Armada Hoffler Properties, Inc.
Form S-11/A
April 12, 2013
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As filed with the Securities and Exchange Commission on April 12, 2013

Registration No. 333-187513

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 1 to

Form S-11

REGISTRATION STATEMENT

FOR REGISTRATION UNDER THE SECURITIES ACT OF 1933

OF SECURITIES OF CERTAIN REAL ESTATE COMPANIES

Armada Hoffler Properties, Inc.

(Exact name of registrant as specified in its governing instruments)

222 Central Park Avenue, Suite 2100, Virginia Beach, Virginia 23462

(757) 366-4000

(Address, including zip code and telephone number, including area code,

of registrant s principal executive offices)

Louis S. Haddad

Armada Hoffler Properties, Inc.

222 Central Park Avenue, Suite 2100, Virginia Beach, Virginia 23462

(757) 366-4000

(Name, address, including zip code and telephone number,

including area code, of agent for service)

Copies to:

David C. Wright	**John A. Good**
S. Gregory Cope	**Justin R. Salon**
Hunton & Williams LLP	**Bass, Berry & Sims PLC**
951 East Byrd Street	**1201 Pennsylvania Ave. Suite 300**
Richmond, Virginia 23219	**Washington, D.C. 20004**
(804) 788-8638	**(202) 827-2950**

Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

If any of the Securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, check the following box: ¨

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement of the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. ¨

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

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

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to Completion,

Preliminary Prospectus dated April 12, 2013

PROSPECTUS

Shares

Armada Hoffler Properties, Inc.

Common Stock

This is the initial public offering of Armada Hoffler Properties, Inc. We are selling shares of our common stock.

We expect the initial public offering price of our common stock to be between $ and $ per share. Currently, no public market exists for our shares. We intend to apply to list our common stock on the New York Stock Exchange under the symbol AHH. We intend to elect to be taxed and to operate in a manner that will allow us to qualify as a real estate investment trust for federal income tax purposes commencing with our taxable year ending December 31, 2013. To assist us in qualifying as a real estate investment trust, among other purposes, our charter generally limits any person from beneficially or constructively owning more than 9.8% in value or number of shares, whichever is more restrictive, of the outstanding shares of any class or series of our capital stock. See Description of Capital Stock Restrictions on Ownership and Transfer.

We are an emerging growth company under the federal securities laws and will be subject to reduced public company reporting requirements. Investing in our common stock involves a high degree of risk. See Risk Factors beginning on page 25 of this prospectus for a discussion of certain risk factors that you should consider before investing in our common stock.

	Per Share	Total
Public offering price	$	$
Underwriting discount	$	$
Proceeds, before expenses, to us	$	$

The underwriters may also exercise their option to purchase up to an additional shares from us, at the public offering price, less the underwriting discount, for 30 days after the date of this prospectus to cover overallotments, if any.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The shares will be ready for delivery on or about , 2013.

Baird

The date of this prospectus is , 2013.

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You should rely only on the information contained in this document or to which we have referred you. We have not, and the underwriters have not, authorized anyone to provide you with information that is different. If anyone provides you with different information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. The information in this prospectus is current as of the date such information is presented. Our business, financial condition, liquidity, funds from operations, or FFO, results of operations and prospects may have changed since those dates.

We use market data, demographic data, industry forecasts and industry projections throughout this prospectus. Unless otherwise indicated, we derived such information from the market study prepared for us by Rosen Consulting Group, or RCG, a nationally recognized real estate consulting firm. Such information is included in this prospectus in reliance on RCG s authority as an expert on such matters. We have paid RCG a fee of $45,000 for such services. In addition, we have obtained certain market and industry data from publicly available industry publications. These sources generally state that the information they provide has been obtained from sources believed to be reliable, but that the accuracy and completeness of the information are not guaranteed. The industry forecasts and projections are based on historical market data and the preparers experience in the industry, and there is no assurance that any of the projected amounts will be achieved. We believe that the market and industry research others have performed are reliable, but we have not independently verified this information.

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PROSPECTUS SUMMARY

You should read the following summary together with the more detailed information regarding our company and the historical and pro forma financial statements appearing elsewhere in this prospectus, including under the caption Risk Factors. References in this prospectus to we, our, us and our company refer to Armada Hoffler Properties, Inc., a Maryland corporation together with our consolidated subsidiaries, including Armada Hoffler, L.P., a Virginia limited partnership, which we refer to in this prospectus as our operating partnership. We are the sole general partner of the operating partnership. The historical and current operations described in this prospectus refer to historical and current operations of the businesses and assets of our predecessor and its affiliates (which we refer to collectively in this prospectus as Armada Hoffler) that we will succeed to upon consummation of the formation transactions described in this prospectus under the caption Structure and Formation of Our Company as if such operations were conducted by us. Unless otherwise indicated, the information contained in this prospectus is as of December 31, 2012 and assumes that (1) the underwriters overallotment option is not exercised, (2) the formation transactions are consummated, (3) the common stock to be sold in this offering is sold at $ per share, which is the midpoint of the price range set forth on the front cover of this prospectus, and (4) the common units of limited partnership interest in our operating partnership, or common units, to be issued in the formation transactions are valued at $ per common unit, which is the midpoint of the price range set forth on the front cover of this prospectus. Commencing one year following the completion of this offering and the formation transactions, each common unit will be redeemable, at the option of the holder, for cash equal to the then-current market value of one share of common stock or, at our option, for one share of our common stock.

