Armada Hoffler Properties, Inc.
Form 10-Q
May 15, 2014
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2014

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

(757) 366-4000

(Registrant s Telephone Number, Including Area Code)

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. x Yes ¨ No

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). x Yes ¨ No

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

Large Accelerated Filer ¨	Accelerated Filer ¨
Non-Accelerated Filer x (Do not check if a smaller reporting company)	Smaller reporting company ¨

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

As of May 12, 2014, the Registrant had 19,253,660 shares of common stock outstanding.

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ARMADA HOFFLER PROPERTIES, INC.

QUARTERLY REPORT ON FORM 10-Q

FOR THE QUARTER ENDED MARCH 31, 2014

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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)

	MARCH 31, 2014 (UNAUDITED)	DECEMBER 31, 2013
ASSETS		
Real estate investments:		
Income producing property	$ 434,281	$ 406,239
Construction in progress	78,536	56,737
	512,817	462,976
Accumulated depreciation	(108,706)	(105,228)
Net real estate investments	404,111	357,748
Cash and cash equivalents	13,444	18,882
Restricted cash	2,754	2,160
Accounts receivable, net	18,884	18,272
Construction receivables, including retentions	12,736	12,633
Construction contract costs and estimated earnings in excess of billings	1,184	1,178
Other assets	25,799	24,409
Total Assets	$ 478,912	$ 435,282
LIABILITIES AND EQUITY		
Indebtedness	$ 317,271	$ 277,745
Accounts payable and accrued liabilities	7,158	6,463
Construction payables, including retentions	27,047	28,139
Billings in excess of construction contract costs and estimated earnings	1,134	1,541
Other liabilities	16,264	15,873
Total Liabilities	368,874	329,761
Stockholders equity:		
Common stock, $0.01 par value, 500,000,000 shares authorized, 19,254,365 and 19,163,413 shares issued and outstanding as of March 31,	193	192

2014 and December 31, 2013, respectively				
Additional paid-in capital		1,473		1,247
Distributions in excess of earnings		(49,550)		(47,934)
Total stockholders deficit		(47,884)		(46,495)
Noncontrolling interests		157,922		152,016
Total Equity		110,038		105,521
Total Liabilities and Equity	$	478,912	$	435,282

See Notes to Condensed Consolidated and Combined Financial Statements.

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ARMADA HOFFLER PROPERTIES, INC. AND PREDECESSOR

Condensed Consolidated and Combined Statements of Income

(In Thousands, except per share data)

(Unaudited)

	THREE MONTHS ENDED MARCH 31, 2014	2013 PREDECESSOR
Revenues		
Rental revenues	$ 15,193	$ 13,398
General contracting and real estate services revenues	19,234	17,956
Total revenues	34,427	31,354
Expenses		
Rental expenses	3,976	3,229
Real estate taxes	1,343	1,212
General contracting and real estate services expenses	17,985	17,458
Depreciation and amortization	3,969	3,159
General and administrative expenses	2,046	717
Total expenses	29,319	25,775
Operating income	5,108	5,579
Interest expense	(2,565)	(3,915)
Other income	112	267
Income before taxes	2,655	1,931
Income tax provision	(149)	
Net income	2,506	$ 1,931
Net income attributable to noncontrolling interests	(1,041)	
Net income attributable to stockholders	$ 1,465	
Net income per share and unit:		
Basic and diluted	$ 0.08	

Weighted-average outstanding:		
Common shares		19,193
Common units		13,632
Basic and diluted		32,825
Dividends and distributions declared per common share and unit	$	0.16

See Notes to Condensed Consolidated and Combined Financial Statements.

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ARMADA HOFFLER PROPERTIES, INC.

Condensed Consolidated Statement of Equity

(In Thousands, except share data)

(Unaudited)

	Shares of common stock	Common stock	Additional paid-in capital	Distributions in excess of earnings	Total stockholders deficit	Noncontrolling interests	Total Equity
Balance, January 1, 2014	19,163,413	$ 192	$ 1,247	$ (47,934)	$ (46,495)	$ 152,016	$ 105,521
Restricted stock award grants	99,289	1	(1)				
Vesting of restricted stock awards			610		610		610
Minimum tax withholding	(8,337)		(82)		(82)		(82)
Acquisitions						6,769	6,769
Exchange of owners equity for common units			(301)		(301)	301	
Net income				1,465	1,465	1,041	2,506
Dividends and distributions declared				(3,081)	(3,081)	(2,205)	(5,286)
Balance, March 31, 2014	19,254,365	$ 193	$ 1,473	$ (49,550)	$ (47,884)	$ 157,922	$ 110,038

See Notes to Condensed Consolidated and Combined Financial Statements.

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ARMADA HOFFLER PROPERTIES, INC. AND PREDECESSOR

Condensed Consolidated and Combined Statements of Cash Flows

(In Thousands)

(Unaudited)

	THREE MONTHS ENDED MARCH 31, 2014	THREE MONTHS ENDED MARCH 31, 2013 PREDECESSOR
OPERATING ACTIVITIES		
Net income	$ 2,506	$ 1,931
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of buildings and tenant improvements	3,478	2,845
Amortization of deferred leasing costs and in-place lease intangibles	491	314
Accrued straight-line rental revenue	(469)	(300)
Amortization of lease incentives and above or below-market rents	160	196
Accrued straight-line ground rent expense	79	85
Bad debt expense	11	117
Noncash stock compensation	329	
Noncash interest expense	133	172
Change in the fair value of derivatives	(93)	(110)
Income from real estate joint ventures		(93)
Changes in operating assets and liabilities, net of acquisitions:		
Property assets	(1,311)	(692)
Property liabilities	11	1,661
Construction assets	(109)	(3,009)
Construction liabilities	(2,003)	1,170
Net cash provided by operating activities	3,213	4,287
INVESTING ACTIVITIES		
Development of real estate investments	(20,320)	(2,200)
Tenant and building improvements	(2,495)	(746)
Acquisitions of real estate investments, net of cash acquired	(2,895)	
Increase in restricted cash	(35)	(95)
Return of capital from real estate joint ventures, net		49
Deferred leasing costs	(153)	(150)
Leasing incentives		(40)
Net cash used for investing activities	(25,898)	(3,182)
FINANCING ACTIVITIES		

Offering costs		(149)		(2,587)
Credit facility and construction loan borrowings		23,269		
Debt and credit facility payments, including principal amortization		(714)		(1,453)
Debt issuance costs		(4)		
Predecessor distributions, net				(2,364)
Dividends and distributions		(5,155)		
Net cash provided by (used for) financing activities		17,247		(6,404)
Net decrease in cash and cash equivalents		(5,438)		(5,299)
Cash and cash equivalents, beginning of period		18,882		9,400
Cash and cash equivalents, end of period	$	13,444	$	4,101
Supplemental cash flow information:				
Cash paid for interest	$	2,794	$	3,748

See Notes to Condensed Consolidated and Combined Financial Statements.

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ARMADA HOFFLER PROPERTIES, INC. AND PREDECESSOR

Notes to Condensed Consolidated and Combined Financial Statements

(Unaudited)

1. Business and Organization

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

As of March 31, 2014, the Company s operating property portfolio consisted of the following properties:

Name	Segment	Location
Armada Hoffler Tower	Office	Virginia Beach, Virginia
One Columbus	Office	Virginia Beach, Virginia
Oyster Point	Office	Newport News, Virginia
Richmond Tower	Office	Richmond, Virginia
Sentara Williamsburg	Office	Williamsburg, Virginia
Two Columbus	Office	Virginia Beach, Virginia
Virginia Natural Gas	Office	Virginia Beach, Virginia
249 Central Park Retail	Retail	Virginia Beach, Virginia
Bermuda Crossroads	Retail	Chester, Virginia
Broad Creek Shopping Center	Retail	Norfolk, Virginia
Commerce Street Retail	Retail	Virginia Beach, Virginia
Courthouse 7-Eleven	Retail	Virginia Beach, Virginia
Dick s at Town Center	Retail	Virginia Beach, Virginia
Fountain Plaza Retail	Retail	Virginia Beach, Virginia
Gainsborough Square	Retail	Chesapeake, Virginia
Hanbury Village	Retail	Chesapeake, Virginia
Harrisonburg Regal	Retail	Harrisonburg, Virginia
North Point Center	Retail	Durham, North Carolina
Parkway Marketplace	Retail	Virginia Beach, Virginia
South Retail	Retail	Virginia Beach, Virginia
Studio 56 Retail	Retail	Virginia Beach, Virginia
Tyre Neck Harris Teeter	Retail	Portsmouth, Virginia
Liberty Apartments	Multifamily	Newport News, Virginia
Smith s Landing	Multifamily	Blacksburg, Virginia
The Cosmopolitan	Multifamily	Virginia Beach, Virginia

As of March 31, 2014, the Company had the following properties under development (the Development Pipeline):

Name	Segment	Location

4525 Main Street	Office	Virginia Beach, Virginia
Brooks Crossing	Office	Newport News, Virginia
Oceaneering	Office	Chesapeake, Virginia
Greentree Shopping Center	Retail	Chesapeake, Virginia
Sandbridge Commons	Retail	Virginia Beach, Virginia
Encore Apartments	Multifamily	Virginia Beach, Virginia
Whetstone Apartments	Multifamily	Durham, North Carolina

The Company is the sole general partner of Armada Hoffler, L.P. (the Operating Partnership). The operations of the Company are carried on primarily through the Operating Partnership and the wholly owned subsidiaries of the Operating Partnership. Both the Company and the Operating Partnership were formed on October 12, 2012 and commenced operations upon completion of the underwritten initial public offering of shares of the Company s common stock (the IPO) and certain related formation transactions (the Formation Transactions) on May 13, 2013.

