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;
- 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; and
- potential negative impacts from the recent changes to the U.S. tax laws.

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 Quarterly Report on Form 10-Q, except as required by applicable law. We caution investors not to place undue reliance on these forward-looking statements and urge investors to carefully review the disclosures we make concerning risks and uncertainties in the sections entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our most recent Annual Report on Form 10-K, as well as risks, uncertainties and other factors discussed in this Quarterly Report on Form 10-Q and identified in other documents that we file from time to time with the Securities and Exchange Commission (the "SEC").

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 primarily throughout the Mid-Atlantic and Southeastern United States. As of September 30, 2019, our stabilized operating property portfolio consisted of the following properties:

Property	Segment	Location	Ownership Interest
4525 Main Street	Office	Virginia Beach, Virginia*	100%
Armada Hoffler Tower	Office	Virginia Beach, Virginia*	100%
Brooks Crossing Office	Office	Newport News, Virginia	100%
One City Center	Office	Durham, North Carolina	100%
One Columbus	Office	Virginia Beach, Virginia*	100%
Thames Street Wharf	Office	Baltimore, Maryland	100%
Two Columbus	Office	Virginia Beach, Virginia*	100%
249 Central Park Retail	Retail	Virginia Beach, Virginia*	100%
Alexander Pointe	Retail	Salisbury, North Carolina	100%
Bermuda Crossroads	Retail	Chester, Virginia	100%
Broad Creek Shopping Center	Retail	Norfolk, Virginia	100%
Broadmoor Plaza	Retail	South Bend, Indiana	100%
Columbus Village	Retail	Virginia Beach, Virginia*	100%
Columbus Village II	Retail	Virginia Beach, Virginia*	100%
Commerce Street Retail	Retail	Virginia Beach, Virginia*	100%
Courthouse 7-Eleven	Retail	Virginia Beach, Virginia	100%
Dick's at Town Center (1)	Retail	Virginia Beach, Virginia*	100%
Dimmock Square	Retail	Colonial Heights, Virginia	100%
Fountain Plaza Retail	Retail	Virginia Beach, Virginia*	100%
Gainsborough Square	Retail	Chesapeake, Virginia	100%

Property	Segment	Location	Ownership Interest
Greentree Shopping Center	Retail	Chesapeake, Virginia	100%
Hanbury Village	Retail	Chesapeake, Virginia	100%
Harper Hill Commons	Retail	Winston-Salem, North Carolina	100%
Harrisonburg Regal	Retail	Harrisonburg, Virginia	100%
Indian Lakes Crossing	Retail	Virginia Beach, Virginia	100%
Lexington Square	Retail	Lexington, South Carolina	100%
Marketplace at Hilltop	Retail	Virginia Beach, Virginia	100%
Market at Mill Creek (2)	Retail	Mount Pleasant, South Carolina	70%
North Hampton Market	Retail	Taylors, South Carolina	100%
North Point Center	Retail	Durham, North Carolina	100%
Oakland Marketplace	Retail	Oakland, Tennessee	100%
Parkway Centre	Retail	Moultrie, Georgia	100%
Parkway Marketplace	Retail	Virginia Beach, Virginia	100%
Patterson Place	Retail	Durham, North Carolina	100%
Perry Hall Marketplace	Retail	Perry Hall, Maryland	100%
Providence Plaza	Retail	Charlotte, North Carolina	100%
Red Mill Commons	Retail	Virginia Beach, Virginia	100%
Renaissance Square	Retail	Davidson, North Carolina	100%
Sandbridge Commons	Retail	Virginia Beach, Virginia	100%
Socastee Commons	Retail	Myrtle Beach, South Carolina	100%
South Retail	Retail	Virginia Beach, Virginia*	100%
South Square	Retail	Durham, North Carolina	100%
Southgate Square	Retail	Colonial Heights, Virginia	100%
Southshore Shops	Retail	Chesterfield, Virginia	100%
Stone House Square	Retail	Hagerstown, Maryland	100%
Studio 56 Retail	Retail	Virginia Beach, Virginia*	100%
Tyre Neck Harris Teeter	Retail	Portsmouth, Virginia	100%
Wendover Village	Retail	Greensboro, North Carolina	100%
1405 Point	Multifamily	Baltimore, Maryland	79%
Encore Apartments	Multifamily	Virginia Beach, Virginia*	100%
Greenside (Harding Place)	Multifamily	Charlotte, North Carolina	100%
Johns Hopkins Village	Multifamily	Baltimore, Maryland	100%
Liberty Apartments	Multifamily	Newport News, Virginia	100%
Smith’s Landing	Multifamily	Blacksburg, Virginia	100%
Premier Apartments (Town Center Phase VI)	Multifamily	Virginia Beach, Virginia*	100%
The Cosmopolitan	Multifamily	Virginia Beach, Virginia*	100%

*Located in the Town Center of Virginia Beach
(1) Dick's Sporting Goods, one of the anchor tenants at the property currently known as "Dick’s at Town Center," has notified us that it will not renew its lease beyond January 31, 2020, the end of the current term. In October 2019, we signed a lease with a replacement tenant, Apex Entertainment, which will take the entire space currently occupied by Dick's Sporting Goods after the redevelopment and buildout of the facility is completed, which is expected to occur by the end of 2020.
(2) We are entitled to a preferred return of up to 10% on our investment in Market at Mill Creek, which has not yet been fulfilled.

As of September 30, 2019, the following properties that we consolidate for financial reporting purposes were either under development or not yet stabilized:

Property	Segment	Location	Ownership Interest
Wills Wharf	Office	Baltimore, Maryland	100%
Brooks Crossing Retail (1)	Retail	Newport News, Virginia	65%
Premier Retail (Town Center Phase VI)	Retail	Virginia Beach, Virginia*	100%
Hoffler Place (King Street)	Multifamily	Charleston, South Carolina	93%
Summit Place (Meeting Street)	Multifamily	Charleston, South Carolina	90%

*Located in the Town Center of Virginia Beach
(1) We are entitled to a preferred return of 8% on our investment in Brooks Crossing Retail.

Acquisitions

On February 6, 2019, we acquired an additional outparcel phase of Wendover Village in Greensboro, North Carolina for a contract price of $2.7 million. This phase is leased by a single tenant.

On March 14, 2019, we acquired the office and retail portions of the One City Center project in exchange for a redemption of our 37% equity ownership in the joint venture with Austin Lawrence Partners, which totaled $23.0 million as of the acquisition date, and a cash payment of $23.2 million.

On April 24, 2019, we purchased a 79% controlling interest in the partnership that owns 1405 Point, a 17-story luxury high-rise apartment building located in the emerging Harbor Point area of the Baltimore waterfront in exchange for extinguishing our $31.3 million note receivable on the project, making a cash payment of $0.3 million, and assuming a loan payable of $64.9 million.

On May 23, 2019, we acquired Red Mill Commons and Marketplace at Hilltop from Venture Realty Group for consideration comprised of 4.1 million Class A Units, the assumption of $35.7 million of mortgage debt, and $4.5 million in cash. The negotiated price was $105.0 million, which contemplated the price of our common stock of $15.55 per share when the purchase and sale agreement was executed. In connection with the acquisition, we and the Operating Partnership entered into a tax protection agreement with the contributors pursuant to which we and the Operating Partnership agreed, subject to certain exceptions, to indemnify the contributors for up to 10 years against certain tax liabilities incurred by them, if such liabilities result from a transaction involving a direct or indirect taxable disposition of either or both of these properties or if the Operating Partnership fails to maintain and allocate to the contributors for taxation purposes minimum levels of Operating Partnership liabilities.

On June 26, 2019, we acquired Thames Street Wharf, a Class A office building located in the Harbor Point development of Baltimore, Maryland for $101.0 million in cash.

On October 25, 2019, we purchased land in Roswell, Georgia for a purchase price of $5.0 million. We plan to use the land to develop a mixed-use property.

Dispositions

On April 1, 2019, we sold Waynesboro Commons for a sale price of $1.1 million. There was no gain or loss recognized on the disposition.

On August 15, 2019, we sold Lightfoot Marketplace for a sale price of $30.3 million. The gain on disposition was $4.5 million. In conjunction with this sale, we paid off the $17.9 million note payable secured by this property.

Third Quarter 2019 and Recent Highlights

The following highlights our results of operations and significant transactions for the three months ended September 30, 2019 and other recent developments:

- Net income attributable to common stockholders and OP Unit holders of $9.9 million, or $0.13 per diluted share, compared to $5.7 million, or $0.09 per diluted share, for the three months ended September 30, 2018.
- Funds from operations attributable to common stockholders and OP Unit holders ("FFO") of $21.7 million, or $0.29 per diluted share, compared to $15.9 million, or $0.24 per diluted share, for the three months ended September 30, 2018. See "Non-GAAP Financial Measures."
- Normalized funds from operations available to common stockholders and OP Unit holders ("Normalized FFO") of $22.4 million, or $0.30 per diluted share, compared to $15.7 million, or $0.24 per diluted share, for the three months ended September 30, 2018. See "Non-GAAP Financial Measures."
- Core operating property portfolio occupancy at 96.4% as of September 30, 2019 compared to 95.6% as of June 30, 2019.
- Announced Southern Post, a new 270,000 square foot mixed-use development in historic downtown Roswell, Georgia. The Company will be the majority partner in a joint venture to develop the project and anticipates commencing construction in the first quarter of 2020. Estimated development and construction costs for the project are expected to total approximately $95 million.
- Subsequent to quarter end, announced that Apex Entertainment has agreed to a 15-year lease for all 84,000 square feet currently occupied by Dick's Sporting Goods in the Town Center of Virginia Beach.
- Completed the sale of Lightfoot Marketplace for $30.3 million, representing a 5.8% cap rate on in-place net operating income.
- Received payment in full of the $20.0 million balance outstanding under the North Decatur Square note receivable.
- Subsequent to quarter end, extended the maturity of our credit facility to 2024 for the senior unsecured revolving component and 2025 for the senior unsecured term loan component.
- Raised $34.6 million of gross proceeds through ATM Program at a weighted average price of $17.72 per share during the quarter ended September 30, 2019. Raised $82.7 million of gross proceeds at a weighted average price of $16.48 per share year-to-date through October 31, 2019.

Segment Results of Operations

As of September 30, 2019, 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, which are conducted through our taxable REIT subsidiaries ("TRS"). Net operating income (segment revenues minus segment expenses) ("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 accounting principles generally accepted in the United States ("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 condensed consolidated financial statements in Item 1 of this Quarterly Report on Form 10-Q for a reconciliation of NOI to net income.

We define same store properties as those properties that we owned and operated and that were stabilized for the entirety of both periods presented. We generally consider a property to be stabilized upon 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. Additionally, any property that is fully or partially taken out of service for the purpose of redevelopment is no longer considered stabilized until the redevelopment activities are complete, the asset is placed back into service, and the occupancy criterion above is again met. A property may also be fully or partially taken out of service as a result of a partial disposition, depending on the significance of the portion of the property disposed. Finally, any property classified as held for sale is taken out of service for the purpose of computing same store operating results.