Our Company

Overview

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. Upon completion of this offering and the formation transactions, we intend to elect to be taxed as a real estate investment trust, or REIT, for U.S. federal income tax purposes. Our initial portfolio consists of properties in various markets in Virginia and North Carolina. We intend to develop and acquire office, retail and multifamily properties in the broader Mid-Atlantic region, including, among other cities, Washington, D.C. and Baltimore, Maryland. In this prospectus, we refer to cities in the Mid-Atlantic region as our target markets. We believe our experience, strategic focus on the Mid-Atlantic region and multi-sector portfolio strategy positions us to compete as a leading commercial real estate owner, operator and developer in our target markets. In addition to developing and building properties for our own account, we also provide general construction and development services to third-party clients throughout the Mid-Atlantic and Southeastern regions of the United States.

We were formed as a Maryland corporation in October 2012 to succeed to the business of Armada Hoffler, a privately owned real estate business founded in 1979. Upon completion of this offering and the related formation transactions, our initial portfolio will consist of 100% of the interests in the following properties:

- **Office**: Seven properties consisting of approximately 1.0 million net rentable square feet, which were approximately 94.1% leased and constituted approximately 43.9% of the total annualized base rent of our initial portfolio as of December 31, 2012.

- **Retail**: Fifteen properties consisting of approximately 1.1 million net rentable square feet, which were approximately 93.9% leased and constituted approximately 38.1% of the total annualized base rent of our initial portfolio as of December 31, 2012.

- **Multifamily**: Two properties consisting of 626 apartment units, which were approximately 94.9% leased and constituted approximately 18.0% of the total annualized base rent of our initial portfolio as of December 31, 2012.

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In addition to our initial portfolio described above, prior to the closing of this offering we will enter into a purchase agreement to acquire the Apprentice School Apartments, a 197-unit multifamily property located in Newport News, Virginia upon satisfaction of certain conditions, which is currently expected to occur in November 2013. For more information regarding the Apprentice School project, see Business and Properties Property under Contract. Upon completion of this offering and the formation transactions, we also will succeed to Armada Hoffler s development pipeline, which consists of two office properties, two retail properties and two multifamily properties in various stages of development, which we refer to in this prospectus as our identified development pipeline. Based on current development plans and agreements, we expect that the projects in our identified development pipeline will consist of a total of approximately 290,000 square feet of office space, 90,000 square feet of retail space and 491 apartment units. Prior to the completion of this offering, we will also enter into agreements providing us options to purchase seven parcels of developable land from certain of our executive officers and their affiliates.

We develop and build properties for our own account and through joint ventures between us and unaffiliated partners. We also provide general contracting services to third parties. Our construction and development experience includes mid- and high-rise office buildings, retail strip malls and retail power centers, multifamily apartment communities, hotels and conference centers, single- and multi-tenant industrial, distribution and manufacturing facilities, educational, medical and special purpose facilities, government projects, parking garages and mixed-use town centers. Our third-party construction contracts have included signature properties across the Mid-Atlantic region, such as the Inner Harbor East development in Baltimore, Maryland, including the Four Seasons Hotel and Legg Mason office tower, the Mandarin Oriental Hotel in Washington, D.C., and a $50 million proton therapy institute for Hampton University in Hampton, Virginia. Our construction company is consistently ranked among the Top 400 General Contractors nationwide by Engineering News Record and among the Top 50 Retail Contractors by Shopping Center World. As part of our formation transactions, we expect to acquire construction contracts from Armada Hoffler for four on-going projects and will assume Armada Hoffler s ongoing obligations under those contracts.

In addition to our general expertise and extensive experience in developing, building and owning high-quality commercial properties, we believe that we have particular expertise and a well-established track record forming partnerships between and among public and private entities to develop, construct and own high-quality, institutional-grade properties. Our senior management team has worked at our predecessor for an average of 18 years and is led by Daniel A. Hoffler, our Executive Chairman, who has over 33 years of experience in the commercial real estate industry in our target markets, Russ Kirk, our Vice Chairman, who has been with the Company for over 30 years, and Lou Haddad, our President and CEO, who has been with the Company for over 28 years.

Our Competitive Strengths

We believe the following competitive strengths distinguish us from many of our competitors:

- **Seasoned, Committed and Aligned Senior Management Team with a Proven Track Record**. Our senior management team, led by Daniel Hoffler, Louis Haddad and Russell Kirk, has extensive experience developing, constructing, owning, operating, renovating and financing institutional-grade office, retail, multifamily and hotel properties in the Mid-Atlantic region. Since inception, Armada Hoffler has developed in excess of $1.4 billion of properties, including all but one of the properties in our initial portfolio. Upon completion of this offering and the related formation transactions, our executive officers and directors collectively will own approximately % of our company on a fully diluted basis, which we believe will align their interests with those of our stockholders.