Armada Hoffler Properties, Inc. Predecessor (the Predecessor) was not a single legal entity, but rather a combination of real estate and construction entities under common ownership by their individual partners, members and stockholders and under common control or significant influence of Daniel A. Hoffler prior to the IPO and the Formation Transactions. The financial position and results of operations of the entities under common control of Mr. Hoffler have been combined in the Predecessor financial statements for the periods prior to the completion of the IPO and the Formation Transactions. The Predecessor accounted for its investments in the entities under significant influence of Mr. Hoffler using the equity method of accounting.

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Pursuant to the Formation Transactions, the Operating Partnership: (i) acquired 100% of the interests in the entities comprising the Predecessor, (ii) succeeded to the ongoing construction and development businesses of the Predecessor, (iii) assumed asset management of certain of the properties acquired from the Predecessor, (iv) succeeded to the third party asset management business of the Predecessor, (v) succeeded to the projects under development by the Predecessor, (vi) received options to acquire nine parcels of developable land from the Predecessor and (vii) entered into a contribution agreement to acquire Liberty Apartments, a 197-unit multifamily property located in Newport News, Virginia, upon satisfaction of certain conditions and transferability restrictions including completion of the project s construction by the Company. The Operating Partnership completed the acquisition of Liberty Apartments on January 17, 2014.

Because of the timing of the IPO and the Formation Transactions, the results of operations for the three months ended March 31, 2013 reflect those of the Predecessor. The financial condition as of March 31, 2014 and December 31, 2013 and the results of operations for the three months ended March 31, 2014 reflect those of the Company. References to Armada Hoffler in these notes to consolidated and combined financial statements signify the Company for the period after the completion of the IPO and the Formation Transactions on May 13, 2013 and the Predecessor for all prior periods.

2. Summary of Significant Accounting Policies

Basis of Presentation

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

The consolidated financial statements include the financial position and results of operations of the Company, the Operating Partnership and its wholly owned subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation.

The results of operations of the entities comprising the Predecessor have been combined because they were under common ownership by their individual partners, members and stockholders and under common control of Mr. Hoffler. All significant intercompany transactions and balances have been eliminated in combination.

In the opinion of management, the consolidated and combined 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 consolidated and combined 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 and combined financial statements of the Company included in the Company s Annual Report on Form 10-K for the year ended December 31, 2013.

Use of Estimates

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

Significant Accounting Policies

The accompanying consolidated and combined financial statements were prepared on the basis of the accounting principles described in the Company s Annual Report on Form 10-K for the year ended December 31, 2013, among others.

3. Segments

Net operating income (segment revenues minus segment expenses) is the measure used by Armada Hoffler 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

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income in the same manner. Armada Hoffler 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 Armada Hoffler s real estate and construction businesses.

Net operating income of Armada Hoffler s reportable segments for the three months ended March 31, 2014 and 2013 was as follows (in thousands):

	Three Months Ended March 31,	
	2014	2013
	(Unaudited)	
Office real estate		
Rental revenues	$ 6,549	$ 6,486
Property expenses	2,131	1,946
Segment net operating income	4,418	4,540
Retail real estate		
Rental revenues	5,770	5,005
Property expenses	1,825	1,680
Segment net operating income	3,945	3,325
Multifamily residential real estate		
Rental revenues	2,874	1,907
Property expenses	1,363	815
Segment net operating income	1,511	1,092
General contracting and real estate services		
Segment revenues	19,234	17,956
Segment expenses	17,985	17,458
Segment net operating income	1,249	498
Net operating income	$ 11,123	$ 9,455

General contracting and real estate services revenues for the three months ended March 31, 2014 and 2013 exclude revenue related to intercompany construction contracts of $18.7 million and $2.0 million, respectively. General contracting and real estate services expenses for the three months ended March 31, 2014 and 2013 exclude expenses related to intercompany construction contracts of $18.5 million and $2.0 million, respectively. General contracting and real estate services expenses for the three months ended March 31, 2014 includes noncash stock compensation of

$0.1 million.

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The following table reconciles net operating income to net income for the three months ended March 31, 2014 and 2013 (in thousands):

	Three Months Ended March 31,	
	2014	2013
	(Unaudited)	
Net operating income	$ 11,123	$ 9,455
Depreciation and amortization	(3,969)	(3,159)
General and administrative expenses	(2,046)	(717)
Interest expense	(2,565)	(3,915)
Other income	112	267
Income tax provision	(149)	
Net income	$ 2,506	$ 1,931

General and administrative expenses represent costs not directly associated with the operation and management of Armada Hoffler s real estate properties and general contracting business. General and administrative expenses include office personnel salaries and benefits, bank fees, accounting fees, legal fees and other corporate office expenses. General and administrative expenses for the three months ended March 31, 2014 include noncash stock compensation of $0.2 million.

Rental revenues of Armada Hoffler s reportable segments for the three months ended March 31, 2014 and 2013 comprised the following (in thousands):

	Three Months Ended March 31,	
	2014	2013
	(Unaudited)	
Minimum rents		
Office	$ 6,152	$ 6,100
Retail	4,774	4,365
Multifamily	2,450	1,627
Percentage rents (1)		
Office	45	104
Retail	91	24
Multifamily	35	42
Other (2)		
Office	352	282
Retail	905	616
Multifamily	389	238
Rental revenues	$ 15,193	$ 13,398

(1) Percentage rents are based on tenants sales.
(2) Other rental revenue includes cost reimbursements for real estate taxes, property insurance and common area maintenance as well as termination fees.

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Property expenses of Armada Hoffler s reportable segments for the three months ended March 31, 2014 and 2013 comprised the following (in thousands):

	Three Months Ended March 31,	
	2014	2013
	(Unaudited)	
Rental expenses		
Office	$ 1,587	$ 1,405
Retail	1,322	1,220
Multifamily	1,067	604
Total	3,976	3,229
Real estate taxes		
Office	544	541
Retail	503	460
Multifamily	296	211
Total	1,343	1,212
Property expenses	$ 5,319	$ 4,441

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

4. Real Estate Investments

The Company s real estate investments comprised the following as of March 31, 2014 and December 31, 2013 (in thousands):

	March 31, 2014 (Unaudited)	December 31, 2013
Land	$ 44,893	$ 41,313
Land improvements	12,895	12,562
Buildings and improvements	390,069	365,941
Construction in progress	64,960	43,160

		512,817		462,976
Accumulated depreciation		(108,706)		(105,228)
Net real estate investments	$	404,111	$	357,748

As discussed in Note 1, the Company completed the acquisition of Liberty Apartments on January 17, 2014. The fair value of the total consideration transferred at the acquisition date to acquire Liberty Apartments was $26.7 million, consisting of 695,652 common units of the Operating Partnership, $3.0 million in cash to affiliates of the Predecessor and the assumption of $17.0 million of debt. The fair value adjustment to the assumed debt of Liberty Apartments was a $1.5 million discount. The outstanding principal balance of the assumed debt of Liberty Apartments at the acquisition date was $18.5 million. An additional $2.4 million is available under the Liberty Apartments loan and will be used to fund current and future obligations of the Company.