Office Segment Data

Office rental revenues, property expenses, and NOI for the three and nine months ended September 30, 2019 and 2018 were as follows (in thousands):

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2019	2018	Change	2019	2018	Change
Rental revenues	$ 10,283	$ 5,149	$ 5,134	$ 23,220	$ 15,537	$ 7,683
Property expenses	3,894	2,066	1,828	8,416	5,954	2,462
Segment NOI	$ 6,389	$ 3,083	$ 3,306	$ 14,804	$ 9,583	$ 5,221

Office segment NOI for the three and nine months ended September 30, 2019 increased 107.2% and 54.5%, respectively, compared to the corresponding periods in 2018. The increases relate primarily to the acquisition of One City Center in March 2019, the commencement of operations at Brooks Crossing Office in April 2019, and the acquisition of Thames Street Wharf in June 2019, as well as increased occupancy across the rest of the office portfolio.

Office Same Store Results

Office same store results for the three and nine months ended September 30, 2019 and 2018 exclude One City Center, Brooks Crossing Office, and Thames Street Wharf.

Office same store rental revenues, property expenses, and NOI for the three and nine months ended September 30, 2019 and 2018 were as follows (in thousands):

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2019	2018	Change	2019	2018	Change
Rental revenues	$ 5,394	$ 5,149	$ 245	$ 16,148	$ 15,537	$ 611
Property expenses	2,077	1,972	105	5,798	5,670	128
Same Store NOI	$ 3,317	$ 3,177	$ 140	$ 10,350	$ 9,867	$ 483
Non-Same Store NOI	3,072	(94)	3,166	4,454	(284)	4,738
Segment NOI	$ 6,389	$ 3,083	$ 3,306	$ 14,804	$ 9,583	$ 5,221

Office same store NOI for the three and nine months ended September 30, 2019 increased 4.4% and 4.9%, respectively, compared to the corresponding periods in 2018. The increases relate primarily to higher occupancy across the same store office portfolio.

Retail Segment Data

Retail rental revenues, property expenses, and NOI for the three and nine months ended September 30, 2019 and 2018 were as follows (in thousands):

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2019	2018	Change	2019	2018	Change
Rental revenues	$ 20,780	$ 16,932	$ 3,848	$ 57,273	$ 50,251	$ 7,022
Property expenses	5,335	4,464	871	14,506	13,015	1,491
Segment NOI	$ 15,445	$ 12,468	$ 2,977	$ 42,767	$ 37,236	$ 5,531

Retail segment NOI for the three and nine months ended September 30, 2019 increased 23.9% and 14.9%, respectively, compared to the corresponding periods in 2018. The increases were primarily a result of the acquisition of the additional outparcel phase of Wendover Village in February 2019, the commencement of operations at Market at Mill Creek in April 2019, and the acquisition of Red Mill Commons and Marketplace at Hilltop in May 2019. These increases were partially offset by the disposal of the leasehold interest in the building previously leased by Home Depot at Broad Creek Shopping

Center in December 2018, as well as the disposition of Waynesboro Commons in April 2019 and Lightfoot Marketplace in August 2019.

Dick's Sporting Goods, one of the anchor tenants at the property currently known as "Dick's at Town Center," has notified us that it will not renew its lease beyond January 31, 2020, the end of the current term. In October 2019, we signed a lease with a replacement tenant, Apex Entertainment, which will take the entire space currently occupied by Dick's Sporting Goods after the redevelopment and buildout of the facility is completed, which is expected to occur by the end of 2020.

Retail Same Store Results

Retail same store results for the three and nine months ended September 30, 2019 and 2018 exclude Lightfoot Marketplace, Broad Creek Shopping Center, Brooks Crossing Retail, Premier Retail (part of Town Center Phase VI), Lexington Square, Columbus Village (due to redevelopment), the additional outparcel phase of Wendover Village (acquired in February 2019), Market at Mill Creek, and Red Mill Commons and Marketplace at Hilltop (acquired in May 2019). In addition, retail same store results for the nine months ended September 30, 2019 and 2018 exclude Parkway Centre and Indian Lakes Crossing (acquired in January 2018).

Retail same store rental revenues, property expenses, and NOI for the three and nine months ended September 30, 2019 and 2018 were as follows (in thousands):

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2019	2018	Change	2019	2018	Change
Rental revenues	$ 15,006	$ 14,529	$ 477	$ 43,282	$ 42,263	$ 1,019
Property expenses	3,401	3,407	(6)	9,865	9,698	167
Same Store NOI	$ 11,605	$ 11,122	$ 483	$ 33,417	$ 32,565	$ 852
Non-Same Store NOI	3,840	1,346	2,494	9,350	4,671	4,679
Segment NOI	$ 15,445	$ 12,468	$ 2,977	$ 42,767	$ 37,236	$ 5,531

Retail same store NOI for the three and nine months ended September 30, 2019 increased 4.3% and 2.6%, respectively, compared to the corresponding periods in 2018. The increases were primarily the result of higher occupancy as well as higher recoveries from tenants for capital expenditures.

Multifamily Segment Data

Multifamily rental revenues, property expenses, and NOI for the three and nine months ended September 30, 2019 and 2018 were as follows (in thousands):

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2019	2018	Change	2019	2018	Change
Rental revenues	$ 11,157	$ 6,849	$ 4,308	$ 29,014	$ 20,439	$ 8,575
Property expenses	4,875	3,413	1,462	12,452	9,468	2,984
Segment NOI	$ 6,282	$ 3,436	$ 2,846	$ 16,562	$ 10,971	$ 5,591

Multifamily segment NOI for the three and nine months ended September 30, 2019 increased 82.8% and 51.0%, respectively, compared to the corresponding periods in 2018. The increases were primarily a result of the commencement of operations at Greenside and Premier Apartments (part of Town Center Phase VI) during the third quarter of 2018, the acquisition of 1405 Point in April 2019, the commencement of operations at Hoffler Place in August 2019, and increases in rental rates and occupancy across the rest of the multifamily portfolio, especially at Johns Hopkins Village and Smith’s Landing.

Multifamily Same Store Results

Multifamily same store results for the three and nine months ended September 30, 2019 and 2018 exclude Greenside, Premier Apartments (part of Town Center Phase VI), 1405 Point, Hoffler Place (placed in service in August 2019), and The Cosmopolitan (due to redevelopment).

Multifamily same store rental revenues, property expenses and NOI for the three and nine months ended September 30, 2019 and 2018 were as follows (in thousands):

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2019	2018	Change	2019	2018	Change
Rental revenues	$ 5,474	$ 4,876	$ 598	$ 16,299	$ 14,754	$ 1,545
Property expenses	2,323	2,167	156	6,452	6,204	248
Same Store NOI	$ 3,151	$ 2,709	$ 442	$ 9,847	$ 8,550	$ 1,297
Non-Same Store NOI	3,131	727	2,404	6,715	2,421	4,294
Segment NOI	$ 6,282	$ 3,436	$ 2,846	$ 16,562	$ 10,971	$ 5,591

Multifamily same store NOI for the three and nine months ended September 30, 2019 increased 16.3% and 15.2%, respectively, compared to the corresponding periods in 2018. The increases were primarily the result of increases in rental rates and occupancy across the same store multifamily portfolio, particularly at Johns Hopkins Village and Smith's Landing.

General Contracting and Real Estate Services Segment Data

General contracting and real estate services revenues, expenses, and gross profit for the three and nine months ended September 30, 2019 and 2018 were as follows (in thousands):

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2019	2018	Change	2019	2018	Change
Segment revenues	$ 27,638	$ 19,950	$ 7,688	$ 66,118	$ 63,654	$ 2,464
Segment expenses	26,446	18,973	7,473	62,855	61,474	1,381
Segment gross profit	$ 1,192	$ 977	$ 215	$ 3,263	$ 2,180	$ 1,083
Operating margin	4.3%	4.9%	(0.6)%	4.9%	3.4%	1.5%

General contracting and real estate services segment profit for the three and nine months ended September 30, 2019 increased 22.0% and 49.7%, respectively, compared to the corresponding periods in 2018. The increases were primarily attributable to the timing of commencement of new projects and the completion of other projects.

The changes in third party construction backlog for the three and nine months ended September 30, 2019 and 2018 were as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Beginning backlog	$ 178,632	$ 37,921	$ 165,863	$ 49,167
New contracts/change orders	22,054	7,138	73,250	39,514
Work performed	(27,594)	(19,879)	(66,021)	(63,501)
Ending backlog	$ 173,092	$ 25,180	$ 173,092	$ 25,180

As of September 30, 2019, we had $54.6 million in backlog on the Interlock Commercial project, $55.2 million in backlog on the Solis Apartments project, and $32.9 million in backlog on the Boulder Lake Apartments project.

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Consolidated Results of Operations

The following table summarizes the results of operations for the three and nine months ended September 30, 2019 and 2018:

	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Change	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018	Change
	(unaudited, in thousands)					
Revenues						
Rental revenues	$ 42,220	$ 28,930	$ 13,290	$ 109,507	$ 86,227	$ 23,280
General contracting and real estate services revenues	27,638	19,950	7,688	66,118	63,654	2,464
Total revenues	69,858	48,880	20,978	175,625	149,881	25,744
Expenses						
Rental expenses	9,924	7,103	2,821	24,615	20,049	4,566
Real estate taxes	4,180	2,840	1,340	10,759	8,388	2,371
General contracting and real estate services expenses	26,446	18,973	7,473	62,855	61,474	1,381
Depreciation and amortization	15,452	10,196	5,256	38,834	28,653	10,181
Amortization of right-of-use assets - finance leases	107	—	107	168	—	168
General and administrative expenses	2,977	2,367	610	9,329	8,092	1,237
Acquisition, development and other pursuit costs	93	69	24	550	162	388
Impairment charges	—	3	(3)	—	101	(101)
Total expenses	59,179	41,551	17,628	147,110	126,919	20,191
Gain on real estate dispositions	4,699	—	4,699	4,699	—	4,699
Operating income	15,378	7,329	8,049	33,214	22,962	10,252
Interest income	5,710	2,545	3,165	16,622	7,152	9,470
Interest expense on indebtedness	(8,828)	(4,677)	(4,151)	(22,205)	(13,547)	(8,658)
Interest expense on finance leases	(228)	—	(228)	(340)	—	(340)
Equity in income of unconsolidated real estate entities	—	—	—	273	—	273
Loss on extinguishment of debt	—	(11)	11	—	(11)	11
Change in fair value of interest rate derivatives	(530)	298	(828)	(3,926)	1,256	(5,182)
Other income	362	65	297	426	233	193
Income before taxes	11,864	5,549	6,315	24,064	18,045	6,019
Income tax benefit	199	120	79	339	552	(213)
Net income	12,063	5,669	6,394	24,403	18,597	5,806
Net income attributable to noncontrolling interests in investment entities	(960)	—	(960)	(640)	—	(640)
Preferred stock dividends	(1,234)	—	(1,234)	(1,388)	—	(1,388)
Net income attributable to common stockholders and OP Unit holders	$ 9,869	$ 5,669	$ 4,200	$ 22,375	$ 18,597	$ 3,778

Rental revenues for the three and nine months ended September 30, 2019 increased $13.3 million and $23.3 million compared to the corresponding periods in 2018 as follows (in thousands):

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2019	2018	Change	2019	2018	Change
Office	$ 10,283	$ 5,149	$ 5,134	$ 23,220	$ 15,537	$ 7,683
Retail	20,780	16,932	3,848	57,273	50,251	7,022
Multifamily	11,157	6,849	4,308	29,014	20,439	8,575
	$ 42,220	$ 28,930	$ 13,290	$ 109,507	$ 86,227	$ 23,280

Office rental revenues for the three and nine months ended September 30, 2019 increased 99.7% and 49.4%, respectively, compared to the corresponding periods in 2018, primarily as a result of the acquisition of One City Center in March 2019, the commencement of operations at Brooks Crossing Office in April 2019, and the acquisition of Thames Street Wharf in June 2019, as well as increased occupancy across the rest of the office portfolio.