- **High-Quality, Diversified Portfolio**. Our initial portfolio consists of institutional-grade, premier office, retail and multifamily properties located in Virginia and North Carolina. Our properties are generally in the top tier of commercial properties in their markets and offer Class-A amenities and finishes. Our properties have an average age of 11.4 years, and were, with one exception, built and developed by us. We believe we generally have lower tenant improvement costs per square foot than many of our public

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company peers due to the average age of our properties, our historical retention rate, high barriers to entry in our markets and the institutional-grade quality of our portfolio. We believe that we have maintained our properties to the highest standards and that the quality and location of our properties, together with our active asset management strategies, have resulted in our properties achieving and maintaining competitive rents and occupancy levels relative to competitive properties, including during the recent recessionary period of 2007 to 2009 and subsequent weak recovery. For example, when occupancy rates on our stabilized office and retail portfolios reached post-2007 lows of 92.4% and 93.2%, respectively, in 2011, the U.S. office and retail occupancy rates were 83.3% and 91.5%, respectively, for the comparable period, according to RCG. Additionally, in 2010, when the U.S. office and retail occupancy rates reached post-2007 lows of 82.1% and 91.2%, respectively, the comparable occupancy rates on our stabilized office and retail portfolios were 96.0% and 93.7%, respectively.

- **Strategic Focus on Attractive Mid-Atlantic Markets**. We focus our activities in our target markets in the Mid-Atlantic region of the United States that demonstrate attractive fundamentals driven by favorable supply and demand characteristics and limited competition from other large, well-capitalized operators. According to RCG, many of our target markets enjoy high concentrations of employers in industry sectors that historically have been resistant to recession, including military, state government, higher education and healthcare. The Hampton Roads Metropolitan Statistical area, or MSA, region, from which we derive a majority of our annualized base rent, had an unemployment rate of 6.4% as of August 2012, as compared to unemployment rates of 8.3%, 8.2% and 8.1% in the top 10, top 25 and top 50 MSAs, respectively, and the U.S. national rate of 7.8%. Furthermore, RCG projects steady population growth in all of the markets in which the properties in our initial portfolio are located. We believe that our longstanding presence in our target markets provides us with significant advantages in sourcing and executing development opportunities, identifying and mitigating potential risks and negotiating attractive pricing.

- **Extensive Experience with Construction and Development**. Since 1982, Armada Hoffler has provided third-party general contracting services through both design/build and design/bid/build delivery methods with a commitment to delivering a quality project on schedule and within the established budget. Our platform consists of development, construction and asset management capabilities, which comprise an integrated delivery system for every project that we build for our own account or for third-party clients. This integrated approach provides a single source of accountability for design and construction, simplifies coordination and communication among the relevant stakeholders in each project and provides us valuable insight from an operational perspective. In addition to building 23 of the 24 properties in our initial portfolio, we have had a lead role in the following construction and development projects for third party clients:

  - *Inner Harbor East, Baltimore, MD*: Harbor East is a $1.7 billion, mixed-use waterfront project covering more than eight blocks adjacent to Baltimore s Inner Harbor and Little Italy, which includes a Four Seasons hotel, the Legg Mason office tower, other Class-A office space and upscale retail shops.

  - *The Mandarin Oriental Hotel, Washington, D.C.*: The Washington, D.C. Mandarin Oriental is a five-star, 400-room luxury hotel, which was completed in 2004 for a total cost of approximately $144 million.

  - *The Embassy of Sweden/Harbourside, Washington, D.C.*: The Embassy of Sweden and Harbourside comprise a two-building Class-A office and residential complex along the Potomac River and Rock Creek Park in Washington, D.C., which was completed in 2004 for a total cost of approximately $100 million.

  - *Hampton University Projects, Hampton, VA*: Since the late 1980s, we have been the preferred construction and development partner for Hampton University and have built several facilities for a total cost of approximately $170 million, including the Proton Therapy Institute (approximately $50 million), Hampton University Student Center (approximately $15 million) and Hampton University Convocation Center (approximately $13 million).

In addition to the revenue that we generate from our third-party construction and development clients, we believe that being regularly engaged in construction and development projects provides us significant and distinct advantages, including enhanced market intelligence, greater insight into best practices, enhanced operating leverage and first look access to development and ownership opportunities in our target markets.

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

Our Business and Growth Strategies

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

- **Complete the Development of our Identified Development Pipeline**. We intend to complete the development of our identified development pipeline of high-quality projects, consisting of two office, two retail and two multifamily projects representing a total of approximately 290,000 square feet of office space, 90,000 square feet of retail space and 491 apartment units. We also intend to acquire the Apprentice School Apartments, a 197-unit multifamily property currently under construction in Newport News, Virginia, upon the satisfaction of certain conditions, including completion of construction of all three components of the Apprentice School project, which is currently expected to occur in November 2013.