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The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the acquisition date (in thousands):

		Liberty Apartments (Unaudited)
Land	$	3,580
Site improvements		280
Building and improvements		23,214
In-place leases		340
Indebtedness		(16,966)
Net working capital		(679)
Net assets acquired	$	9,769

Liberty Apartments did not have any operations during the three months ended March 31, 2013. Rental revenues and net loss from Liberty Apartments for the period from the acquisition date to March 31, 2014 included in the consolidated statement of income was $0.1 million and $(0.5) million, respectively.

Subsequent to March 31, 2014

On April 16, 2014, the Company purchased $7.4 million of land in Williamsburg, Virginia for the development and construction of Lightfoot Marketplace.

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

5. Indebtedness

On January 17, 2014, the Company assumed $17.0 million of debt at fair value in connection with the acquisition of Liberty Apartments. The fair value adjustment to the assumed debt of Liberty Apartments was a $1.5 million discount. The outstanding principal balance of the assumed debt of Liberty Apartments at the acquisition date was $18.5 million. An additional $2.4 million is available under the Liberty Apartments loan and will be used to fund current and future obligations of the Company. The loan amortizes over 30 years, bears interest at 5.66% and matures on November 1, 2043.

On February 28, 2014, the Company closed on a $19.5 million loan to fund the development and construction of the Oceaneering International facility. The construction loan bears interest at LIBOR plus 1.75% and matures on February 28, 2018. As of March 31, 2014, the Company did not have any amounts outstanding on the construction loan.

During the three months ended March 31, 2014, the Operating Partnership borrowed an additional $10.0 million under the credit facility. As of March 31, 2014, the outstanding balance on the credit facility was $80.0 million.

During the three months ended March 31, 2014, the Company borrowed an additional $13.3 million under its existing construction loans to fund the construction of 4525 Main Street, Encore Apartments, Whetstone Apartments and Sandbridge Commons.

Subsequent to March 31, 2014

On April 14, 2014, the Operating Partnership borrowed an additional $8.0 million under the credit facility.

On April 22, 2014, the Operating Partnership amended the maximum leverage ratio covenant requirement in the credit facility to be 65% as of the last day of each fiscal quarter through maturity.

6. Derivative Financial Instruments

On March 14, 2014, the Company executed a LIBOR interest rate cap agreement on a notional amount of $50.0 million and a strike price of 1.25% for a premium of $0.4 million. The interest rate cap agreement expires on March 1, 2017.

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The Company s derivatives comprised the following as of March 31, 2014 and December 31, 2013 (in thousands):

	March 31, 2014 (Unaudited)			December 31, 2013		
	Notional Amount	Fair Value		Notional Amount	Fair Value	
		Asset	Liability		Asset	Liability
Pay fixed interest rate swaps	$ 700	$	$ (14)	$ 705	$	$ (16)
Interest rate caps	180,614	589		130,672	102	
Total	$ 181,314	$ 589	$ (14)	$ 131,377	$ 102	$ (16)

The changes in the fair value of Armada Hoffler s derivatives during the three months ended March 31, 2014 and 2013 comprised the following (in thousands):

	Three Months Ended March 31,	
	2014	2013
	(Unaudited)	
Pay fixed interest rate swaps	$ 2	$ 108
Interest rate caps	91	2
Other income	$ 93	$ 110

7. Equity

Stockholders Equity

As of March 31, 2014 and December 31, 2013, the Company s authorized capital was 500 million shares of common stock and 100 million shares of preferred stock. The Company had 19.3 million and 19.2 million shares of common stock issued and outstanding as of March 31, 2014 and December 31, 2013, respectively. No shares of preferred stock were issued and outstanding as of March 31, 2014 or December 31, 2013.

Noncontrolling Interests

As of March 31, 2014 and December 31, 2013, the Company held a 58.2% and 59.5% interest in the Operating Partnership, respectively. As the sole general partner and the majority interest holder, the Company consolidates the financial position and results of operations of the Operating Partnership. Noncontrolling interests in the Company represent common units of the Operating Partnership not held by the Company.

On January 17, 2014, the Operating Partnership issued 695,652 common units as partial consideration for Liberty Apartments.

On March 31, 2014, the Operating Partnership issued 30,000 common units in exchange for all noncontrolling interests in Sandbridge Commons. The Company recognized the difference between the fair value of the common units issued and the adjustment to the carrying amount of the noncontrolling interests in Sandbridge Commons directly in equity as additional paid-in capital.

Common Stock Dividends and Common Unit Distributions

On January 9, 2014, the Company paid cash dividends of $3.1 million to common stockholders and cash distributions of $2.1 million to common unitholders.

On February 18, 2014, the Company s Board of Directors declared a cash dividend/distribution of $0.16 per share/unit payable on April 10, 2014 to common stockholders and common unitholders of record on April 1, 2014.

Subsequent to March 31, 2014

On April 10, 2014, the Company paid cash dividends of $3.1 million to common stockholders and cash distributions of $2.2 million to common unitholders.

On May 9, 2014, the Company s Board of Directors declared a cash dividend/distribution of $0.16 per share/unit payable on July 10, 2014 to common stockholders and common unitholders of record on July 1, 2014.

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8. *Stock-Based Compensation*

On March 3, 2014, the Company granted 99,289 shares of restricted stock to employees with a grant date fair value of $9.94 per share. Restricted stock awards 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.

During the three months ended March 31, 2014, the Company recognized $0.6 million of stock-based compensation using the accelerated attribution method. As of March 31, 2014, there were 178,123 nonvested restricted shares outstanding; the total unrecognized compensation related to nonvested restricted shares was $1.1 million, which the Company expects to recognize over the next 23 months.

9. *Fair Value of Financial Instruments*

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

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

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

Level 3 Inputs unobservable inputs

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

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

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

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

The carrying amounts and fair values of our financial instruments, all of which are based on Level 2 inputs, as of March 31, 2014 and December 31, 2013 were as follows (in thousands):

	March 31, 2014		December 31, 2013	
	Carrying Value	Fair Value	Carrying Value	Fair Value

	(Unaudited)			
Secured debt	$ 317,271	$ 321,709	$ 277,745	$ 273,310
Interest rate swap liabilities	14	14	16	16
Interest rate cap assets	589	589	102	102

10. Related Party Transactions

Armada Hoffler provides general contracting and real estate services to certain related party entities that are not included in these consolidated and combined financial statements. Revenue from construction contracts with related party entities of Armada Hoffler was $2.3 million and $10.9 million for the three months ended March 31, 2014 and 2013, respectively. Operating margin from such contracts was $0.1 million and $0.3 million for the three months ended March 31, 2014 and 2013, respectively. Real estate services fees from affiliated entities of Armada Hoffler were not significant for either the three months ended March 31, 2014 or 2013. In addition, affiliated entities also reimburse Armada Hoffler for monthly maintenance and facilities management services provided to the properties. Cost reimbursements earned by Armada Hoffler from affiliated entities were not significant for either the three months ended March 31, 2014 or 2013.

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11. Commitments and Contingencies

Legal Proceedings

Armada Hoffler is from time to time involved in various disputes, lawsuits, warranty claims, environmental and other matters arising in the ordinary course of its business. Management makes assumptions and estimates concerning the likelihood and amount of any potential loss relating to these matters.

Armada Hoffler currently is a party to various legal proceedings, none of which management expects will have a material adverse effect on Armada Hoffler s financial position, results of operations or liquidity. Armada Hoffler accrues a liability for litigation if an unfavorable outcome is determined by management to be probable and the amount of loss can be reasonably estimated. If an unfavorable outcome is determined by management to be probable and a range of loss can be reasonably estimated, Armada Hoffler 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. Armada Hoffler does not believe that the ultimate outcome of these matters, either individually or in the aggregate, could have a material adverse effect on its financial position or results of operations; however, litigation is subject to inherent uncertainties.

Under Armada Hoffler s leases, tenants are typically obligated to indemnify Armada Hoffler from and against all liabilities, costs and expenses imposed upon or asserted against it as owner of the properties due to certain matters relating to the operation of the properties by the tenant.

Commitments

Armada Hoffler 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 $194.6 million and $35.8 million as of March 31, 2014 and December 31, 2013, respectively.

The Operating Partnership has entered into standby letters of credit using the available capacity under the credit facility. The letters of credit relate to the guarantee of future performance on certain of the Company s construction contracts. Letters of credit generally are available for draw down in the event the Company does not perform. As of March 31, 2014 and December 31, 2013, the Operating Partnership had total outstanding letters of credit of $9.9 million and $3.0 million, respectively.