Retail rental revenues for the three and nine months ended September 30, 2019 increased 22.7% and 14.0%, respectively, compared to the corresponding periods in 2018, primarily as a result of the acquisition of the additional outparcel phase of Wendover Village in February 2019, the commencement of operations at Market at Mill Creek in April 2019, and the acquisition of Red Mill Commons and Marketplace at Hilltop in May 2019. These increases were partially offset by the disposal of the leasehold interest in the building previously leased by Home Depot at Broad Creek Shopping Center in December 2018 as well as the disposition of Waynesboro Commons in April 2019 and Lightfoot Marketplace in August 2019.

Multifamily rental revenues for the three and nine months ended September 30, 2019 increased 62.9% and 42.0%, respectively, compared to the corresponding periods in 2018, primarily as a result of the commencement of operations at Greenside and Premier Apartments (part of Town Center Phase VI) during the third quarter of 2018, the acquisition of 1405 Point in April 2019, the commencement of operations at Hoffler Place in August 2019, and increases in rental rates and occupancy across the rest of the multifamily portfolio, especially at Johns Hopkins Village and Smith's Landing.

General contracting and real estate services revenues for the three and nine months ended September 30, 2019 increased 38.5% and 3.9%, respectively, compared to the corresponding periods in 2018 due to the timing of commencement of new projects and the completion of other projects.

Rental expenses for the three and nine months ended September 30, 2019 increased $2.8 million and $4.6 million compared to the corresponding periods in 2018 as follows (in thousands):

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2019	2018	Change	2019	2018	Change
Office	$ 2,753	$ 1,551	$ 1,202	$ 6,097	$ 4,435	$ 1,662
Retail	3,116	2,761	355	8,583	7,974	609
Multifamily	4,055	2,791	1,264	9,935	7,640	2,295
	$ 9,924	$ 7,103	$ 2,821	$ 24,615	$ 20,049	$ 4,566

Office rental expenses for the three and nine months ended September 30, 2019 increased 77.5% and 37.5%, respectively, compared to the corresponding periods in 2018, primarily as a result of the acquisition of One City Center in March 2019, the commencement of operations at Brooks Crossing Office in April 2019, and the acquisition of Thames Street Wharf in June 2019.

Retail rental expenses for the three and nine months ended September 30, 2019 increased 12.9%, and 7.6%, respectively, compared to the corresponding periods in 2018, primarily as a result of the acquisition of the additional outparcel phase of Wendover Village in February 2019, the commencement of operations at Market at Mill Creek in April 2019, and the acquisition of Red Mill Commons and Marketplace at Hilltop in May 2019. These increases were partially offset by the disposal of the leasehold interest in the building previously leased by Home Depot at Broad Creek Shopping Center in December 2018 as well as the disposition of Waynesboro Commons in April 2019 and Lightfoot Marketplace in August 2019.

Multifamily rental expenses for the three and nine months ended September 30, 2019 increased 45.3% and 30.0%, respectively, compared to the corresponding periods in 2018, primarily as a result of the commencement of operations at

Greenside and Premier Apartments (part of Town Center Phase VI) during the third quarter of 2018, the acquisition of 1405 Point in April 2019, and the commencement of operations at Hoffler Place in August 2019.

Real estate taxes for the three and nine months ended September 30, 2019 increased $1.3 million and $2.4 million, respectively, compared to the corresponding periods in 2018 as follows (in thousands):

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2019	2018	Change	2019	2018	Change
Office	$ 1,141	$ 515	$ 626	$ 2,319	$ 1,519	$ 800
Retail	2,219	1,703	516	5,923	5,041	882
Multifamily	820	622	198	2,517	1,828	689
	$ 4,180	$ 2,840	$ 1,340	$ 10,759	$ 8,388	$ 2,371

Office real estate taxes for the three and nine months ended September 30, 2019 increased 121.6% and 52.7%, respectively, compared to the corresponding periods in 2018 primarily due to the acquisition of One City Center in March 2019, the commencement of operations at Brooks Crossing Office in April 2019, and the acquisition of Thames Street Wharf in June 2019.

Retail real estate taxes for the three and nine months ended September 30, 2019 increased 30.3% and 17.5%, respectively, compared to the corresponding periods in 2018 primarily due to the acquisition of the additional outparcel phase of Wendover Village in February 2019, the commencement of operations at Market at Mill Creek in April 2019, and the acquisition of Red Mill Commons and Marketplace at Hilltop in May 2019. These increases were partially offset by the disposal of the leasehold interest in the building previously leased by Home Depot at Broad Creek Shopping Center in December 2018 as well as the disposition of Waynesboro Commons in April 2019 and Lightfoot Marketplace in August 2019.

Multifamily real estate taxes for the three and nine months ended September 30, 2019 increased 31.8% and 37.7%, respectively, compared to the corresponding periods in 2018 as a result of the commencement of operations at Greenside and Premier Apartments (part of Town Center Phase VI) during the third quarter of 2018, the acquisition of 1405 Point in April 2019, and the commencement of operations at Hoffler Place in August 2019.

General contracting and real estate services expenses for the three and nine months ended September 30, 2019 increased 39.4% and 2.2%, respectively, compared to the corresponding periods in 2018 due to the timing of commencement of new projects and the completion of other projects.

Depreciation and amortization for the three and nine months ended September 30, 2019 increased 51.5% and 35.5%, respectively, compared to the corresponding periods in 2018 as a result of development properties placed in service and acquisitions of operating properties.

Amortization of right-of-use assets - finance leases relates to new ground leases acquired during 2019 for which the Company is the lessee, which are classified as finance leases. See "Critical Accounting Policies" below for details.

General and administrative expenses for the three and nine months ended September 30, 2019 increased 25.8% and 15.3%, respectively, compared to the corresponding periods in 2018 primarily as a result of higher compensation expense and benefit costs from increased employee headcount.

Acquisition, development and other pursuit costs for the nine months ended September 30, 2019 increased $0.4 million compared to the nine months ended September 30, 2018 primarily due to the write off of costs relating to a potential development project that was abandoned during the nine months ended September 30, 2019. Acquisition, development and other pursuit costs for the three months ended September 30, 2019 and 2018 were not significant.

Impairment charges were not significant for the three and nine months ended September 30, 2019 and 2018.

Gain on real estate dispositions for the three and nine months ended September 30, 2019 relates to the sale of Lightfoot Marketplace and a non-operating land parcel. There were no real estate dispositions during the three and nine months ended September 30, 2018.

Interest income for the three and nine months ended September 30, 2019 increased 124.4% and 132.4%, respectively, compared to the corresponding periods in 2018 due to higher notes receivable balances due to increased loan funding, particularly for Interlock Commercial, Solis Apartments at Interlock, and Nexton Square.

Interest expense on indebtedness for the three and nine months ended September 30, 2019 increased 88.8% and 63.9%, respectively, compared to the corresponding periods in 2018 primarily due to increased borrowings on the corporate credit facility, the increased number of construction loans, and additional borrowings on the property loans.

Interest expense on finance leases relates to new ground leases acquired during 2019 for which the Company is the lessee, which are classified as finance leases. See "Critical Accounting Policies" below for details.

Equity in income of unconsolidated real estate entities for the nine months ended September 30, 2019 relates to our investment in One City Center from January 1, 2019 to March 14, 2019, which was an unconsolidated real estate investment during this period.

Loss on extinguishment of debt was not significant for the three and nine months ended September 30, 2019 and 2018.

The change in fair value of interest rate derivatives for the three and nine months ended September 30, 2019 experienced significant decreases compared to the corresponding periods in 2018 due to significant decreases in forward LIBOR (the London Inter-Bank Offered Rate).

Other income increased due to the receipt of funds from entities other than tenants, including insurers, as a result of claims made in order to recover the costs to the Company for minor repairs made to three of our properties.

Income tax benefit that we recognized during the three and nine months ended September 30, 2019 and 2018 were attributable to the taxable profits and losses of our development and construction businesses that we operate through 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, mezzanine loan funding requirements, 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, borrowings available under our credit facility, and net proceeds from the sale of common stock through our at-the-market continuous equity offering program (the "ATM Program"), which is discussed below.

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, capital improvements, and mezzanine loan funding requirements. 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 September 30, 2019, we had unrestricted cash and cash equivalents of $44.2 million available for both current liquidity needs as well as development activities. We also had restricted cash in escrow of $3.4 million, some of which is available for capital expenditures at our operating properties. As of September 30, 2019, we had $39.7 million available under our credit facility to meet our short-term liquidity requirements and $76.8 million available under our construction loans to fund development activities.

We have no loans scheduled to mature during the remainder of 2019.

ATM Program

On February 26, 2018, we commenced the ATM Program through which we may, from time to time, issue and sell shares of our common stock. On August 6, 2019, we entered into amendments (the "ATM Amendments") to the separate sales agreements related to the ATM Program, which, among other things, increased the aggregate offering price of shares of our common stock under the ATM Program from $125.0 million to $180.7 million. Prior to the date of the ATM Amendments, we had sold shares having an aggregate offering price of $105.7 million, resulting in shares having an aggregate offering price of $75.0 million remaining available for sale under the ATM Program as of August 6, 2019. During the nine months ended September 30, 2019, we issued and sold 4,476,565 shares of common stock at a weighted average price of $16.28 per share under the ATM Program, receiving net proceeds after offering costs and commissions of $71.9 million. Shares having an aggregate offering price of $31.6 million remained available for sale under the ATM Program as of November 4, 2019.

Series A Preferred Stock Offering

On June 18, 2019, we issued 2,530,000 shares of its 6.75% Series A Preferred Stock with a liquidation preference of $25.00 per share, which included 330,000 shares issued upon the underwriters’ full exercise of their option to purchase additional shares. Net proceeds from the offering, after the underwriting discount but before offering expenses payable by us, were approximately $61.3 million. We used the net proceeds to fund a portion of the purchase price of Thames Street Wharf, a 263,426 square foot office building located in the Harbor Point neighborhood of Baltimore, Maryland. The balance of the net proceeds was used to repay a portion of the outstanding borrowings under our unsecured revolving credit facility and for general corporate purposes.

Credit Facility

We have a senior credit facility that was amended and restated on October 3, 2019. The total commitments are $355.0 million, comprised of a $150.0 million senior unsecured revolving credit facility (the "revolving credit facility") and a $205.0 million senior unsecured term loan facility (the "term loan facility" and, together with the revolving credit facility, the "credit facility), with a syndicate of banks. We intend to use future borrowings under the credit facility for general corporate purposes, including funding acquisitions, mezzanine lending, and 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 $700.0 million, subject to certain conditions, including obtaining commitments from any one or more lenders. The revolving credit facility has a scheduled maturity date of January 24, 2024, with two six-month extension options, subject to certain conditions, including payment of a 0.075% extension fee at each extension. The term loan facility has a scheduled maturity date of January 24, 2025.

The revolving credit facility bears interest at LIBOR plus a margin ranging from 1.30% to 1.85% and the term loan facility bears interest at LIBOR plus a margin ranging from 1.25% to 1.80%, in each case 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 revolving credit facility, depending on the amount of borrowings under the revolving credit facility. If we attain investment grade credit ratings from S&P or Moody’s, we may elect to have borrowings become subject to interest rates based on our credit ratings.