- **Growth-Oriented Capital Structure**. We intend to use a portion of the net proceeds of this offering to repay approximately $112.8 million of mortgage debt secured by certain properties in our initial portfolio, including related costs and fees. Going forward, we intend to target a debt to gross total assets ratio of approximately 45.0%, which we believe is in line with that of similar publicly traded REITs. We intend to use borrowings under our anticipated credit facility to fund a portion of our identified development pipeline, for future development and for selective acquisitions. Furthermore, we believe our ability to issue common units in our operating partnership to equity holders of potential acquisition properties will provide us a significant advantage over many of our competitors.

- **Pursue a Disciplined, Opportunistic Development and Acquisition Strategy Focused on Office, Retail and Multifamily Properties**. We intend to grow our asset base through continued strategic development of office, retail and multifamily properties, including the projects in our identified development pipeline, and the selective acquisition of high-quality properties that are well-located in their submarkets. In evaluating property investment opportunities, we intend to focus on supply and demand characteristics, management of property specific risks and diversification opportunities to meet our investment objectives and provide attractive risk-adjusted returns. We believe that our relationships with real estate developers, governmental entities, brokers, national and regional lenders, high-quality financially stable tenants and other market participants in our target markets will provide us with access to development and acquisition

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opportunities before they become known to other real estate investors and developers. We seek to create value by developing properties with a minimum expected market capitalization rate approximately 150 basis points higher than the market capitalization rate we would expect to achieve through acquisition. Furthermore, we believe our construction and development expertise provides a high level of quality control while ensuring that the projects we construct and develop are completed more quickly and at a lower cost than if we engaged a third-party general contractor.

- **Pursue New, and Expand Existing, Public/Private Relationships**. We intend to leverage our extensive experience in completing large, complex, mixed-use, public/private projects to establish relationships with new public partners while expanding our relationships with existing public partners. In the current environment of constrained municipal budgets, we believe that public/private partnerships are the most cost-effective method of creating value in what historically have been public projects. We believe our experience and expertise in executing these types of projects provide us with a significant competitive advantage in pursuing these often highly complex transactions, and our continuing success with these projects has resulted in repeat business with our public partners.

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

- **Engage in Disciplined Capital Recycling**. Although we do not have any current plans to dispose of any of the properties in our initial portfolio, we intend to opportunistically divest properties when we believe returns have been maximized and to redeploy the capital into new development, acquisition, repositioning or redevelopment projects that are expected to generate higher potential risk-adjusted returns.

Summary Risk Factors

Investing in our common stock involves a high degree of risk. Prospective investors are urged to carefully consider the matters discussed under Risk Factors prior to making an investment in our common stock. Such risks include, but are not limited to:

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

- We expect to have approximately $280 million of indebtedness outstanding following this offering, including amounts to be drawn from our anticipated credit facility at or shortly after the completion of this offering, which may expose us to the risk of default under our debt obligations and may include covenants that restrict our ability to pay distributions to our stockholders.

- We depend on significant tenants in certain of our office properties, and a bankruptcy, insolvency or inability to pay rent by any of these tenants could result in a material decrease in our rental income, which would have a material adverse effect on us, including our financial condition, results of operations, cash flow, cash available for distribution and our ability to service our debt obligations.

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

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

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

- There can be no assurance that all of the properties in our identified development pipeline will be completed in their entirety in accordance with the anticipated cost, or that we will achieve the results we expect from the development of such properties, which could materially adversely affect our growth prospects, financial condition, results of operations, cash available for distribution and our ability to service our debt obligations.

- Our dependence on third-party subcontractors and equipment and material providers could result in material shortages and/or project delays and could reduce our profits or result in project losses, which could materially adversely affect our financial condition, results of operations, cash flow, cash available for distribution and our ability to service our debt obligations.

- We have not obtained any third-party appraisals of the properties and other assets to be acquired by us from the prior investors in connection with the formation transactions. Accordingly, the value of the cash and common units to be paid or issued as consideration for the properties and assets to be acquired by us in the formation transactions may exceed their aggregate fair market value and will exceed their aggregate historical combined net tangible book value of approximately $(57.1) million as of December 31, 2012.

- Upon completion of this offering and the formation transactions, Daniel Hoffler and his affiliates, directly or indirectly, will own a substantial beneficial interest in our company on a fully diluted basis and will have the ability to exercise significant influence on our company and our operating partnership, including the approval of significant corporate transactions.

- Messrs. Hoffler, Haddad, Kirk, Nero and Apperson and their affiliates will receive benefits in connection with this offering, which create a conflict of interest because they have interests in the successful completion of this offering that may influence their decisions affecting the terms and circumstances under which this offering and formation transactions are completed.

- Our charter and bylaws and Maryland law contain provisions that may delay, defer or prevent a change of control transaction that might involve a premium price for our common stock or that our stockholders otherwise believe to be in their best interests.