12. Subsequent Events

As discussed in Note 4, the Company purchased $7.4 million of land in Williamsburg, Virginia on April 16, 2014 for the development and construction of Lightfoot Marketplace. The Company purchased $0.3 million of land in Chesapeake, Virginia on May 1, 2014 for the development and construction of a new administrative building for the Commonwealth of Virginia.

As discussed in Note 5, the Operating Partnership borrowed an additional $8.0 million under the credit facility on April 14, 2014 and amended the maximum leverage ratio covenant requirement in the credit facility on April 22, 2014.

As discussed in Note 7, the Company paid cash dividends of $3.1 million to common stockholders and $2.2 million to common unitholders on April 10, 2014. The Company s Board of Directors declared a cash dividend/distribution of $0.16 per share/unit on May 9, 2014 to common stockholders and common unitholders of record on July 1, 2014.

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Review Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders of

Armada Hoffler Properties, Inc.

We have reviewed the condensed consolidated balance sheet of Armada Hoffler Properties, Inc. (successor to the entities described in Note 1) as of March 31, 2014, and the related condensed consolidated and combined statements of income and cash flows for the three-month periods ended March 31, 2014 and 2013 and the condensed consolidated statement of equity for the three-month period ended March 31, 2014. These financial statements are the responsibility of the Company s management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the condensed consolidated and combined financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Armada Hoffler Properties, Inc. as of December 31, 2013, and the related consolidated and combined statements of income, equity, and cash flows for the year then ended (not presented herein) and we expressed an unqualified audit opinion on those consolidated and combined financial statements in our report dated March 31, 2014. In our opinion, the accompanying condensed consolidated balance sheet as of December 31, 2013, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Ernst & Young LLP

Richmond, Virginia

May 15, 2014

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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, toget with our consolidated subsidiaries, including Armada Hoffler, L.P., a Virginia limited partnership, of which we are the sole general partner and which we refer to in this Quarterly Report on Form 10-Q as our Operating Partnership.

Forward-Looking Statements

The following discussion should be read in conjunction with the consolidated financial statements and notes thereto appearing elsewhere in this report. We make statements in this report that are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (set forth in Section 27A of the Securities Act of 1933, as amended (the Securities Act), and section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act)). In particular, statements pertaining to our capital resources, portfolio performance and results of operations contain forward-looking statements. Likewise, all of our statements regarding anticipated growth in our funds from operations and estimated general contracting and real estate services are forward-looking statements. You can identify forward-looking statements by the use of forward-looking terminology such as believes, expects, may, will, should, seeks, approximately, intends, plans, estimates or anticipates or the negative of these word or similar words or phrases which are predictions of or indicate future events or trends and which do not relate solely to historical matters. You can also identify forward-looking statements by discussions of strategy, plans or intentions.

Forward-looking statements involve numerous risks and uncertainties and you should not rely on them as predictions of future events. Forward-looking statements depend on assumptions, data or methods which may be incorrect or imprecise and 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 identified development pipeline successfully, on the anticipated timeline or at the anticipated costs;
- our failure to generate sufficient cash flows to service our outstanding indebtedness;
- defaults on, early terminations of or non-renewal of leases by tenants, including significant tenants;
- bankruptcy or insolvency of a significant tenant or a substantial number of smaller tenants;
- difficulties in identifying or completing development or acquisition opportunities;
- our failure to successfully operate developed and acquired properties;

our failure to generate income in our general contracting and real estate sources 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;

general economic conditions;

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 qualify and 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 qualify and maintain our qualification as a REIT for U.S. federal income tax purposes; and

changes in governmental regulations or interpretations thereof, such as real estate and zoning laws and increases in real property tax rates and taxation of REITs.

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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 throughout the Mid-Atlantic United States. As of March 31, 2014, our portfolio comprised seven office properties, 15 retail properties and three multifamily properties located in Virginia and North Carolina. As of March 31, 2014, our office and retail operating property portfolios aggregated over 2.0 million net rentable square feet and our multifamily property portfolio comprised 823 apartment units.

We are a Maryland corporation formed on October 12, 2012 to acquire the entities in which Daniel A. Hoffler and his affiliates, certain of our other officers, directors and their affiliates and other third parties owned a direct or indirect interest (the Formation Transactions). We did not have any operating activity until the consummation of our initial public offering of our shares of common stock (the IPO) and the Formation Transactions on May 13, 2013. Upon completing our IPO and the Formation Transactions, we conduct our operations through Armada Hoffler, L.P. (our Operating Partnership), whose assets, liabilities and results of operations we consolidate.

Our Predecessor is not a single legal entity, but rather a combination of real estate and construction entities that were under common control by our Executive Chairman, Daniel A. Hoffler. These entities include: (i) controlling interests in entities that owned 7 office properties, 14 retail properties and 1 multifamily property, (ii) noncontrolling interests in entities that owned one retail and one multifamily property (Bermuda Crossroads and Smith s Landing, respectively), (iii) the property development and asset management businesses of Armada Hoffler Holding Company, Inc. and (iv) the general commercial construction businesses of Armada Hoffler Construction Company and Armada Hoffler Construction Company of Virginia.

The results of operations of the properties and entities acquired by us in connection with our IPO and the Formation Transactions are included in our results beginning on May 13, 2013. Accordingly, the results of operations for the three months ended March 31, 2013 reflect those of our Predecessor. The results of operations for the three months ended March 31, 2014 reflect those of our company.

First Quarter 2014 Highlights

Net income of $2.5 million, or $0.08 per share, for the three months ended March 31, 2014, compared to $1.9 million for the corresponding period in 2013.

Funds from operations (FFO) of $6.5 million, or $0.20 per share, for the three months ended March 31, 2014, compared to $5.1 million for the corresponding period in 2013. See Non-GAAP Financial Measures.

Occupancy increased to 94.5% as of March 31, 2014, compared to 94.4% as of December 31, 2013 and 93.8% as of March 31, 2013.

Completed the acquisition of Liberty Apartments on January 17, 2014.

Invested $20.3 million in new real estate development.

Executed $165.9 million of new construction contract work, including the Harbor Point project in Baltimore, Maryland.

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Development Pipeline

In addition to the projects in our development pipeline, in November 2012, we were selected by Johns Hopkins University, after an extensive competitive selection process, to join with the university in the redevelopment of a 1.12 acre property adjacent to the university s Homewood campus in Baltimore, Maryland. This mixed-use development will include student housing, retail space, restaurants and parking. The goal of the completed project will be to complement the Homewood campus and nearby Charles Village neighborhood and provide a catalyst for future development in the area. The Johns Hopkins project continues to progress, with the program now defined and strong interest from retailers for the ground floor commercial space.

As of the date of this Quarterly Report on Form 10-Q, we had the following eleven properties under development ($ in thousands):

entified Development Pipeline

il	Location	Estimated Square Footage [1]	Estimated Cost [1]	Cost Incurred through March 31, 2014	Schedule Start	Anchor Tenant Occupancy	Stabilized Operation	AHH Ownership % [1]	Property Type	Anchor Tenants
Street [2]	Virginia Beach, VA	234,000 [3]	$ 50,000	$ 32,000	1Q13	3Q14	1Q16	100%	Office	Clark Nexsen, Development Authority of Virg Beach, Anthropologie [3]
	Virginia Beach, VA	70,000	13,000	6,000	4Q13	1Q15	2Q16	100%	Retail	Harris Teeter
ossing	Newport News, VA	36,000	8,000	1,200	3Q14	3Q15	3Q15	65%	Office	Huntington Ingall
hopping	Chesapeake, VA	18,000	6,000	3,000	4Q13	4Q14	3Q16	100%	Retail	Wawa
		358,000	$ 77,000	$ 42,200						

Multifamily	Location	Estimated Apartment Units [1]	Estimated Cost [1]	Cost Incurred through March 31, 2014	Schedule Start	Initial Occupancy	Complete [1]	Stabilized Operation	AHH Ownership %
Encore Apartments [2]	Virginia Beach, VA	286	$ 34,000	$ 17,000	1Q13	3Q14	4Q15	1Q16	100%
Whetstone Apartments	Durham, NC	203	28,000	13,000	2Q13	3Q14	3Q15	1Q16	100%
Liberty Apartments [6]	Newport News, VA	197	30,700	30,700			1Q14	3Q15	100%
		686	$ 92,700	$ 60,700					