The Operating Partnership is the borrower under the credit facility, and its obligations under the credit facility are guaranteed by us and certain of our subsidiaries that are not otherwise prohibited from providing such guaranty.

The credit agreement contains customary representations and warranties and financial and other affirmative and negative covenants. Our ability to borrow under the credit facility is subject to our ongoing compliance with a number of financial covenants, affirmative covenants and other restrictions, including the following:

- Total leverage ratio of not more than 60% (or 65% for the two consecutive quarters following any acquisition with a purchase price of at least up to $100.0 million, but only up to two times during the term of the credit facility);
- Ratio of adjusted EBITDA (as defined in the credit agreement) to fixed charges of not less than 1.50 to 1.0;
- Tangible net worth of not less than the sum of $567,106,000 and amount equal to 75% of the net equity proceeds received after June 30, 2019;
- Ratio of secured indebtedness to total asset value of not more than 40%;
- Ratio of secured recourse debt to total asset value of not more than 20%;
- Total unsecured leverage ratio of not more than 60% (or 65% for the two consecutive quarters following any acquisition with a purchase price of at least up to $100.0 million, but only up to two times during the term of the credit facility);
- Unencumbered interest coverage ratio (as defined in the credit agreement) of not less than 1.75 to 1.0;
- Maintenance of a minimum of at least 15 unencumbered properties (as defined in the credit agreement) with an unencumbered asset value (as defined in the credit agreement) of not less than $300.0 million at any time; and

- Minimum occupancy rate (as defined in the credit agreement) for all unencumbered properties of not less than 80% at any time.

The credit agreement 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 agreement 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, and restricts the amount of stock and Operating Partnership units that we may repurchase during the term of the credit facility.

We may, at any time, voluntarily prepay any loan under the credit facility in whole or in part without premium or penalty, except for those portions subject to an interest rate swap agreement.

The credit agreement includes customary events of default, in certain cases subject to customary periods to cure. The occurrence of an event of default, following the applicable cure period, would permit the lenders to, among other things, declare the unpaid principal, accrued and unpaid interest and all other amounts payable under the credit facility to be immediately due and payable.

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

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Consolidated Indebtedness

The following table sets forth our consolidated indebtedness as of September 30, 2019 ($ in thousands):

	Amount Outstanding	Interest Rate (a)	Effective Rate for Variable Debt	Maturity Date	Balance at Maturity
Secured Debt					
Greenside Apartments	$ 28,875	LIBOR + 2.95%	4.97%	February 24, 2020	$ 28,875
1405 Point	64,902	LIBOR + 2.75%	4.77%	May 10, 2020	64,902
Premier (Town Center Phase VI) (b)	22,321	LIBOR + 2.75%	4.77%	June 29, 2020	22,321
Hoffler Place (c)	26,597	LIBOR + 3.24%	5.26%	January 1, 2021	26,597
Summit Place (c)	26,950	LIBOR + 3.24%	5.26%	January 1, 2021	26,950
Southgate Square	20,782	LIBOR + 1.60%	3.62%	April 29, 2021	19,462
4525 Main Street (d)	32,034	3.25%	N/A	September 10, 2021	30,786
Encore Apartments (d)	24,966	3.25%	N/A	September 10, 2021	23,993
Red Mill West	11,405	4.23%	N/A	June 1, 2022	10,187
Thames Street Wharf	70,000	LIBOR + 1.30%	3.32%	June 26, 2022	70,000
Hanbury Village	18,643	3.78%	N/A	August 15, 2022	17,121
Marketplace at Hilltop	10,613	4.42%	N/A	October 1, 2022	9,383
Socastee Commons	4,594	4.57%	N/A	January 6, 2023	4,223
Sandbridge Commons	8,080	LIBOR + 1.75%	3.77%	January 17, 2023	7,247
Wills Wharf	17,714	LIBOR + 2.25%	4.27%	June 26, 2023	17,714
249 Central Park Retail (f)	16,884	LIBOR + 1.60%	3.85% (e)	August 10, 2023	15,935
South Retail (f)	7,412	LIBOR + 1.60%	3.85% (e)	August 10, 2023	6,996
Fountain Plaza Retail (f)	10,160	LIBOR + 1.60%	3.85% (e)	August 10, 2023	9,590
One City Center	25,413	LIBOR + 1.85%	3.87%	April 1, 2024	22,559
Red Mill Central	2,581	4.80%	N/A	June 17, 2024	1,765
Red Mill South	6,211	3.57%	N/A	May 1, 2025	4,383
Brooks Crossing Office	14,399	LIBOR + 1.60%	3.62%	July 1, 2025	11,344
Market at Mill Creek	15,389	LIBOR + 1.55%	3.57%	July 12, 2025	13,200
Johns Hopkins Village	52,032	LIBOR + 1.25%	4.19% (e)	August 7, 2025	45,967
North Point Center Note 2	2,256	7.25%	N/A	September 15, 2025	1,344
Lexington Square	14,758	4.50%	N/A	September 1, 2028	12,044
Red Mill North	4,409	4.73%	N/A	December 31, 2028	3,295
Smith's Landing	18,381	4.05%	N/A	June 1, 2035	384
Liberty Apartments	14,234	5.66%	N/A	November 1, 2043	—
The Cosmopolitan	43,896	3.35%	N/A	July 1, 2051	—
Total secured debt	$ 636,891				$ 528,567
Unsecured Debt					
Senior unsecured revolving credit facility (g)	$ 110,000	LIBOR+1.40%-2.00%	3.57%	October 26, 2021	$ 110,000
Senior unsecured term loan (g)	44,500	LIBOR+1.35%-1.95%	3.52%	October 26, 2022	44,500
Senior unsecured term loan (g)	160,500	LIBOR+1.35%-1.95%	3.50%-4.52% (e)	October 26, 2022	160,500
Total unsecured debt	$ 315,000				$ 315,000
Total principal balances	951,891				843,567
Unamortized GAAP adjustments	(8,520)				—
Indebtedness, net	$ 943,371				$ 843,567

(a) LIBOR rate is determined by individual lenders.
(b) On October 29, 2019, the Company extended and modified the Premier loan. The loan bears interest at a rate of LIBOR plus a spread of 1.55% and will mature on October 31, 2024.
(c) Cross collateralized.
(d) Cross collateralized.
(e) Includes debt subject to interest rate swap locks.
(f) Cross collateralized.
(g) The credit facility was amended and restated on October 3, 2019. See the discussion under "Credit Facility" above.

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

As of September 30, 2019, our principal payments during the following years are as follows ($ in thousands):

Year[(1)]	Amount Due	Percentage of Total
2019 (excluding nine months ended September 30, 2019)	$ 2,184	1%
2020	125,309	13%
2021	246,665	26%
2022	319,268	33%
2023	68,073	7%
Thereafter	190,392	20%
	$ 951,891	100%

(1) Does not reflect the effect of any maturity extension options.

Interest Rate Derivatives

As of September 30, 2019, the Company held the following interest rate swap agreements ($ in thousands):

Related Debt	Notional Amount	Index	Swap Fixed Rate	Debt effective rate	Effective Date	Expiration Date
Senior unsecured term loan	$ 50,000	1-month LIBOR	2.00%	3.50%	3/1/2016	2/20/2020
Senior unsecured term loan	50,000	1-month LIBOR	2.78%	4.28%	5/1/2018	5/1/2023
John Hopkins Village	52,032	1-month LIBOR	2.94%	4.19%	8/7/2018	8/7/2025
Senior unsecured term loan	10,500	1-month LIBOR	3.02%	4.52%	10/12/2018	10/12/2023
249 Central Park Retail, South Retail, and Fountain Plaza Retail	34,456	1-month LIBOR	2.25%	3.85%	4/1/2019	8/10/2023
Senior unsecured term loan	50,000	1-month LIBOR	2.26%	3.76%	4/1/2019	10/22/2022
Total	$ 246,988					

As of September 30, 2019, we were party to the following LIBOR interest rate cap agreements ($ in thousands):

Effective Date	Maturity Date	Strike Rate	Notional Amount
9/18/2017	10/1/2019	1.50%	$ 50,000
11/28/2017	12/1/2019	1.50%	50,000
3/7/2018	4/1/2020	2.25%	50,000
7/16/2018	8/1/2020	2.50%	50,000
12/11/2018	1/1/2021	2.75%	50,000
5/15/2019	6/1/2022	2.50%	100,000
Total			$ 350,000

Off-Balance Sheet Arrangements

In connection with the our mezzanine lending activities, we have guaranteed payment of portions of certain senior loans of third parties associated with the development projects. The following table summarizes the guarantees we made as of September 30, 2019 (in thousands):

Development project	Payment guarantee amount	
The Residences at Annapolis Junction	$	8,300
Delray Plaza		5,180
Nexton Square		12,600
Interlock Commercial		30,654
Total	$	56,734

Cash Flows

	Nine Months Ended September 30,					
	2019		2018		Change	
			(in thousands)			
Operating Activities	$	45,527	$	27,197	$	18,330
Investing Activities		(255,894)		(183,558)		(72,336)
Financing Activities		233,922		154,093		79,829
Net Increase (decrease)	$	23,555	$	(2,268)	$	25,823
Cash, Cash Equivalents, and Restricted Cash, Beginning of Period	$	24,051	$	22,916		
Cash, Cash Equivalents, and Restricted Cash, End of Period	$	47,606	$	20,648		

Net cash provided by operating activities during the nine months ended September 30, 2019 increased $18.3 million compared to the nine months ended September 30, 2018 primarily as a result of result of timing differences in operating assets and liabilities as well as increased net operating income from the property portfolio.

During the nine months ended September 30, 2019, we invested $72.3 million more in cash compared to the nine months ended September 30, 2018 due to increased acquisition activity and increased funding of mezzanine loans, which was partially offset by the disposition of Lightfoot Marketplace and the collection of the Decatur mezzanine loan receivable.

Net cash provided by financing activities during the nine months ended September 30, 2019 increased $79.8 million compared to nine months ended September 30, 2018 primarily as a result of the issuance of the Series A Preferred Stock and the loan obtained for Thames Street Wharf.

Non-GAAP Financial Measures

We calculate FFO in accordance with the standards established by the National Association of Real Estate Investment Trusts ("Nareit"). Nareit defines FFO as net income (loss) (calculated in accordance with GAAP), excluding gains (or losses) from sales of depreciable operating property, real estate related depreciation and amortization (excluding amortization of deferred financing costs), impairment of real estate assets, 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 we believe 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 calculation of FFO may not be comparable to such other REITs' calculation of 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. Also, FFO 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 our operating property portfolio and affect the comparability of our 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, impairment of intangible assets and liabilities, property acquisition, development and other pursuit costs, mark-to-market adjustments for interest rate derivatives, amortization of right-of-use assets attributable to finance leases, severance related costs, and other non-comparable items.