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

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

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

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Our Initial Portfolio

Upon completion of this offering and the formation transactions, we will own 100% of the interests in 24 properties located predominantly in the Hampton Roads, Richmond and Raleigh-Durham markets, consisting of a total of approximately 1.0 million net rentable square feet of office space, 1.1 million net rentable square feet of retail space and 626 multifamily units, which we refer to in this prospectus as our initial portfolio. We built and developed 23 of the 24 properties in our initial portfolio. Our initial portfolio includes ten properties within the Virginia Beach Town Center, a $500 million central business district mixed-use project that we developed in partnership with the City of Virginia Beach, Virginia. In addition, two properties in our identified development pipeline are located within the Virginia Beach Town Center. The Virginia Beach Town Center is a 17-block, on-going, multi-phase development. To date, the City of Virginia Beach has invested approximately $150 million in the Virginia Beach Town Center, which has created a vibrant downtown central business district for Virginia Beach and attracted new tenants both to the city and larger metropolitan statistical area, with 51.0% of tenants being new to Virginia Beach and 34.4% of tenants being new to the larger Hampton Roads Market.

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The following table presents an overview of our initial portfolio as of December 31, 2012. As described in the notes to the table below, we occupy space in the Armada Hoffler Tower, Oyster Point and the 249 Central Park Retail properties. The rent and square footage for such space are reflected in the table below, but the rent paid by us is eliminated in consolidation in the financial statements and other financial statement information herein.

Property	Location	Year Built	Net Rentable Square Feet[1]	% Leased[2]	Annualized Base Rent[3]	Annualized Base Rent per Leased Square Foot[3]	Average Net Effective Annual Base Rent per Leased Square Foot[4]
Office Properties							
Armada Hoffler Tower[5]	Virginia Beach, VA	2002	327,123	98.3%	$ 8,652,192	$ 26.90	$ 27.73
One Columbus	Virginia Beach, VA	1984	129,424	94.7	2,697,265	22.01	24.61
Two Columbus	Virginia Beach, VA	2009	109,512	80.3	2,134,392	24.26	24.60
Virginia Natural Gas[6]	Virginia Beach, VA	2010	31,000	100.0	568,230	18.33	20.17
Richmond Tower	Richmond, VA	2010	206,969	98.0	6,911,970	34.08	41.84
Oyster Point[7]	Newport News, VA	1989	100,214	81.5	1,700,444	20.81	20.73
Sentara Williamsburg[6]	Williamsburg, VA	2008	49,200	100.0	914,628	18.59	20.50
Subtotal/Weighted Average Office Properties[8]			**953,442**	**94.1%**	**$ 23,579,121**	**$ 26.29**	**$ 28.89**
Retail Properties Not Subject to Ground Lease							
Bermuda Crossroads	Chester, VA	2001	111,566	93.6%	$ 1,426,057	$ 13.65	$ 12.92
Broad Creek Shopping Center	Norfolk, VA	1997-2001	227,750	95.5	2,895,024	13.31	11.81
Courthouse 7-Eleven	Virginia Beach, VA	2011	3,177	100.0	125,000	39.35	43.81
Gainsborough Square	Chesapeake, VA	1999	88,862	93.0	1,280,905	15.50	15.36
Hanbury Village	Chesapeake, VA	2006-2009	61,049	84.7	1,332,563	25.76	25.60
North Point Center	Durham, NC	1998-2009	215,699	91.1	2,324,762	11.84	11.30
Parkway Marketplace	Virginia Beach, VA	1998	37,804	100.0	753,568	19.93	19.97
Harrisonburg Regal	Harrisonburg, VA	1999	49,000	100.0	683,550	13.95	13.95
Dick s at Town Center	Virginia Beach, VA	2002	100,804	91.4	908,460	9.86	8.30
249 Central Park Retail[9]	Virginia Beach, VA	2004	92,515	98.7	2,511,180	27.50	27.09
Studio 56 Retail	Virginia Beach, VA	2007	11,600	84.8	333,400	33.91	37.15
Commerce Street Retail	Virginia Beach, VA	2008	20,123	100.0	779,835	38.75[10]	39.99
Fountain Plaza Retail	Virginia Beach, VA	2004	35,961	100.0	972,426	27.04	26.26
South Retail	Virginia Beach, VA	2002	38,763	92.5%	825,363	23.02	26.54
Subtotal/Weighted Average Retail Properties Not Subject to Ground Lease[11]			**1,094,673**	**93.9%**	**$ 17,152,093**	**$ 16.68**	**$ 16.16**
Retail Properties Subject to Ground Lease							
Bermuda Crossroads[12]	Chester, VA	2001	[14]	100.0%	$ 148,500		
Broad Creek Shopping Center[13]	Norfolk, VA	1997-2001	[15]	100.0	572,291		
Hanbury Village[12]	Chesapeake, VA	2006-2009	[16]	100.0	1,067,598		
North Point Center[12]	Durham, NC	1998-2009	[17]	100.0	1,048,135		
Tyre Neck Harris Teeter[11]	Portsmouth, VA	2011	[18]	100.0	507,603		
Subtotal/Weighted Average Retail Properties Subject to Ground Lease				**100.0%**	**$ 3,344,127**		
Total/Weighted Average Retail Properties			**1,094,673[19]**		**$ 20,496,220**		