Next Generation Pipeline Schedule

tail	Location	Estimated Square Footage [1]	Estimated Cost [1]	Cost Incurred through March 31, 2014	Start	Anchor Tenant Occupancy	Stabilized Operation	AHH Ownership % [1]	Property Type	Anchor Tenants
ng	Chesapeake, VA	155,000	$ 26,000	$ 6,000	4Q13	1Q15	1Q15	100%	Office	Oceaneering
wealth a ke	Chesapeake, VA	36,000	7,000	200	2Q14	1Q15	1Q15	100%	Office	Commonwealth o Virginia
wealth a Beach	Virginia Beach, VA	11,000	3,000		2Q14	1Q15	1Q15	100%	Office	Commonwealth o Virginia
ce	Williamsburg, VA	88,000	24,000	500	3Q14	1Q16	2Q17	70% [7]	Retail	Harris Teeter
			$ 60,000	$ 6,700						
		Total	**$ 229,700**	**$ 109,600**						

(1) Represents estimates that may change as the development process proceeds.
(2) This property will be located in the Town Center of Virginia Beach.
(3) Approximately 83,000 square feet is leased to Clark Nexsen, an architectural firm, approximately 23,000 square feet is leased to the City of Virginia Beach Development Authority and approximately 9,000 square feet is leased to Anthropologie.
(4) The principal tenant lease has not been signed as of the date of this Quarterly Report on Form 10-Q.
(5) The Company has completed the sale of a pad-ready site adjacent to Greentree Shopping Center to Walmart.
(6) Reflects the purchase price of the acquisition that occurred in 1Q14.
(7) The Company will earn a preferred return on equity prior to any distributions to minority partners.

Our execution on all of the projects identified in the preceding table and the Johns Hopkins project are subject to, among other factors, regulatory approvals, financing availability and suitable market conditions. During the three months ended March 31, 2014, we capitalized approximately $0.6 million of development-related compensation and overhead.

4525 Main Street is our most recent addition to the Town Center of Virginia Beach and is located across from The Cosmopolitan, One Columbus and Armada Hoffler Tower. This 15-story office tower is the future home of Clark Nexsen, an international architecture and engineering firm, which has agreed to lease approximately 83,000 square feet of office space. Additionally, the City of Virginia Beach Development Authority has agreed to lease approximately 23,000 square feet of office space. 4525 Main Street will also feature approximately 21,000 square feet of ground floor retail space that will be anchored by Anthropologie, which is expected to open in the fourth quarter of 2014.

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Sandbridge Commons continues our long-standing relationship with Harris Teeter, which has agreed to anchor the shopping center. In addition to a 53,000 square foot Harris Teeter grocery store, Sandbridge Commons will include approximately 22,000 square feet of small shop retail space. The site includes two outparcels that we plan to either lease or sell.

Brooks Crossing is a new multi-phased commercial center designed to revitalize the east end of Newport News, Virginia. We are currently negotiating a lease with Huntington Ingalls Industries to be the principal tenant in the first phase of this project.

Greentree Shopping Center is a retail power center that will feature a Wawa convenience store and gas station adjacent to a new Walmart Neighborhood Market. We have a long-term ground lease with Wawa and have delivered to Walmart their pad-ready site.

Encore Apartments are also located in the Town Center of Virginia Beach and sit adjacent to 4525 Main Street. Encore Apartments will feature free covered parking, a private pool, concierge service, a business center and meeting space.

Whetstone Apartments are conveniently located near Duke University and are scheduled to open in time for the fall 2014 semester.

Liberty Apartments in Newport News, Virginia feature 197 apartment units and approximately 28,000 square feet of retail space. Liberty Apartments are located next to the Newport News Apprentice School of Shipbuilding, another one of our public/private partnership projects. As contemplated in our Formation Transactions, we completed our acquisition of Liberty Apartments on January 17, 2014.

Next Generation Pipeline

The *Oceaneering International* facility will be a 155,000 square foot office and manufacturing building located in Chesapeake, Virginia. We were selected as the developer of this new build-to-suit facility that will serve as Oceaneering International s operational base in Virginia. Oceaneering International has agreed to a 15-year lease with us. We facilitated this public/private transaction among the City of Chesapeake, the Commonwealth of Virginia and Oceaneering International.

Commonwealth of Virginia Projects: In May 2014, we announced that we will develop two new administrative buildings for the Commonwealth of Virginia one in Chesapeake and one in Virginia Beach for a total of 47,000 square feet. The properties are 100% pre-leased to the Commonwealth of Virginia, which signed 12-year leases for both locations. We expect both projects to be completed by early 2015.

Lightfoot Marketplace will be a grocery-anchored shopping center in Williamsburg, Virginia. This multi-phased project is a redevelopment of the Williamsburg Outlet Mall. We expect to complete phase one of the project, consisting of approximately 88,000 square feet, in early 2016. Harris Teeter has signed a 20-year lease for approximately 53,000 square feet. Phase one of Lightfoot Marketplace will include an additional 35,000 square feet of shops and restaurants. We expect to begin construction of phase one in the third quarter of 2014. Phase two represents an opportunity for us to develop another 42,000 square feet in the future. As the majority partner in this joint venture, we are entitled to a preferred return on our equity prior to any potential distributions to minority partners.

Segment Results of Operations

As of March 31, 2014, 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 (TRSs). Net operating income (segment revenues minus segment expenses) or NOI is the measure used by management to assess segment performance and allocate our resources among our segments. See Note 3 to Armada Hoffler Properties, Inc. and Predecessor s condensed consolidated and combined financial statements for additional discussion of our segments.

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

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Office Segment Data

	Three Months Ended March 31,	
	2014	2013
	($ in thousands)	
Rental revenues	$ 6,549	$ 6,486
NOI	$ 4,418	$ 4,540
Properties (1)	7	7
Square feet (1)	950,370	953,075
Occupancy (1)	95.4%	93.9%

(1) As of the end of the periods presented.

Rental revenues for the three months ended March 31, 2014 increased $0.1 million while NOI for the three months ended March 31, 2014 decreased $0.1 million compared to the corresponding period in 2013. Increased utility costs due to the harsher winter more than offset increased occupancy and rental revenues at Two Columbus.

Office Same Store Results

Office same store rental revenues, property expenses and NOI for the three months ended March 31, 2014 and 2013 were as follows:

	Three months ended March 31,		
	2014	2013	Change
	($ in thousands)		
Rental revenues	$ 6,549	$ 6,486	$ 63
Property expenses	2,131	1,946	185
Same Store NOI	**$ 4,418**	**$ 4,540**	**$ (122)**
Non-Same Store NOI			
Segment NOI	$ 4,418	$ 4,540	$ (122)

Same store rental revenues for the three months ended March 31, 2014 increased $0.1 million while same store NOI for the three months ended March 31, 2014 decreased $0.1 million compared to the corresponding period in 2013. Increased utility costs due to the harsher winter more than offset increased occupancy and rental revenues at Two Columbus.

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Retail Segment Data

	Three Months Ended March 31, 2014	2013
	($ in thousands)	
Rental revenues	$ 5,770	$ 5,005
NOI	$ 3,945	$ 3,325
Properties (1)	15	14
Square feet (1)	1,092,311	983,097
Occupancy (1)	93.4%	94.2%

(1) As of the end of the periods presented.

Rental revenues for the three months ended March 31, 2014 increased $0.8 million compared to the corresponding period in 2013. NOI for the three months ended March 31, 2014 increased $0.6 million compared to the corresponding period in 2013. The increases in rental revenues and NOI resulted primarily from our consolidation of Bermuda Crossroads upon completion of our IPO and the Formation Transactions on May 13, 2013.

Retail Same Store Results

Retail same store rental revenues, property expenses and NOI for the three months ended March 31, 2014 and 2013 were as follows:

	Three months ended March 31, 2014	2013	Change
	($ in thousands)		
Rental revenues (1)	$ 5,228	$ 5,005	$ 223
Property expenses (1)	1,687	1,680	7
Same Store NOI (1)	**$ 3,541**	**$ 3,325**	**$ 216**
Non-Same Store NOI	404		404
Segment NOI	$ 3,945	$ 3,325	$ 620

(1) Excludes Bermuda Crossroads, which was an unconsolidated property prior to May 13, 2013.

Same store rental revenues for the three months ended March 31, 2014 increased $0.2 million compared to the corresponding period in 2013. Same store NOI for the three months ended March 31, 2014 increased $0.2 million compared to the corresponding period in 2013. The increases in same store rental revenues and NOI for the comparison periods resulted primarily from increased percentage rent at 249 Central Park Retail and increased occupancy at North Point Center.