The following table sets forth a reconciliation of FFO and Normalized FFO for the three and nine months ended September 30, 2019 and 2018 to net income, the most directly comparable GAAP measure:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	(in thousands, except per share and unit amounts)			
Net income attributable to common stockholders and OP Unit holders	$ 9,869	$ 5,669	$ 22,375	$ 18,597
Depreciation and amortization[(1)]	15,044	10,196	38,291	28,653
Gain on operating real estate dispositions[(2)]	(3,220)	—	(3,220)	—
FFO attributable to common stockholders and OP Unit holders	$ 21,693	$ 15,865	$ 57,446	$ 47,250
Acquisition, development and other pursuit costs	93	69	550	162
Impairment of intangible assets and liabilities	—	3	—	101
Loss on extinguishment of debt	—	11	—	11
Amortization of right-of-use assets - finance leases	107	—	168	—
Change in fair value of interest rate derivatives	530	(298)	3,926	(1,256)
Normalized FFO available to common stockholders and OP Unit holders	$ 22,423	$ 15,650	$ 62,090	$ 46,268
Net income attributable to common stockholders and OP Unit holders per diluted share and unit	$ 0.13	$ 0.09	$ 0.31	$ 0.29
FFO per diluted share and unit attributable to common stockholders and OP Unit holders	$ 0.29	$ 0.24	$ 0.81	$ 0.74
Normalized FFO per diluted share and unit attributable to common stockholders and OP Unit holders	$ 0.30	$ 0.24	$ 0.87	$ 0.72
Weighted average common shares and units - diluted	74,543	66,362	71,256	64,052

(1) The adjustment for depreciation and amortization for the nine months ended September 30, 2019 includes $0.2 million of depreciation attributable to the Company's investment in One City Center from January 1, 2019 to March 14, 2019, which was an unconsolidated real estate investment during this period. Additionally, the adjustment for depreciation and amortization for the three and nine months ended September 30, 2019 excludes $0.4 million and $0.8 million, respectively, of depreciation attributable to the Company's joint venture partners.

(2) The adjustment for gain on operating real estate dispositions for the three and nine months ended September 30, 2019 excludes the portion of the gain on Lightfoot Marketplace that was allocated to our joint venture partner and excludes the gain on sale of a non-operating land parcel.

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 then-currently available information. Actual results could differ from these estimates. We discuss the accounting policies and estimates that are most critical to understanding our reported financial results in our Annual Report on Form 10-K for the year ended December 31, 2018.

On February 25, 2016, the Financial Accounting Standards Board ("FASB") issued an Accounting Standards Update ("ASU") that requires lessees to recognize most leases on their balance sheets as lease liabilities with corresponding right-of-use assets (ASU 2016-02—*Leases* (Topic 842)). The new standard also makes targeted changes to lessor accounting. We adopted the new standard on January 1, 2019, using the modified retrospective approach for all leases existing at, or entered into after, the beginning of the earliest comparative period presented as permitted in Accounting Standards Codification ("ASC") Topic 842.

In addition, we elected the package of practical expedients permitted under the transition guidance within the new standard, which allowed us to not reassess whether any expired or existing contracts are or contain leases, not reassess the lease classification for any expired or existing leases, and not reassess initial direct costs for existing leases. As of January 1, 2019, we did not have any leases classified as finance leases. We also elected a practical expedient that allowed us to not separate non-lease components from lease components and instead to account for each lease and non-lease component as a single lease component. The adoption of the new standard as of January 1, 2019 did not impact our consolidated results of operations and had no impact on cash flows.

As a lessee we had six ground leases on five properties as of January 1, 2019 with initial terms that range from 20 to 65 years and options to extend up to an additional 70 years in certain cases. The exercise of lease renewal options is at our sole discretion. The depreciable life of assets and leasehold improvements are limited by the expected lease term. We recognize lease expense on a straight-line basis over the lease term. Our lease agreements do not contain any residual value guarantees or material restrictive covenants.

The long-term ground leases, represent a majority of our current operating lease payments. We recorded right-of-use assets totaling $32.2 million and lease liabilities totaling $41.4 million upon adopting this standard on January 1, 2019. We utilized a weighted average discount rate of 5.4% to measure our lease liabilities upon adoption.

As a lessor 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 on an accrual basis for certain expenses such as utilities, janitorial services, repairs and maintenance, security and alarms, parking lot and ground maintenance, administrative services, management fees, insurance, and real estate taxes. Rental revenues are reduced by the amount of any leasing incentives amortized on a straight-line basis over the term of the applicable lease. In addition, we recognize contingent rental revenue (e.g., percentage rents based on tenant sales thresholds) when the sales thresholds are met. Many tenant leases include one or more options to renew, with renewal terms that can extend the lease term from one to 15 years or more. The exercise of lease renewal options is at the tenant's sole discretion. We include a renewal period in the lease term only if it appears at lease inception that the renewal is reasonably assured.

The new standard includes new considerations regarding the recognition of rental revenue when collection is not probable. We changed our presentation and measurement of charges for uncollectable lease revenue associated with office, retail, and residential leasing activity, reflecting those amounts as a component of rental income on the Condensed Consolidated Statement of Comprehensive Income for the three and nine months ended September 30, 2019. However, in accordance with our prospective adoption of the standard, we did not adjust the prior year period presentation of charges for uncollectable lease revenue associated with its office, retail, and residential leasing activity as a component of operating expenses, excluding property taxes, on the Condensed Consolidated Statement of Comprehensive Income for the three and nine months ended September 30, 2018. Instead, we recorded a combined adjustment of $0.2 million to the opening balances for distributions in excess of earnings and noncontrolling interest relating to receivables where collection of substantially all operating lease payments was not probable as of January 1, 2019.

Lease-related receivables, which include contractual amounts accrued and unpaid from tenants and accrued straight-line rents receivable, are reduced for credit losses. Such amounts are recognized as a reduction to real estate rental revenues. We evaluate the collectability of lease receivables using several factors, including a lessee’s creditworthiness. We recognize a credit loss on lease-related receivables when, in the opinion of management, collection of substantially all lease payments is not probable. When collectability is determined not probable, any lease income subsequent to recognizing the credit loss is limited to the lesser of the lease income reflected on a straight-line basis or cash collected.

Item 3. 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 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.

At September 30, 2019 and excluding unamortized GAAP adjustments, approximately $456.0 million, or 47.9%, of our debt had fixed interest rates and approximately $495.9 million, or 52.1%, had variable interest rates. At September 30, 2019, LIBOR was approximately 202 basis points. Assuming no increase in the level of our variable rate debt, if LIBOR increased by 100 basis points, our cash flow would decrease by $2.7 million per year as a result of the interest rate caps. Assuming no increase in the level of our variable rate debt, if LIBOR decreased by 100 basis points, our cash flow would increase by $4.4 million per year.

Item 4. Controls and Procedures

We maintain disclosure controls and procedures (as such term is defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) that are designed to ensure that information required to be disclosed in our reports under the Exchange Act is processed, recorded, summarized and reported within the time periods specified in the rules and regulations of the SEC and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

We have carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, regarding the effectiveness of our disclosure controls and procedures as of September 30, 2019, the end of the period covered by this report. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer have concluded, as of September 30, 2019, that our disclosure controls and procedures were effective in ensuring that information required to be disclosed by us in reports filed or submitted under the Exchange Act: (i) is processed, recorded, summarized and reported within the time periods specified in the SEC’s rules and forms and (ii) is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate to allow for timely decisions regarding required disclosure.

There have been no changes to our internal control over financial reporting during the quarter ended September 30, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II. Other Information

Item 1. Legal Proceedings

We are not currently a party, as plaintiff or defendant, to any legal proceedings that we believe to be material or which, individually or in the aggregate, would be expected to have a material effect on our business, financial condition, or results of operations if determined adversely to us. We may be subject to ongoing litigation relating to our portfolio and the properties comprising our portfolio, and we expect to otherwise be party from time to time to various lawsuits, claims, and other legal proceedings that arise in the ordinary course of our business.

Item 1A. Risk Factors

There have been no material changes from the risk factors disclosed in Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2018 and in our Quarterly Report on Form 10-Q for the period ended June 30, 2019.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Unregistered Sales of Equity Securities

None.

Issuer Purchases of Equity Securities

None.

Item 3. Defaults on Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

The exhibits listed in the accompanying Exhibit Index are filed, furnished or incorporated by reference (as applicable) as part of this Quarterly Report on Form 10-Q.

Exhibit No.	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 Annual Report on Form 10-K for the fiscal year ended December 31, 2017, filed on February 23, 2018)
3.3	Articles Supplementary Designating the Rights and Preferences of the 6.75% Series A Cumulative Redeemable Perpetual Preferred Stock (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed on June 17, 2019).
10.1*	Indemnification Agreement between Armada Hoffler Properties, Inc. and each of the Directors and Officers listed on Schedule A thereto.
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1**	Certification of 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 Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101*	The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2019, were formatted in Inline XBRL (Extensible Business Reporting Language): (i) Condensed Consolidated Balance Sheet, (ii) Condensed Consolidated Statements of Comprehensive Income, (iii) Condensed Consolidated Statements of Equity, (iv) Condensed Consolidated Statements of Cash Flows, and (v) Notes to Condensed Consolidated Financial Statements. The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
104*	Cover page Interactive Data File - the cover page XBRL tags are embedded within the Inline XBRL.
*	Filed herewith
**	Furnished herewith

Signatures

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

	ARMADA HOFFLER PROPERTIES, INC.
Date: November 5, 2019	/s/ Louis S. Haddad
	Louis S. Haddad President and Chief Executive Officer (Principal Executive Officer)
Date: November 5, 2019	/s/ Michael P. O’Hara
	Michael P. O’Hara Chief Financial Officer, Treasurer and Secretary (Principal Accounting and Financial Officer)

INDEMNIFICATION AGREEMENT

THIS INDEMNIFICATION AGREEMENT (“Agreement”) is made and entered into as of the ___ day of __________ , 20__, by and between Armada Hoffler Properties, Inc., a Maryland corporation (the “Company”), and _______ (“Indemnitee”). See Schedule A for a list of officers and directors who have entered into this Indemnification Agreement with the Company.

WHEREAS, at the request of the Company, Indemnitee currently serves as **[a director] [and] [an officer]** of the Company and may, therefore, be subjected to claims, suits or proceedings arising as a result of Indemnitee’s service; and

WHEREAS, as an inducement to Indemnitee to serve or continue to serve in such capacity, the Company has agreed to indemnify and to advance expenses and costs incurred by Indemnitee in connection with any such claims, suits or proceedings, to the maximum extent permitted by law; and

WHEREAS, the parties by this Agreement desire to set forth their agreement regarding indemnification and advance of expenses;

NOW, THEREFORE, in consideration of the premises and the covenants contained herein, the Company and Indemnitee do hereby covenant and agree as follows:

Section 1. Definitions . For purposes of this Agreement:

(a) “Change in Control” means a change in control of the Company occurring after the Effective Date of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A (or in response to any similar item on any similar schedule or form) promulgated under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), whether or not the Company is then subject to such reporting requirement; provided, however, that, without limitation, such a Change in Control shall be deemed to have occurred if, after the Effective Date (i) any “person” (as such term is used in Sections 3(a)(9), 13(d) and 14(d) of the Exchange Act) is or becomes the “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 15% or more of the combined voting power of all of the Company’s then-outstanding securities entitled to vote generally in the election of directors without the prior approval of at least two-thirds of the members of the Board of Directors in office immediately prior to such person’s attaining such percentage interest; (ii) the Company is a party to a merger, consolidation, sale of assets, plan of liquidation or other reorganization not approved by at least two-thirds of the members of the Board of Directors then in office, as a consequence of which members of the Board of Directors in office immediately prior to such transaction or event constitute less than a majority of the Board of Directors thereafter; or (iii) at any time, a majority of the members of the Board of Directors are not individuals (A) who were directors as of the Effective Date or (B) whose election by the Board of Directors or nomination for election by the Company’s stockholders was approved by the affirmative vote of at least two-thirds of the directors then in office who were directors as of the Effective Date or whose election or nomination for election was previously so approved.