Property	Location	Year Built	Apartment Units[20]	% Leased[2]	Annualized Base Rent[21]	Average Monthly Base Rent per Leased Unit[22]

Multifamily						
Smith s Landing[23]	Blacksburg, VA	2009	284	98.6%	$ 3,305,046	$ 983.64
The Cosmopolitan	Virginia Beach, VA	2006	342	91.9	6,389,254[24]	1,494.50
Total/Weighted Average Multifamily Properties			**626**	**94.9%**	**$ 9,694,300**	**$ 1,253.81**
Total Portfolio					**$ 53,769,641**	

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(1) The net rentable square footage for each of our office properties is the sum of (a) the square footages of existing leases, plus (b) for available space, management s estimate of net rentable square footage based, in part, on past leases. The net rentable square footage included in office leases is generally determined consistently with the Building Owners and Managers Association, or BOMA, 1996 measurement guidelines. The net rentable square footage for each of our retail properties is the sum of (a) the square footages of existing leases, plus (b) for available space, the field verified square footage.

(2) Percentage leased for each of our office and retail properties is calculated as (a) square footage under commenced leases as of December 31, 2012, divided by (b) net rentable square feet, expressed as a percentage. Percentage leased for our multifamily properties is calculated as (a) total units rented as of December 31, 2012, divided by (b) total units available, expressed as a percentage.

(3) For the properties in our office and retail portfolios, annualized base rent is calculated by multiplying (a) base rental payments (defined as cash base rents (before abatements) excluding tenant reimbursements for expenses paid by the landlord) for the month ended December 31, 2012, by (b) 12. Annualized base rent per leased square foot is calculated by dividing (a) annualized base rent, by (b) square footage under commenced leases as of December 31, 2012. In the case of triple net or modified gross leases, annualized base rent does not include tenant reimbursements for real estate taxes, insurance, common area or other operating expenses.

(4) Average net effective annual base rent per leased square foot represents (a) the contractual base rent for leases in place as of December 31, 2012, calculated on a straight-line basis to amortize free rent periods and abatements, but without regard to tenant improvement allowances and leasing commissions, divided by (b) square footage under commenced leases as of December 31, 2012.

(5) As of December 31, 2012, we occupied 16,151 square feet at this property at an annualized base rent of $484,853, or $30.02 per leased square foot, which amounts are reflected in the % leased, annualized base rent and annualized base rent per square foot columns in the table above. In the combined financial statements of our Predecessor and following completion of this offering and the formation transactions, the rent paid by us is eliminated from our revenues in consolidation. In addition, effective March 1, 2013, we sublease approximately 5,000 square feet of space from a tenant at this property.

(6) This property is subject to a triple net lease pursuant to which the tenant pays operating expenses, insurance and real estate taxes.

(7) As of December 31, 2012, we occupied 1,718 square feet at this property on which we do not pay rent.

(8) Reflects square footage and annualized base rent pursuant to leases for space occupied by us. If the space occupied by us were excluded from the table, net rentable square feet, % leased, annualized base rent and annualized base rent per leased square foot for our office portfolio would be 935,573, 94.0%, $23,094,269 and $26.27, respectively.

(9) As of December 31, 2012, we occupied 13,839 square feet at this property at an annualized base rent of $299,338, or $21.63 per leased square foot, which amounts are reflected in the % leased, annualized base rent and annualized base rent per square foot columns in the table above. In the combined financial statements of our Predecessor and following completion of this offering and the formation transactions, the rent paid by us is eliminated from our revenues in consolidation.

(10) Includes $25,200 of annualized base rent pursuant to a rooftop lease.

(11) Reflects square footage and annualized base rent pursuant to leases for space occupied by us. If the space occupied by us were excluded from the table, net rentable square feet, % leased, annualized base rent and annualized base rent per leased square foot for our retail properties not subject to ground lease portfolio would be 1,080,843, 93.8%, $16,852,756 and $16.62, respectively.

(12) For this ground lease, we own the land and the tenant owns the improvements thereto. We will succeed to the ownership of the improvements to the land upon the termination of the ground lease.

(13) We lease the land underlying this property from the owner of the land pursuant to a ground lease. We re-lease the land to our tenant under a separate ground lease pursuant to which our tenant owns the improvements on the land.

(14) Tenants collectively lease 139,356 square feet of land from us pursuant to ground leases.

(15) Tenants collectively lease 299,170 square feet of land from us pursuant to ground leases.

(16) Tenants collectively lease 105,988 square feet of land from us pursuant to ground leases.

(17) Tenants collectively lease 1,439,455 square feet of land from us pursuant to ground leases.

(18) Tenant leases 202,107 square feet of land from us pursuant to a ground lease.

(19) The total square footage of our retail portfolio excludes the square footage of land subject to ground leases.