Multifamily Segment Data

	Three Months Ended March 31, 2014	Three Months Ended March 31, 2013
	($ in thousands)	
Rental revenues	$ 2,874	$ 1,907
NOI	$ 1,511	$ 1,092
Properties (1)	3	1
Apartment units (1)(2)	626	342
Occupancy (1)(2)	94.2%	87.7%

(1) As of the end of the periods presented.
(2) Excludes the 197 units of Liberty Apartments, which was not stabilized as of March 31, 2014.

Rental revenues for the three months ended March 31, 2014 increased $1.0 million compared to the corresponding period in 2013. NOI for the three months ended March 31, 2014 increased $0.4 million compared to the corresponding period in 2013. The increases in rental revenues resulted from our consolidation of Smith s Landing upon completion of our IPO and the Formation Transactions on May 13, 2013 and our acquisition of Liberty Apartments on January 17, 2014. Positive NOI from Smith s Landing was partially offset by negative NOI from Liberty Apartments, which had not reached stabilization as of March 31, 2014.

Multifamily Same Store Results

Multifamily same store rental revenues, property expenses and NOI for the three months ended March 31, 2014 and 2013 were as follows:

	Three months ended March 31, 2014	Three months ended March 31, 2013	Change
	($ in thousands)		
Rental revenues (1)	$ 1,816	$ 1,907	$ (91)
Property expenses (1)	831	815	16
Same Store NOI (1)	**$ 985**	**$ 1,092**	**$ (107)**
Non-Same Store NOI	526		526
Segment NOI	$ 1,511	$ 1,092	$ 419

(1) Excludes Smith s Landing, which was an unconsolidated property prior to May 13, 2013, and Liberty Apartments, which we acquired on January 17, 2014.

Same store rental revenues and NOI for the three months ended March 31, 2014 decreased $0.1 million compared to the corresponding period in 2013. The decreases in same store rental revenues and NOI for the comparison period resulted from higher multifamily concessions at The Cosmopolitan, which more than offset increased retail occupancy.

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General Contracting and Real Estate Services Segment Data

	Three Months Ended March 31, 2014	Three Months Ended March 31, 2013
	($ in thousands)	
Segment revenues	$ 19,234	$ 17,956
NOI	1,249	498
Operating margin	6.5%	2.8%

Segment revenues for the three months ended March 31, 2014 increased $1.3 million compared to the corresponding period in 2013. The increase in segment revenues resulted from higher volume and better operating margins on our construction contracts. NOI increased as we experienced better operating margins during 2014.

Backlog as of March 31, 2014 was $193.3 million compared to $65.8 million as of March 31, 2013. During the three months ended March 31, 2014, we executed $165.9 million of new contract or change order work. The changes in backlog for the three months ended March 31, 2014 were as follows:

	Three months ended March 31, 2014 ($ in thousands)
Beginning backlog	$ 46,385
New contracts/change orders	165,947
Work performed	(19,014)
Ending backlog	**$ 193,318**

During the three months ended March 31, 2014, we executed a $164.7 million contract for the construction of Harbor Point, a 900,000 square foot mixed-use tower in Baltimore, Maryland. The building will become headquarters to Exelon s Constellation business unit. Exelon is the nation s leading competitive energy provider. Construction is expected to start in the spring of 2014 with completion expected in the spring of 2016.

As of March 31, 2014, we had $18.5 million of backlog on the Hyatt Place Baltimore/Inner Harbor Hotel. We expect to complete construction in the fall of 2014.

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Consolidated and Combined Results of Operations

Because of the timing of our IPO, the results of operations for the three months ended March 31, 2014 reflect those of the Company and the results of operations for the three months ended March 31, 2013 reflect those of our Predecessor.

The following table summarizes the results of operations for the three months ended March 31, 2014 and 2013:

	Three months ended March 31, 2014	2013	Change
	($ in thousands)		
Revenues			
Rental revenues	$ 15,193	$ 13,398	$ 1,795
General contracting and real estate services revenues	19,234	17,956	1,278
Total revenues	34,427	31,354	3,073
Expenses			
Rental expenses	3,976	3,229	747
Real estate taxes	1,343	1,212	131
General contracting and real estate services expenses	17,985	17,458	527
Depreciation and amortization	3,969	3,159	810
General and administrative expenses	2,046	717	1,329
Total expenses	29,319	25,775	3,544
Operating income	5,108	5,579	(471)
Interest expense	(2,565)	(3,915)	1,350
Other income	112	267	(155)
Income before taxes	2,655	1,931	724
Income tax provision	(149)		(149)
Net income	$ 2,506	$ 1,931	$ 575

Rental Revenues. Rental revenues for the three months ended March 31, 2014 increased $1.8 million compared to the corresponding period in 2013, as follows:

	Three months ended March 31, 2014	2013	Change
	($ in thousands)		
Office	$ 6,549	$ 6,486	$ 63
Retail	5,770	5,005	765
Multifamily	2,874	1,907	967
	$ 15,193	**$ 13,398**	**$ 1,795**

Office rental revenues increased due to higher occupancy at Two Columbus. Retail rental revenues increased because of our consolidation of Bermuda Crossroads upon completion of our IPO and the Formation Transactions on May 13, 2013. Multifamily rental revenues increased because of our consolidation of Smith s Landing upon completion of our IPO and the Formation Transactions on May 13, 2013 and our acquisition of Liberty Apartments on January 17, 2014.

General Contracting and Real Estate Services Revenues. General contracting and real estate services revenues for the three months ended March 31, 2014 increased $1.3 million compared to the corresponding period in 2013 because of higher construction volume and better operating margins on our construction contracts.

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Rental Expenses. Rental expenses for the three months ended March 31, 2014 increased $0.7 million compared to the corresponding period in 2013, as follows:

	Three months ended March 31, 2014	2013	Change
	($ in thousands)		
Office	$ 1,587	$ 1,405	$ 182
Retail	1,322	1,220	102
Multifamily	1,067	604	463
	$ 3,976	**$ 3,229**	**$ 747**

Office rental expenses increased because of higher utility costs due to the harsher winter. Retail rental expenses increased because of our consolidation of Bermuda Crossroads upon completion of our IPO and the Formation Transactions on May 13, 2013. Multifamily rental expenses increased because of our consolidation of Smith s Landing upon completion of our IPO and the Formation Transactions on May 13, 2013 and our acquisition of Liberty Apartments on January 17, 2014.

Real Estate Taxes. Real estate taxes for the three months ended March 31, 2014 increased $0.1 million compared to the corresponding period in 2013, as follows:

	Three months ended March 31, 2014	2013	Change
	($ in thousands)		
Office	$ 544	$ 541	$ 3
Retail	503	460	43
Multifamily	296	211	85
	$ 1,343	**$ 1,212**	**$ 131**

Office real estate taxes were relatively unchanged during the comparison period. Retail real estate taxes increased because of our consolidation of Bermuda Crossroads upon completion of our IPO and the Formation Transactions on May 13, 2013. Multifamily real estate taxes increased because of our consolidation of Smith s Landing upon completion of our IPO and the Formation Transactions on May 13, 2013 and our acquisition of Liberty Apartments on January 17, 2014.

General Contracting and Real Estate Services Expenses. General contracting and real estate services expenses for the three months ended March 31, 2014 increased $0.5 million compared to the corresponding period in 2013 because of higher volume on our construction contracts.

Depreciation and Amortization. Depreciation and amortization for the three months ended March 31, 2014 increased $0.8 million compared to the corresponding period in 2013. The increase was primarily attributable to depreciation and amortization associated with Bermuda Crossroads, Smith s Landing and Liberty Apartments.

General and Administrative Expenses. General and administrative expenses for the three months ended March 31, 2014 increased $1.3 million compared to the corresponding period in 2013. The increase resulted from regulatory and compliance costs incurred to operate as a public company.

Interest Expense. Interest expense for the three months ended March 31, 2014 decreased $1.4 million compared to the corresponding period in 2013 because we decreased the overall leverage on our stabilized portfolio. Total indebtedness on our stabilized portfolio as of March 31, 2014 and December 31, 2013 was $188.7 million and $189.4 million, respectively, compared to $331.4 million and $332.9 million as of March 31, 2013 and December 31, 2012, respectively.

Other Income. Other income for the three months ended March 31, 2014 decreased $0.2 million compared to the corresponding period in 2013. The decrease in other income for the comparison period resulted from our consolidation of Bermuda Crossroads and Smith s Landing beginning on May 13, 2013. We previously accounted for our noncontrolling interests in both Bermuda Crossroads and Smith s Landing under the equity method and presented our earnings from each within other income.