(b) “Corporate Status” means the status of a person as a present or former director, officer, employee or agent of the Company or as a director, trustee, officer, partner, manager, managing member, fiduciary, employee or agent of any other foreign or domestic corporation, partnership, limited liability company, joint venture, trust, employee benefit plan or other enterprise that such person is or was serving in such capacity at the request of the Company. As a clarification and without limiting the circumstances in which Indemnitee may be serving at the request of the Company, service by Indemnitee shall be deemed to be at the request of the Company: (i) if Indemnitee serves or served as a director, trustee, officer, partner, manager, managing member, fiduciary, employee or agent of any corporation, partnership, limited liability company, joint venture, trust or other enterprise (1) of which a majority of the voting power or equity interest is owned directly or indirectly by the Company or (2) the management of which is controlled directly or indirectly by the Company and (ii) if, as a result of Indemnitee’s service to the Company or any of its affiliated entities, Indemnitee is subject to duties by, or required to perform services for, an employee benefit plan or its participants or beneficiaries, including as deemed fiduciary thereof.

(c) “Disinterested Director” means a director of the Company who is not and was not a party to the Proceeding in respect of which indemnification and/or advance of Expenses is sought by Indemnitee.

(d) “Effective Date” means the date set forth in the first paragraph of this Agreement.

(e) “Expenses” means any and all reasonable and out-of-pocket attorneys’ fees and costs, retainers, court costs, transcript costs, fees of experts, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees, federal, state, local or foreign taxes imposed on Indemnitee as a result of the actual or deemed receipt of any payments under this Agreement, ERISA excise taxes and penalties and any other disbursements or expenses incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, being or preparing to be a witness in or otherwise participating in a Proceeding. Expenses shall also include Expenses incurred in connection with any appeal resulting from any Proceeding including, without limitation, the premium, security for and other costs relating to any cost bond, supersedeas bond or other appeal bond or its equivalent.

(f) "Independent Counsel" means a law firm, or a member of a law firm, that is experienced in matters of corporation law and neither is, nor in the past five years has been, retained to represent: (i) the Company or Indemnitee in any matter material to either such party (other than with respect to matters concerning Indemnitee under this Agreement or of other indemnitees under similar indemnification agreements), or (ii) any other party to or participant or witness in the Proceeding giving rise to a claim for indemnification or advance of Expenses hereunder. Notwithstanding the foregoing, the term "Independent Counsel" shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee's rights under this Agreement.

(g) "Proceeding" means any threatened, pending or completed action, suit, arbitration, alternate dispute resolution mechanism, investigation, inquiry, administrative hearing or any other actual, threatened or completed proceeding, whether brought by or in the right of the Company or otherwise and whether of a civil (including intentional or unintentional tort claims), criminal, administrative or investigative (formal or informal) nature, including any appeal therefrom, except one pending or completed on or before the Effective Date, unless otherwise specifically agreed in writing by the Company and Indemnitee. If Indemnitee reasonably believes that a given situation may lead to or culminate in the institution of a Proceeding, such situation shall also be considered a Proceeding.

Section 2. Services by Indemnitee . Indemnitee **[will serve] [serves]** in the capacity or capacities set forth in the first WHEREAS clause above. However, this Agreement shall not impose any obligation on Indemnitee or the Company to continue Indemnitee's service to the Company. This Agreement shall not be deemed an employment contract between the Company (or any other entity) and Indemnitee.

Section 3. General . The Company shall indemnify, and advance Expenses to, Indemnitee (a) as provided in this Agreement and (b) otherwise to the maximum extent permitted by Maryland law in effect on the Effective Date and as amended from time to time; provided, however, that no change in Maryland law shall have the effect of reducing the benefits available to Indemnitee hereunder based on Maryland law as in effect on the Effective Date. The rights of Indemnitee provided in this Section 3 shall include, without limitation, the rights set forth in the other sections of this Agreement, including any additional indemnification permitted by the Maryland General Corporation Law (the "MGCL"), including, without limitation, Section 2-418(g) of the MGCL.

Section 4. Standard for Indemnification . If, by reason of Indemnitee's Corporate Status, Indemnitee is, or is threatened to be, made a party to any Proceeding, the Company shall indemnify Indemnitee against all judgments, penalties, fines and amounts paid in settlement and all Expenses actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection with any such Proceeding unless it is established that (a) the act or omission of Indemnitee was material to the matter giving rise to the Proceeding and (i) was committed in bad faith or (ii) was the result of active and deliberate dishonesty, (b) Indemnitee actually received an improper personal benefit in money, property or services or (c) in the case of any criminal Proceeding, Indemnitee had reasonable cause to believe that Indemnitee's conduct was unlawful.

Section 5. Certain Limits on Indemnification . Notwithstanding any other provision of this Agreement (other than Section 6), Indemnitee shall not be entitled to:

(a) indemnification hereunder if the Proceeding was one by or in the right of the Company and Indemnitee is adjudged, in a final adjudication of the Proceeding not subject to further appeal, to be liable to the Company;

(b) indemnification hereunder if Indemnitee is adjudged, in a final adjudication of the Proceeding not subject to further appeal, to be liable on the basis that personal benefit was improperly received in any Proceeding charging improper personal benefit to Indemnitee, whether or not involving action in the Indemnitee's Corporate Status; or

(c) indemnification or advance of Expenses hereunder if the Proceeding was brought by Indemnitee, unless: (i) the Proceeding was brought to enforce indemnification under this Agreement, and then only to the extent in accordance with and as authorized by Section 12 of this Agreement, or (ii) the Company's charter or Bylaws, a resolution of the stockholders entitled to vote generally in the election of directors or of the Board of Directors or an agreement approved by the Board of Directors to which the Company is a party expressly provide otherwise.

Section 6. Court-Ordered Indemnification . Notwithstanding any other provision of this Agreement, a court of appropriate jurisdiction, upon application of Indemnitee and such notice as the court shall require, may order indemnification of Indemnitee by the Company in the following circumstances:

(a) if such court determines that Indemnitee is entitled to reimbursement under Section 2-418(d)(1) of the MGCL, the court shall order indemnification, in which case Indemnitee shall be entitled to recover the Expenses of securing such reimbursement; or

(b) if such court determines that Indemnitee is fairly and reasonably entitled to indemnification in view of all the relevant circumstances, whether or not Indemnitee (i) has met the standards of conduct set forth in Section 2-418(b) of the MGCL or (ii) has been adjudged liable for receipt of an improper personal benefit under Section 2-418(c) of the MGCL, the court may order such indemnification as the court shall deem proper without regard to any limitation on such court-ordered indemnification contemplated by Section 2-418(d)(2)(ii) of the MGCL.

Section 7. Indemnification for Expenses of an Indemnitee Who is Wholly or Partially Successful . Notwithstanding any other provision of this Agreement, and without limiting any such provision, to the extent that Indemnitee was or is, by reason of Indemnitee's Corporate Status, made a party to (or otherwise becomes a participant in) any Proceeding and is successful, on the merits or otherwise, in the defense of such Proceeding, the Company shall indemnify Indemnitee for all Expenses actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection therewith. If Indemnitee is not wholly successful in such Proceeding but is successful, on the merits or otherwise, as to one or more but less than all claims, issues or matters in such Proceeding, the Company shall indemnify Indemnitee under this Section 7 for all Expenses actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection with each such claim, issue or matter, allocated on a reasonable and proportionate basis. For purposes of this Section 7 and, without limitation, the termination of any claim, issue or matter in such a Proceeding by dismissal, with or without prejudice, shall be deemed to be a successful result as to such claim, issue or matter.

Section 8. Advance of Expenses for Indemnitee . If, by reason of Indemnitee's Corporate Status, Indemnitee is, or is threatened to be, made a party to any Proceeding, the Company shall, without requiring a preliminary determination of Indemnitee's ultimate entitlement to indemnification hereunder, advance all Expenses incurred by or on behalf of Indemnitee in connection with such Proceeding. The Company shall make such advance within ten days after the receipt by the Company of a statement or statements requesting such advance from time to time, whether prior to or after final disposition of such Proceeding and may be in the form of, in the reasonable discretion of the Indemnitee (but without duplication), (a) payment of such Expenses directly to third parties on behalf of Indemnitee, (b) advance of funds to Indemnitee in an amount sufficient to pay such Expenses or (c) reimbursement to Indemnitee for Indemnitee's payment of such Expenses. Such statement or statements shall reasonably evidence the Expenses incurred by Indemnitee and shall include or be preceded or accompanied by a written affirmation by Indemnitee and a written undertaking by or on behalf of Indemnitee, in substantially the form attached hereto as Exhibit A or in such form as may be required under applicable law as in effect at the time of the execution thereof. To the extent that Expenses advanced to Indemnitee do not relate to a specific claim, issue or matter in the Proceeding, such Expenses shall be allocated on a reasonable and proportionate basis. The undertaking required by this Section 8 shall be an unlimited general obligation by or on behalf of Indemnitee and shall be accepted without reference to Indemnitee's financial ability to repay such advanced Expenses and without any requirement to post security therefor.

Section 9. Indemnification and Advance of Expenses as a Witness or Other Participant . Notwithstanding any other provision of this Agreement, to the extent that Indemnitee is or may be, by reason of Indemnitee's Corporate Status, made a witness or otherwise asked to participate in any Proceeding, whether instituted by the Company or any other person, and to which Indemnitee is not a party, Indemnitee shall be advanced and indemnified against all Expenses actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection therewith within ten days after the receipt by the Company of a statement or statements requesting any such advance or indemnification from time to time, whether prior to or after final disposition of such Proceeding. Such statement or statements shall reasonably evidence the Expenses incurred by Indemnitee. In connection with any such advance of Expenses, the Company may require Indemnitee to provide an undertaking and affirmation substantially in the form attached hereto as Exhibit A .

Section 10. Procedure for Determination of Entitlement to Indemnification .

(a) To obtain indemnification under this Agreement, Indemnitee shall submit to the Company a written request, including therein or therewith such documentation and information as is reasonably available to Indemnitee and is reasonably necessary to determine whether and to what extent Indemnitee is entitled to indemnification. Indemnitee may submit one or more such requests from time to time and at such time(s) as Indemnitee deems appropriate in Indemnitee's sole discretion. The officer of the Company receiving any such request from Indemnitee shall, promptly upon receipt of such a request for indemnification, advise the Board of Directors in writing that Indemnitee has requested indemnification.