(20) Units represent the total number of apartment units available for rent at December 31, 2012.

(21) For the properties in our multifamily portfolio, annualized base rent is calculated by multiplying (a) base rental payments for the month ended December 31, 2012 by (b) 12.

(22) Average monthly base rent per leased unit represents the average monthly rent for all leased units for the month ended December 31, 2012.

(23) We lease the land underlying this property from the owner of the land pursuant to a ground lease.

(24) The annualized base rent for The Cosmopolitan includes $752,604 of annualized rent from 14 retail leases at the property.

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Our Identified Development Pipeline

In addition to the properties in our initial portfolio, prior to the closing of this offering we will enter into a purchase agreement to acquire a 197-unit multifamily property located in Newport News, Virginia, upon the satisfaction of certain conditions, including completion of the project s construction, which is currently expected to occur in November 2013, and will succeed to the projects in Armada Hoffler s development pipeline, which we refer to in this prospectus as our identified development pipeline, as described below (dollars in thousands):

Property	Location	Property Type	Estimated Square Footage(1)	Estimated Units(1)	Estimated Cost(1)	Cost Incurred through December 31, 2012	Estimated Date of Completion(1)	Estimated Ownership %(1)	Principal Tenants
Main Street Office(2)	Virginia Beach, VA	Office	234,000(3)	N/A	$ 50,863	$ 750	July 2014	100%	Clark Nexsen, Development Authority of Virginia Beach(4)
Main Street Apartments(2)	Virginia Beach, VA	Multifamily	N/A	288	32,845	277	July 2014	100%	N/A
Jackson Street Apartments	Durham, NC	Multifamily	N/A	203	26,182	218	July 2014	80%	N/A
Sandbridge Commons	Virginia Beach, VA	Retail	75,000	N/A	13,675	266	September 2014	85%	Harris Teeter(4)
Brooks Crossing	Newport News, VA	Office(5)	60,000	N/A	12,793	476	February 2015	65%	Huntington Ingalls(4), City of Newport News(4)
Greentree Shopping Center(6)	Chesapeake, VA	Retail	15,600	N/A	5,402	103	September 2014	100%	WaWa(4)
Total			**384,600**	**491**	**$ 141,761**	**$ 2,090**			

(1) Represents estimates that may change as the development process proceeds.

(2) This property will be located within the Virginia Beach Town Center.

(3) Approximately 83,600 square feet have been pre-leased by Clark Nexsen, an architectural firm. We expect approximately 23,300 square feet to be pre-leased by the Development Authority of Virginia Beach, although no lease has been signed as of the date of this prospectus.

(4) No lease agreement has been signed as of the date of this prospectus. We expect the lease agreement to be in place prior to the commencement of construction on this project.

(5) We expect that this property will include 28,200 square feet of retail space.

(6) We are currently negotiating with Wal-Mart to sell them a pad-ready site adjacent to Greentree Shopping Center.

In November 2012, Armada Hoffler was 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. The project is expected to include market-rate student housing, a hotel, 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. Upon completion of this offering and the formation transactions, we will succeed to Armada Hoffler s right to develop and build the Johns Hopkins project.

The commencement of construction on all of the projects identified in the table above and the Johns Hopkins project, are subject to, among other factors, regulatory approvals, the acquisition of financing and suitable market conditions. See Business and Properties Our Identified Development Pipeline for more information regarding the projects in our identified development pipeline.

Our Third-Party Construction Business

Upon the completion of this offering and the formation transactions, we will succeed to Armada Hoffler s construction business, which was engaged as general contractor with respect to 20 construction projects for both third-party and related

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party clients as of December 31, 2012. As part of the formation transactions, we will acquire from Armada Hoffler all of the construction contracts in place on the date of the completion of this offering and, as a result, will assume all of Armada Hoffler s obligations under those contracts. Of the 20 construction projects in progress as of December 31, 2012, we currently expect that seven of these construction projects will be on-going upon completion of this offering. As of December 31, 2012, these seven construction projects have an estimated contract value of approximately $82.8 million with approximately $20.1 million of work in place and a balance to complete of approximately $62.7 million. See Business and Properties Our Third Party Construction Business.

Our Third-Party Construction Pipeline

As of December 31, 2012, Armada Hoffler also had construction contracts in various stages of negotiation with both third parties and related parties, which we refer to as our third-party construction pipeline. As of December 31, 2012, no contracts had been executed with respect to any projects in our third-party construction pipeline. We cannot assure you that any or all of these contracts will be executed or that, once executed, we will commence or complete construction on all or any of the projects. Twelve of the 16 construction projects being negotiated are expected to be built in Virginia, including 11 in the Hampton Roads region of Virginia. The other four construction projects being negotiated are expected to be built in Maryland, including two located in Baltimore, Maryland. We currently estimate that the aggregate contract value of these contracts under negotiation will be approximately $200 million, but the actual value of the construction contracts we enter into may be significantly less than this amount. See Business and Properties Our Third-Party Construction Pipeline for more information regarding the projects in our third-party construction pipeline.