Income Taxes. Prior to the completion of our IPO on May 13, 2013, we made no provision for U.S. federal, state or local income taxes because the profits and losses of our Predecessor flowed through to its respective partners, members and shareholders who were individually responsible for reporting such amounts. Subsequent to the completion of our IPO, our TRSs through which we conduct our development and construction business are subject to federal, state and local corporate income taxes. The income tax provision recognized during the three months ended March 31, 2014 is attributable to the profits of our TRSs.

Liquidity and Capital Resources

Overview

We believe our primary short-term liquidity requirements consist of general contracting expenses, operating expenses and other expenditures associated with our properties, including tenant improvements, leasing commissions and leasing incentives, dividend payments to our stockholders required to maintain our REIT qualification, debt service, capital expenditures, new real estate development projects and strategic acquisitions. We expect to meet our short-term liquidity requirements through net cash provided by operations, reserves established from existing cash, borrowings under construction loans to fund new real estate development and construction and borrowings available under our credit facility.

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

As of March 31, 2014, we had unrestricted cash and cash equivalents of $13.4 million and restricted cash in escrow of $2.8 million available for both current liquidity needs as well as development activities. As of March 31, 2014, we had $65.1 million available under our credit facility to meet our short-term liquidity requirements.

Credit Facility

On May 13, 2013, we closed on a $100.0 million senior secured credit facility that includes an accordion feature that allows us to increase the borrowing capacity under the facility up to $250.0 million, subject to certain conditions. On October 10, 2013, we increased the borrowing capacity under the credit facility to $155.0 million pursuant to the accordion feature by adding six properties to the borrowing base collateral. As of March 31, 2014, the following ten properties collectively served as the borrowing base collateral for the credit facility: (i) Armada Hoffler Tower, (ii) Richmond Tower, (iii) One Columbus, (iv) Two Columbus, (v) Virginia Natural Gas, (vi) Sentara Williamsburg, (vii) a portion of North Point Center, (viii) Gainsborough Square, (ix) Parkway Marketplace and (x) Courthouse 7-Eleven.

The credit facility matures on May 13, 2016 and includes an optional one-year extension (assuming our compliance with applicable covenants and conditions) for a fee equal to 0.25% of the then applicable maximum amount of the credit facility.

The credit facility bears interest at LIBOR plus 1.60% to 2.20%, depending on our total leverage ratio. As of March 31, 2014, the interest rate on the credit facility was LIBOR plus 1.75%. In addition to interest owed under the credit facility, we are obligated to pay an annual fee based on the average unused portion of the credit facility. This fee is payable quarterly in arrears and is 0.25% of the amount of the unused portion of the credit facility if amounts borrowed are greater than 50% of the credit facility and 0.30% of the unused portion of the credit facility if amounts borrowed are less than 50% of the credit facility.

As of March 31, 2014, we had $80.0 million borrowed under the credit facility and had standby letters of credit issued under the credit facility totaling $9.9 million. As of March 31, 2014, we had $65.1 million of aggregate capacity available under the credit facility.

The credit facility requires us to comply with various financial covenants, including:

- Maximum leverage ratio (as amended on April 22, 2014) of 65% as of the last day of each fiscal quarter through maturity;

- Minimum fixed charge coverage ratio of 1.75x;

- Minimum tangible net worth equal to at least the sum of 80% of tangible net worth on the closing date of the credit facility plus 75% of the net proceeds of any additional equity issuances;

- Maximum amount of variable rate indebtedness not exceeding 30% of our total asset value; and

- Maximum amount of secured recourse indebtedness of 35% of our total asset value.

The credit facility permits investments in the following types of assets: (i) unimproved land holdings in an aggregate amount not exceeding 5% of our total asset value, (ii) construction in progress in an aggregate amount not exceeding 25% of our total asset value

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and (iii) unconsolidated affiliates in aggregate amount not exceeding 5% of our total asset value. Investments in these types of assets cannot exceed 30% of our total asset value. In addition to these financial covenants, the credit facility requires us to comply with various customary affirmative and negative covenants that restrict our ability to, among other things, incur debt and liens, make investments, dispose of properties and make distributions.

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

Consolidated Indebtedness

During the three months ended March 31, 2014, we:

- Assumed $17.0 million of debt at fair value in connection with the acquisition of Liberty Apartments. The fair value adjustment to the assumed debt of Liberty Apartments was a $1.5 million discount. The outstanding principal balance of the assumed debt of Liberty Apartments at the acquisition date was $18.5 million. However, an additional $2.4 million is available and is expected to be used to fund current and future obligations. The loan amortizes over 30 years, bears interest at 5.66% and matures on November 1, 2043.

- Closed on a $19.5 million loan to fund the development and construction of the Oceaneering International facility. The construction loan bears interest at LIBOR plus 1.75% and matures on February 28, 2018. As of March 31, 2014, we did not have any amounts outstanding on the construction loan.

- Borrowed $10.0 million under our credit facility.

- Borrowed $13.3 million under our construction loans to fund our construction of 4525 Main Street, Encore Apartments, Whetstone Apartments and Sandbridge Commons.

On April 14, 2014, we borrowed an additional $8.0 million under our credit facility.

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The following table sets forth our consolidated indebtedness as of March 31, 2014 ($ in thousands):

	Amount Outstanding	Interest Rate [(1)]	Effective Rate for Variable-Rate Debt as of March 31, 2014	Maturity Date	Balance at Maturity
Oyster Point	$ 6,418	5.41%		December 1, 2015	$ 6,089
Broad Creek Shopping Center					
Note 1	4,490	LIBOR+2.25	2.41%	October 31, 2018	4,223
Note 2	8,244	LIBOR+2.25	2.41%	October 31, 2018	7,752
Note 3	3,451	LIBOR+2.25	2.41%	October 31, 2018	3,246
Hanbury Village					
Note 1	21,388	6.67		October 11, 2017	20,499
Note 2	4,142	LIBOR+2.25	2.41%	October 31, 2018	3,777
Harrisonburg Regal	3,797	6.06		June 8, 2017	3,165
North Point Center					
Note 1	10,277	6.45		February 5, 2019	9,333
Note 2	2,817	7.25		September 15, 2025	1,344
Note 4	1,024	5.59		December 1, 2014	1,007
Note 5	700	LIBOR+2.00	3.57% [(2)]	February 1, 2017	641
Tyre Neck Harris Teeter	2,471	LIBOR+2.25	2.41%	October 31, 2018	2,235
249 Central Park Retail	15,765	5.99		September 8, 2016	15,084
South Retail	6,955	5.99		September 8, 2016	6,655
Studio 56 Retail	2,672	3.75		May 7, 2015	2,592
Commerce Street Retail	5,597	LIBOR+2.25	2.41%	October 31, 2018	5,264
Fountain Plaza Retail	7,883	5.99		September 8, 2016	7,542
Dick s at Town Center	8,292	LIBOR+2.75	2.91%	October 31, 2017	7,889
The Cosmopolitan	47,577	3.75		July 1, 2051	
Smith s Landing	24,714	LIBOR+2.15	2.31%	January 31, 2017	23,793
Stabilized Portfolio	**$ 188,674**				**$ 132,130**
Credit Facility	80,000	LIBOR+1.60-2.20	1.90%	May 13, 2016	80,000
4525 Main Street	17,483	LIBOR+1.95	2.11%	January 30, 2017	17,483
Encore Apartments	9,279	LIBOR+1.95	2.11%	January 30, 2017	9,279
Whetstone Apartments	1,425	LIBOR+1.90	2.06%	October 8, 2016	1,425
Sandbridge Commons	3,437	LIBOR+1.85	2.01%	January 17, 2018	3,437
Oceaneering		LIBOR+1.75	1.91%	February 28, 2018	
Liberty Apartments	18,456 [(3)]	5.66		November 1, 2043	
Total	**$ 318,754**				**$ 243,754**
Unamortized fair value adjustments	(1,483)				

Indebtedness	**$ 317,271**

(1) LIBOR rate is determined by individual lenders.
(2) Subject to an interest rate swap lock.
(3) Principal balance excluding fair value adjustments.