(b) Upon written request by Indemnitee for indemnification pursuant to Section 10(a) above, a determination, if required by applicable law, with respect to Indemnitee's entitlement thereto shall promptly be made in the specific case: (i) if a Change in Control has occurred, by Independent Counsel, in a written opinion to the Board of Directors, a copy of which shall be delivered to Indemnitee, which Independent Counsel shall be selected by the Indemnitee and approved by the Board of Directors in accordance with Section 2-418(e)(2)(ii) of the MGCL, which approval shall not be unreasonably withheld; or (ii) if a Change in Control has not occurred, (A) by a majority vote of the Disinterested Directors or, by the majority vote of a group of Disinterested Directors designated by the Disinterested Directors to make the determination, (B) if Independent Counsel has been selected by the Board of Directors in accordance with Section 2-418(e)(2)(ii) of the MGCL and approved by the Indemnitee, which approval shall not be unreasonably withheld or delayed, by Independent Counsel, in a written opinion to the Board of Directors, a copy of which shall be delivered to Indemnitee or (C) if so directed by the Board of Directors, by the stockholders of the Company other than directors or officers who are parties to the Proceeding. If it is so determined that Indemnitee is entitled to indemnification, the Company shall make payment to Indemnitee within ten days after such determination. Indemnitee shall cooperate with the person, persons or entity making such determination with respect to Indemnitee's entitlement to indemnification, including providing to such person, persons or entity upon reasonable advance request any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to Indemnitee and reasonably necessary or appropriate to such determination in the discretion of the Board of Directors or Independent Counsel if retained pursuant to clause (ii)(B) of this Section 10(b). Any Expenses incurred by Indemnitee in so cooperating with the person, persons or entity making such determination shall be borne by the Company (irrespective of the determination as to Indemnitee's entitlement to indemnification) and the Company shall indemnify and hold Indemnitee harmless therefrom.

(c) The Company shall pay the reasonable fees and expenses of Independent Counsel, if one is appointed.

Section 11. Presumptions and Effect of Certain Proceedings .

(a) In making any determination with respect to entitlement to indemnification hereunder, the person or persons or entity making such determination shall presume that Indemnitee is entitled to indemnification under this Agreement if Indemnitee has submitted a request for indemnification in accordance with Section 10(a) of this Agreement, and the Company shall have the burden of overcoming that presumption in connection with the making of any determination contrary to that presumption.

(b) The termination of any Proceeding or of any claim, issue or matter therein, by judgment, order, settlement or conviction, upon a plea of *nolo contendere* or its equivalent, or entry of an order of probation prior to judgment, does not create a presumption that Indemnitee did not meet the requisite standard of conduct described herein for indemnification.

(c) The knowledge and/or actions, or failure to act, of any other director, officer, employee or agent of the Company or any other director, trustee, officer, partner, manager, managing member, fiduciary, employee or agent of any other foreign or domestic corporation, partnership, limited liability company, joint venture, trust, employee benefit plan or other enterprise shall not be imputed to Indemnitee for purposes of determining any other right to indemnification under this Agreement.

Section 12. Remedies of Indemnitee .

(a) If (i) a determination is made pursuant to Section 10(b) of this Agreement that Indemnitee is not entitled to indemnification under this Agreement, (ii) advance of Expenses is not timely made pursuant to Sections 8 or 9 of this Agreement, (iii) no determination of entitlement to indemnification shall have been made pursuant to Section 10(b) of this Agreement within 60 days after receipt by the Company of the request for indemnification, (iv) payment of indemnification is not made pursuant to Sections 7 or 9 of this Agreement within ten days after receipt by the Company of a written request therefor, or (v) payment of indemnification pursuant to any other section of this Agreement or the charter or Bylaws of the Company is not made within ten days after a determination has been made that Indemnitee is entitled to indemnification, Indemnitee shall be entitled to an adjudication in an appropriate court located in the State of Maryland, or in any other court of competent jurisdiction, or to arbitration conducted by a single arbitrator pursuant to the Commercial Arbitration Rules of the American Arbitration Association, of Indemnitee's entitlement to indemnification or advance of Expenses. Indemnitee shall commence a proceeding seeking an adjudication or an award in arbitration within 180 days following the date on which Indemnitee first has the right to commence such proceeding pursuant to this Section 12(a); provided, however, that the foregoing clause shall not apply to a proceeding brought by Indemnitee to enforce Indemnitee's rights under Section 7 of this Agreement. Except as set forth herein, the provisions of Maryland law (without regard to its conflicts of laws rules) shall apply to any such arbitration. The Company shall not oppose Indemnitee's right to seek any such adjudication or award in arbitration.

(b) In any judicial proceeding or arbitration commenced pursuant to this Section 12, Indemnitee shall be presumed to be entitled to indemnification or advance of Expenses, as the case may be, under this Agreement and the Company shall have the burden of proving that Indemnitee is not entitled to indemnification or advance of Expenses, as the case may be. If Indemnitee commences a judicial proceeding or arbitration pursuant to this Section 12, Indemnitee shall not be required to reimburse the Company for any advances pursuant to Section 8 of this Agreement until a final determination is made with respect to Indemnitee's entitlement to indemnification (as to which all rights of appeal have been exhausted or lapsed). The Company shall, to the fullest extent not prohibited by law, be precluded from asserting in any judicial proceeding or arbitration commenced pursuant to this Section 12 that the procedures and presumptions of this Agreement are not valid, binding and enforceable and shall stipulate in any such court or before any such arbitrator that the Company is bound by all of the provisions of this Agreement.

(c) If a determination shall have been made pursuant to Section 10(b) of this Agreement that Indemnitee is entitled to indemnification, the Company shall be bound by such determination in any judicial proceeding or arbitration commenced pursuant to this Section 12, absent a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification that was not introduced into evidence in connection with the determination.

(d) In the event that Indemnitee is successful in seeking, pursuant to this Section 12, a judicial adjudication of or an award in arbitration to enforce Indemnitee's rights under, or to recover damages for breach of, this Agreement, Indemnitee shall be entitled to recover from the Company, and shall be indemnified by the Company for, any and all Expenses actually and reasonably incurred by Indemnitee in such judicial adjudication or arbitration. If it shall be determined in such judicial adjudication or arbitration that Indemnitee is entitled to receive part but not all of the indemnification or advance of Expenses sought, the Expenses incurred by Indemnitee in connection with such judicial adjudication or arbitration shall be appropriately prorated.

(e) Interest shall be paid by the Company to Indemnitee at the maximum rate allowed to be charged for judgments under the Courts and Judicial Proceedings Article of the Annotated Code of Maryland for amounts which the Company pays or is obligated to pay for the period (i) commencing with either the tenth day after the date on which the Company was requested to advance Expenses in accordance with Sections 8 or 9 of this Agreement or the 60th day after the date on which the Company was requested to make the determination of entitlement to indemnification under Section 10(b) of this Agreement, as applicable, and (ii) ending on the date such payment is made to Indemnitee by the Company.

Section 13. Defense of the Underlying Proceeding .

(a) Indemnitee shall notify the Company promptly in writing upon being served with any summons, citation, subpoena, complaint, indictment, request or other document relating to any Proceeding which may result in the right to indemnification or the advance of Expenses hereunder and shall include with such notice a description of the nature of the Proceeding and a summary of the facts underlying the Proceeding. The failure to give any such notice shall not disqualify Indemnitee from the right, or otherwise affect in any manner any right of Indemnitee, to indemnification or the advance of Expenses under this Agreement unless the Company's ability to defend in such Proceeding or to obtain proceeds under any insurance policy is materially and adversely prejudiced thereby, and then only to the extent the Company is thereby actually so prejudiced.

(b) Subject to the provisions of the last sentence of this Section 13(b) and of Section 13(c) below, the Company shall have the right to defend Indemnitee in any Proceeding which may give rise to indemnification hereunder; provided, however, that the Company shall notify Indemnitee of any such decision to defend within 15 calendar days following receipt of notice of any such Proceeding under Section 13(a) above. The Company shall not, without the prior written consent of Indemnitee, which shall not be unreasonably withheld or delayed, consent to the entry of any judgment against Indemnitee or enter into any settlement or compromise which (i) includes an admission of fault of Indemnitee, (ii) does not include, as an unconditional term thereof, the full release of Indemnitee from all liability in respect of such Proceeding, which release shall be in form and substance reasonably satisfactory to Indemnitee or (iii) would impose any Expense, judgment, fine, penalty or limitation on Indemnitee. This Section 13(b) shall not apply to a Proceeding brought by Indemnitee under Section 12 of this Agreement.

(c) Notwithstanding the provisions of Section 13(b) above, if in a Proceeding to which Indemnitee is a party by reason of Indemnitee's Corporate Status, (i) Indemnitee reasonably concludes, based upon an opinion of counsel approved by the Company, which approval shall not be unreasonably withheld or delayed, that Indemnitee may have separate defenses or counterclaims to assert with respect to any issue which may not be consistent with other defendants in such Proceeding, (ii)

Indemnitee reasonably concludes, based upon an opinion of counsel approved by the Company, which approval shall not be unreasonably withheld or delayed, that an actual or apparent conflict of interest or potential conflict of interest exists between Indemnitee and the Company, or (iii) if the Company fails to assume the defense of such Proceeding in a timely manner, Indemnitee shall be entitled to be represented by separate legal counsel of Indemnitee's choice, subject to the prior approval of the Company, which approval shall not be unreasonably withheld or delayed, at the expense of the Company. In addition, if the Company fails to comply with any of its obligations under this Agreement or in the event that the Company or any other person takes any action to declare this Agreement void or unenforceable, or institutes any Proceeding to deny or to recover from Indemnitee the benefits intended to be provided to Indemnitee hereunder, Indemnitee shall have the right to retain counsel of Indemnitee's choice, subject to the prior approval of the Company, which approval shall not be unreasonably withheld or delayed, at the expense of the Company (subject to Section 12(d) of this Agreement), to represent Indemnitee in connection with any such matter.

Section 14. Non-Exclusivity; Survival of Rights; Subrogation .

(a) The rights of indemnification and advance of Expenses as provided by this Agreement shall not be deemed exclusive of any other rights to which Indemnitee may at any time be entitled under applicable law, the charter or Bylaws of the Company, any agreement or a resolution of the stockholders entitled to vote generally in the election of directors or of the Board of Directors, or otherwise. Unless consented to in writing by Indemnitee, no amendment, alteration or repeal of the charter or Bylaws of the Company, this Agreement or of any provision hereof shall limit or restrict any right of Indemnitee under this Agreement in respect of any action taken or omitted by such Indemnitee in Indemnitee's Corporate Status prior to such amendment, alteration or repeal, regardless of whether a claim with respect to such action or inaction is raised prior or subsequent to such amendment, alteration or repeal. No right or remedy herein conferred is intended to be exclusive of any other right or remedy, and every other right or remedy shall be cumulative and in addition to every other right or remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion of any right or remedy hereunder, or otherwise, shall not prohibit the concurrent assertion or employment of any other right or remedy.

(b) In the event of any payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all papers required and take all action necessary to secure such rights, including execution of such documents as are necessary to enable the Company to bring suit to enforce such rights.

Section 15. Insurance .

(a) The Company will use its reasonable best efforts to acquire directors and officers liability insurance, on terms and conditions deemed appropriate by the Board of Directors, with the advice of counsel, covering Indemnitee or any claim made against Indemnitee by reason of Indemnitee's Corporate Status and covering the Company for any indemnification or advance of Expenses made by the Company to Indemnitee for any claims made against Indemnitee by reason of Indemnitee's Corporate Status. In the event of a Change in Control, the Company shall maintain in force any and all directors and officers liability insurance policies that were maintained by the Company immediately prior to the Change in Control for a period of 6 years with the insurance carrier or carriers and through the insurance broker in place at the time of the Change in Control; provided, however, (i) if the carriers will not offer the same policy and an expiring policy needs to be replaced, a policy substantially comparable in scope and amount shall be obtained and (ii) if any replacement insurance carrier is necessary to obtain a policy substantially comparable in scope and amount, such insurance carrier shall have an AM Best rating that is the same or better than the AM Best rating of the existing insurance carrier; provided, further, however, in no event shall the Company be required to expend in the aggregate in excess of 300% of the annual premium or premiums paid by the Company for directors and officer liability insurance in effect on the date of the Change in Control. In the event that 300% of the annual premiums paid by the Company for such existing directors and officers liability insurance is insufficient for such coverage, the Company shall spend up to that amount to purchase such lesser coverage as may be obtained with such amount.