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

As of March 31, 2014, our outstanding indebtedness matures during the following years:

Year	Amount Due ($ in thousands)	Percentage of Total
2014	$ 1,007	<1%
2015	8,681	4
2016	110,706	45
2017	82,749	34
2018 and thereafter	40,611	17
	$ 243,754	**100%**

Interest Rate Derivatives

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

As of March 31, 2014, we were party to the following LIBOR interest rate cap agreements ($ in thousands):

Effective Date	Maturity Date	Strike Rate	Notional Amount
May 31, 2012	May 29, 2015	1.09%	$ 9,068
September 1, 2013	March 1, 2016	3.50%	25,198
September 1, 2013	March 1, 2016	3.50%	37,848
September 1, 2013	March 1, 2016	1.50%	40,000
October 4, 2013	April 1, 2016	1.50%	18,500
March 14, 2014	March 1, 2017	1.25%	50,000
Total			**$ 180,614**

As of March 31, 2014, the notional amounts of our LIBOR interest rate cap agreements with strike rates below and above 1.50% were as follows ($ in thousands):

Strike Rate	Notional Amount
£1.50%	$ 117,568

>1.50%		63,046
Total	**$**	**180,614**

Off-Balance Sheet Arrangements

We have entered into standby letters of credit relating to the guarantee of future performance on certain of our construction contracts. Letters of credit generally are available for draw down in the event we do not perform. As of March 31, 2014, we had aggregate outstanding letters of credit totaling $9.9 million all of which expire during 2014. However, all of our standby letters of credit are expected to renew for additional periods until completion of the underlying contractual obligation.

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Cash Flows

	Three Months Ended March 31,		
	2014	2013	Change
	($ in thousands)		
Operating activities	$ 3,213	$ 4,287	$ (1,074)
Investing activities	(25,898)	(3,182)	(22,716)
Financing activities	17,247	(6,404)	23,651
Net increase (decrease)	**$ (5,438)**	**$ (5,299)**	**$ (139)**
Cash and cash equivalents, beginning of period	$ 18,882	$ 9,400	
Cash and cash equivalents, end of period	$ 13,444	$ 4,101	

Net cash from operating activities decreased $1.1 million during the three months ended March 31, 2014 compared to the three months ended March 31, 2013. The decrease resulted primarily from cash outflows for property and construction liabilities. These decreases were partially offset by net income adjusted for noncash items, which increased $1.5 million during the three months ended March 31, 2014.

Net cash used in investing activities increased $22.7 million during the three months ended March 31, 2014 compared to the three months ended March 31, 2013. During the three months ended March 31, 2014, we invested $20.3 million on new real estate development compared to $2.2 million during the three months ended March 31, 2013. During the three months ended March 31, 2014, we invested $2.5 million in tenant and building improvements compared to $0.7 million during the three months ended March 31, 2013. On January 17, 2014, we paid $2.9 million of net cash in connection with the acquisition of Liberty Apartments.

Net cash from financing activities increased $23.7 million during the three months ended March 31, 2014 compared to the three months ended March 31, 2013. The increase resulted primarily from $23.3 million of borrowings under our credit facility and construction loans to fund our new real estate development.

Non-GAAP Financial Measures

We calculate FFO in accordance with the standards established by NAREIT. NAREIT defines FFO as net income (loss) (calculated in accordance with GAAP), excluding gains (or losses) from sales of depreciable operating property, real estate related depreciation and amortization (excluding amortization of deferred financing costs) and after adjustments for unconsolidated partnerships and joint ventures.

FFO is a supplemental non-GAAP financial measure. Management uses FFO as a supplemental performance measure because it believes that FFO is beneficial to investors as a starting point in measuring our operational performance. Specifically, in excluding real estate related depreciation and amortization and gains and losses from property dispositions, which do not relate to or are not indicative of operating performance, FFO provides a performance measure that, when compared year over year, captures trends in occupancy rates, rental rates and operating costs. We also believe that, as a widely recognized measure of the performance of REITs, FFO will be used by investors as a basis to compare our operating performance with that of other REITs.

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

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The following table sets forth a reconciliation of FFO for the three months ended March 31, 2014 and 2013 to net income, the most directly comparable GAAP equivalent:

	Three Months Ended March 31,	
	2014	**2013**
	($ in thousands)	
Net income	$ 2,506	$ 1,931
Depreciation and amortization	3,969	3,159
Real estate joint ventures, net		(7)
Funds from operations	**$ 6,475**	**$ 5,083**

Net income for the three months ended March 31, 2014 includes noncash stock compensation of $0.3 million. FFO for the three months ended March 31, 2014 includes $(0.3) million of FFO from non-stabilized development projects.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated and combined financial statements that have been prepared in accordance with GAAP. The preparation of these financial statements requires us to exercise our best judgment in making estimates that affect the reported amounts of assets, liabilities, revenues and expenses. We base our estimates on historical experience and other assumptions that we believe to be reasonable under the circumstances. We evaluate our estimates on an ongoing basis, based upon current available information. Actual results could differ from these estimates. We 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, 2013.

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 daily LIBOR. We primarily use fixed interest rate financing to manage our exposure to fluctuations in interest rates. On a limited basis, we also use derivative financial instruments to manage interest rate risk. We do not use these derivatives for trading or other speculative purposes. We have not designated any of our derivatives as hedges for accounting purposes.

At March 31, 2014, approximately $143.5 million, or 45%, of our debt had fixed interest rates and approximately $173.7 million, or 55%, had variable interest rates. Assuming no increase in the level of our variable rate debt, if interest rates increased by 1.0%, our cash flow would decrease by approximately $1.7 million per year. At March 31, 2014, LIBOR was approximately 16 basis points. Assuming no increase in the level of our variable rate debt, if LIBOR was reduced to 0 basis points, our cash flow would increase by approximately $0.3 million per year.

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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 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 U.S. Securities and Exchange Commission (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 March 31, 2014, 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 March 31, 2014, 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.

No changes to our internal control over financial reporting were identified in connection with the evaluation referenced above that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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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 on-going 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, 2013.

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

Unregistered Sales of Equity Securities

On January 17, 2014, we issued 695,652 common units of limited partnership interest in our Operating Partnership in connection with our acquisition of Liberty Apartments. On March 31, 2014, we issued 30,000 common units of limited partnership interest in our Operating Partnership in exchange for all noncontrolling interests in Sandbridge Commons. The issuance of common units in connection with our acquisition of Liberty Apartments and Sandbridge Commons was effected in reliance upon exemptions from registration provided by Section 4(a)(2) of the Securities Act of 1933, as amended, and Regulation D thereunder.

Issuer Purchases of Equity Securities

During the three months ended March 31, 2014, certain of our directors and employees surrendered shares of common stock owned by them to satisfy their minimum statutory federal and state tax obligations associated with the vesting of restricted shares of common stock issued under our 2013 Equity Incentive Plan (the 2013 Plan). The following table summarizes all of these repurchases during the three months ended March 31, 2014.

Period	Total Number of Shares Purchased	Average Price Paid for Shares (1)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet be Purchased Under the Plans or Programs
January 1, 2014 through January 31, 2014			N/A	N/A
February 1, 2014 through February 28, 2014			N/A	N/A
March 1, 2014 through March 31, 2014	8,337	$ 9.94	N/A	N/A
Total	8,337			

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

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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 stated therein) as part of this Quarterly Report on Form 10-Q.

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Signatures

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

	ARMADA HOFFLER PROPERTIES, INC.
Date: May 15, 2014	/s/ LOUIS S. HADDAD Louis S. Haddad President and Chief Executive Officer (Principal Executive Officer)
Date: May 15, 2014	/s/ MICHAEL P. O HARA Michael P. O Hara Chief Financial Officer and Treasurer (Principal Accounting and Financial Officer)

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Exhibit Index

Exhibit No.	Description
10.1 *	Amendment No. 1, dated as of March 19, 2014, to the First Amended and Restated Agreement of Limited Partnership of Armada Hoffler, L.P., dated as of May 13, 2013
10.2 *	First Amendment, dated as of April 22, 2014, to the Credit Agreement, dated as of May 13, 2013, among Armada Hoffler, L.P., as Borrower, Armada Hoffler Properties, Inc., as Parent, Bank of America, N.A., as Administrative Agent, Regions Bank, as Syndicate Agent, Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Sole Lead Arranger and Sole Bookrunner, and various other lenders
15.1 *	Acknowledgment of Ernst & Young LLP, Independent Registered Public Accounting Firm
31.1 *	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2 *	Certification of 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.INS ***	XBRL Instance Document
101.SCH ***	XBRL Taxonomy Extension Schema Document
101.CAL ***	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB ***	XBRL Taxonomy Extension Label Linkbase Document
101.PRE ***	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF ***	XBRL Definition Linkbase

* Filed herewith

** Furnished herewith

*** Furnished herewith. Pursuant to Rule 406T of Regulation S-T, the interactive data files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.