(b) Without in any way limiting any other obligation under this Agreement, the Company shall indemnify Indemnitee for any payment by Indemnitee which would otherwise be indemnifiable hereunder arising out of the amount of any deductible or retention and the amount of any excess of the aggregate of all judgments, penalties, fines, settlements and Expenses incurred by Indemnitee in connection with a Proceeding over the coverage of any insurance referred to Section 15(a). The purchase, establishment and maintenance of any such insurance shall not in any way limit or affect the rights or obligations of the Company or Indemnitee under this Agreement except as expressly provided herein, and the execution and delivery of this Agreement by the Company and the Indemnitee shall not in any way limit or affect the rights or obligations of the Company under any such insurance policies. If, at the time the Company receives notice from any source of a Proceeding to which Indemnitee is a party or a participant (as a witness or otherwise), the Company has director and officer liability insurance in effect, the Company shall give prompt notice of such Proceeding to the insurers in accordance with the procedures set forth in the respective policies.

(c) The Indemnitee shall cooperate with the Company or any insurance carrier of the Company with respect to any Proceeding.

Section 16. Coordination of Payments . The Company shall not be liable under this Agreement to make any payment of amounts otherwise indemnifiable or payable or reimbursable as Expenses hereunder if and to the extent that Indemnitee has otherwise actually received such payment under any insurance policy, contract, agreement or otherwise.

Section 17. Contribution . If the indemnification provided in this Agreement is unavailable in whole or in part and may not be paid to Indemnitee for any reason, other than for failure to satisfy the standard of conduct set forth in Section 4 or due to the provisions of Section 5, then, in respect to any Proceeding in which the Company is jointly liable with Indemnitee (or would be if joined in such Proceeding), to the fullest extent permissible under applicable law, the Company, in lieu of indemnifying and holding harmless Indemnitee, shall pay, in the first instance, the entire amount incurred by Indemnitee, whether for Expenses, judgments, penalties, and/or amounts paid or to be paid in settlement, in connection with any Proceeding without requiring Indemnitee to contribute to such payment, and the Company hereby waives and relinquishes any right of contribution it may have at any time against Indemnitee.

Section 18. Reports to Stockholders . To the extent required by the MGCL, the Company shall report in writing to its stockholders the payment of any amounts for indemnification of, or advance of Expenses to, Indemnitee under this Agreement arising out of a Proceeding by or in the right of the Company with the notice of the meeting of stockholders of the Company next following the date of the payment of any such indemnification or advance of Expenses or prior to such meeting.

Section 19. Duration of Agreement; Binding Effect .

(a) This Agreement shall continue until and terminate on the later of (i) the date that Indemnitee shall have ceased to serve as a director, officer, employee or agent of the Company or as a director, trustee, officer, partner, manager, managing member, fiduciary, employee or agent of any other foreign or domestic corporation, real estate investment trust, partnership, limited liability company, joint venture, trust, employee benefit plan or other enterprise that such person is or was serving in such capacity at the request of the Company and (ii) the date that Indemnitee is no longer subject to any actual or possible Proceeding (including any rights of appeal thereto and any Proceeding commenced by Indemnitee pursuant to Section 12 of this Agreement).

(b) The indemnification and advance of Expenses provided by, or granted pursuant to, this Agreement shall be binding upon and be enforceable by the parties hereto and their respective successors and assigns (including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business or assets of the Company), shall continue as to an Indemnitee who has ceased to be a director, officer, employee or agent of the Company or a director, trustee, officer, partner, manager, managing member, fiduciary, employee or agent of any other foreign or domestic corporation, partnership, limited liability company, joint venture, trust, employee benefit plan or other enterprise that such person is or was serving in such capacity at the request of the Company, and shall inure to the benefit of Indemnitee and Indemnitee's spouse, assigns, heirs, devisees, executors and administrators and other legal representatives.

(c) The Company shall require and cause any successor (whether direct or indirect by purchase, merger, consolidation or otherwise) to all, substantially all or a substantial part, of the business and/or assets of the Company, by written agreement in form and substance satisfactory to Indemnitee, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place.

(d) The Company and Indemnitee agree that a monetary remedy for breach of this Agreement, at some later date, may be inadequate, impracticable and difficult of proof, and further agree that such breach may cause Indemnitee irreparable harm. Accordingly, the parties hereto agree that Indemnitee may enforce this Agreement by seeking injunctive relief and/or specific performance hereof, without any necessity of showing actual damage or irreparable harm and that by seeking injunctive relief and/or specific performance, Indemnitee shall not be precluded from seeking or obtaining any other relief to which Indemnitee may be entitled. Indemnitee shall further be entitled to such specific performance and injunctive relief, including temporary restraining orders, preliminary injunctions and permanent injunctions, without the necessity of posting bonds or other undertakings in connection therewith. The Company acknowledges that, in the absence of a waiver, a bond or undertaking may be required of Indemnitee by a court, and the Company hereby waives any such requirement of such a bond or undertaking.

Section 20. Severability . If any provision or provisions of this Agreement shall be held to be invalid, void, illegal or otherwise unenforceable for any reason whatsoever: (a) the validity, legality and enforceability of the remaining provisions of this Agreement (including, without limitation, each portion of any Section, paragraph or sentence of this Agreement containing any such provision held to be invalid, illegal or unenforceable that is not itself invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby and shall remain enforceable to the fullest extent permitted by law; (b) such provision or provisions shall be deemed reformed to the extent necessary to conform to applicable law and to give the maximum effect to the intent of the parties hereto; and (c) to the fullest extent possible, the provisions of this Agreement (including, without limitation, each portion of any Section, paragraph or sentence of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested thereby.

Section 21. Identical Counterparts . This Agreement may be executed in one or more counterparts (delivery of which may be by facsimile, or via email as a portable document format (.pdf.)), each of which shall for all purposes be deemed to be an original but all of which together shall constitute one and the same Agreement. One such counterpart signed by the party against whom enforceability is sought shall be sufficient to evidence the existence of this Agreement.

Section 22. Headings . The headings of the paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof.

Section 23. Modification and Waiver . No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor, unless otherwise expressly stated, shall such waiver constitute a continuing waiver.

Section 24. Notices . All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given if (i) delivered by hand and receipted for by the party to whom said notice or other communication shall have been directed, on the day of such delivery, or (ii) mailed by certified or registered mail with postage prepaid, on the third business day after the date on which it is so mailed:

(a) If to Indemnitee, to the address set forth on the signature page hereto.

(b) If to the Company, to:

Armada Hoffler Properties, Inc.
Attn: Corporate Secretary
222 Central Park Avenue
Suite 2100
Virginia Beach, Virginia 23462

with a copy to (which shall not constitute notice):

Morrison & Foerster LLP
2000 Pennsylvania Avenue, NW
Suite 6000
Washington, DC 20006
Attention: Justin R. Salon

or to such other address as may have been furnished in writing to Indemnitee by the Company or to the Company by Indemnitee, as the case may be.

Section 25. Governing Law . This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Maryland, without regard to its conflicts of laws rules.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

COMPANY:

ARMADA HOFFLER PROPERTIES, INC.

By: ______________________

Name:
Title:

INDEMNITEE

____

Name:
Address:

EXHIBIT A

AFFIRMATION AND UNDERTAKING TO REPAY EXPENSES ADVANCED

To: The Board of Directors of Armada Hoffler Properties, Inc.

Re: Affirmation and Undertaking

Ladies and Gentlemen:

This Affirmation and Undertaking is being provided pursuant to that certain Indemnification Agreement dated the day of _ , 20 _ , by and between Armada Hoffler Properties, Inc., a Maryland corporation (the "Company"), and the undersigned Indemnitee (the "Indemnification Agreement"), pursuant to which I am entitled to advance of Expenses in connection with **[Description of Proceeding]** (the "Proceeding").

Terms used herein and not otherwise defined shall have the meanings specified in the Indemnification Agreement.

I am subject to the Proceeding by reason of my Corporate Status or by reason of alleged actions or omissions by me in such capacity. I hereby affirm my good faith belief that at all times, insofar as I was involved as **[a director] [and] [an officer]** of the Company, in any of the facts or events giving rise to the Proceeding, I (1) did not act with bad faith or active or deliberate dishonesty, (2) did not receive any improper personal benefit in money, property or services and (3) in the case of any criminal proceeding, had no reasonable cause to believe that any act or omission by me was unlawful.

In consideration of the advance by the Company for Expenses incurred by me in connection with the Proceeding (the "Advanced Expenses"), I hereby agree that if, in connection with the Proceeding, it is established that (1) an act or omission by me was material to the matter giving rise to the Proceeding and (a) was committed in bad faith or (b) was the result of active and deliberate dishonesty, or (2) I actually received an improper personal benefit in money, property or services or (3) in the case of any criminal proceeding, I had reasonable cause to believe that the act or omission was unlawful, then I shall promptly reimburse the portion of the Advanced Expenses relating to the claims, issues or matters in the Proceeding as to which the foregoing findings have been established.

IN WITNESS WHEREOF, I have executed this Affirmation and Undertaking on this day of _ , 20_.

Name: ______________________________

Schedule A

Indemnitee	Date
Daniel A. Hoffler	May 13, 2013
A. Russell Kirk	May 13, 2013
John W. Snow	May 13, 2013
George F. Allen	May 13, 2013
James A. Carroll	May 13, 2013
James C. Cherry	May 13, 2013
Louis S. Haddad	May 13, 2013
Eva S. Hardy	March 25, 2015
Dorothy McAuliffe	September 27, 2019
Joseph W. Prueher	October 24, 2013
Anthony P. Nero	May 13, 2013
Eric E. Apperson	May 13, 2013
Shelly R. Hampton	May 13, 2013
Michael P. O’Hara	May 13, 2013
Eric L. Smith	May 13, 2013

Exhibit 31.1

CERTIFICATION PURSUANT
TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Louis S. Haddad, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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: November 5, 2019

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

Exhibit 31.2

CERTIFICATION PURSUANT
TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Michael P. O'Hara, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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: November 5, 2019

/s/ Michael P. O'Hara
Michael P. O'Hara
Chief Financial Officer, Treasurer and Secretary

Exhibit 32.1

CERTIFICATION

The undersigned, Louis S. Haddad, the President and Chief Executive Officer of Armada Hoffler Properties, Inc. (the “Company”), pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certifies that, to the best of his knowledge:

1. the Quarterly Report for the period ended September 30, 2019 of the Company (the “Report”) fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; 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: November 5, 2019

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

Exhibit 32.2

CERTIFICATION

The undersigned, Michael P. O'Hara, the Chief Financial Officer and Treasurer of Armada Hoffler Properties, Inc. (the "Company"), pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certifies that, to the best of his knowledge:

1. the Quarterly Report for the period ended September 30, 2019 of the Company (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; 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: November 5, 2019

/s/ Michael P. O'Hara

Michael P. O'Hara

Chief Financial Officer, Treasurer and Secretary