Structure and Formation of Our Company

Our Operating Entities

Our Company

We were formed as a Maryland corporation in October 2012 and will commence operations upon completion of this offering and the formation transactions. We will conduct our business through a traditional umbrella partnership real estate investment trust, or UPREIT, structure in which our properties are owned by our operating partnership directly or through limited partnerships, limited liability companies or other subsidiaries, as described below under Our Operating Partnership. We are the sole general partner of our operating partnership and, upon completion of this offering and the formation transactions, will own approximately % of the common units in our operating partnership. Our board of directors will oversee our business and affairs.

Our Operating Partnership

Our operating partnership was formed as a Virginia limited partnership in October 2012 and will commence operations upon completion of this offering and the formation transactions. Following completion of this offering and the formation transactions, substantially all of our assets will be held by, and our operations will be conducted through, our operating partnership. As the sole general partner of our operating partnership, we generally will have the exclusive power under the partnership agreement to manage and conduct its business and affairs, subject to certain limited approval and voting rights of the limited partners, which are described more fully below in Description of the Partnership Agreement of Armada Hoffler, L.P. In the future, we may issue common units from time to time in connection with property acquisitions, compensation or otherwise.

Our Services Company

As part of the formation transactions, we formed Armada Hoffler Holding, Inc., which we refer to in this prospectus as our services company. Our services company is wholly owned by our operating partnership and will conduct, through its wholly-owned subsidiaries, our third-party construction and development business and our asset management business. We will elect

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with our services company to treat it as a taxable REIT subsidiary, or TRS, for federal income tax purposes. As a result, our services company and any other TRSs we may form will be fully subject to federal, state and local corporate income taxes.

Formation Transactions

The properties and businesses that will be owned by us through our operating partnership upon completion of this offering and the formation transactions are currently owned directly or indirectly by partnerships, limited liability companies and corporations in which Messrs. Hoffler, Haddad, Kirk and their affiliates and certain of our other officers and their affiliates, whom we refer to as the Armada Hoffler affiliates, and other third parties own a direct or indirect interest. We refer to these partnerships, limited liability companies and corporations collectively as the ownership entities. The current owners of the ownership entities or their parent companies, whom we refer to as the prior investors, have entered into contribution agreements with our operating partnership pursuant to which they will contribute their interests in the ownership entities, or sell certain assets, to our operating partnership or its subsidiaries concurrently with the completion of this offering. Pursuant to contribution agreements, the prior investors will contribute equity interests in the entities that own the properties in our initial portfolio to our operating partnership in exchange for cash and/or common units. In addition, (i) Armada Hoffler Construction Company and Armada Hoffler Construction Company of Virginia will transfer to our services company, pursuant to an asset purchase agreement, certain assets of their construction business, including construction contracts in progress, which we refer to as the construction business, and (ii) the owners of the development and asset management businesses of Armada Hoffler will transfer, pursuant to an asset purchase agreement, certain assets to our services company. See Certain Relationships and Related Transactions. The value of the consideration to be paid to the prior investors in the formation transactions will be based upon the terms of the applicable contribution agreements and asset purchase agreements and was not based on arms-length negotiations. No appraisal of our initial portfolio and other assets was obtained. See Structure and Formation of Our Company Our Structure Determination of Consideration Payable in the Formation Transactions.

The numbers and values of common units set forth below and herein assume a value per common unit equal to the price to the public of our common stock in this offering based upon the midpoint of the price range set forth on the front cover of this prospectus. Pursuant to the terms of the contribution agreements entered into with the prior investors other than the Armada Hoffler affiliates, the value to be received by them in exchange for their contribution of interests in the ownership entities is fixed. As a result, in the event the price to the public in this offering is less than the midpoint of the price range set forth on the front cover of this prospectus, the number of common units issuable to prior investors other than the Armada Hoffler affiliates will increase and the number of common units issuable to the Armada Hoffler affiliates will decrease by a corresponding amount. Similarly, in the event the price to the public in this offering is greater than the midpoint of the price range set forth on the front cover of this prospectus, the number of common units issuable to prior investors other than the Armada Hoffler affiliates will decrease and the number of common units issuable to the Armada Hoffler affiliates will increase by a corresponding amount.

Pursuant to the formation transactions, the following have occurred or will occur substantially concurrently with the completion of this offering.

¡ We were formed as a Maryland corporation, and our operating partnership was formed as a Virginia limited partnership, in October 2012.

¡ We will sell shares of our common stock in this offering and an additional shares if the underwriters exercise their overallotment option in full, and we will contribute the net proceeds from this offering to our operating partnership in exchange for common units (or common units if the underwriters exercise their overallotment option in full).

¡ Our operating partnership will consolidate the ownership of our initial portfolio of properties by acquiring from the prior owners all of the equity interests in the ownership entities that directly or indirectly own such properties in exchange for cash and/or common units of our operating partnership pursuant to contribution agreements between us and such prior owners.

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- Our services company will succeed to the construction business of Armada Hoffler through its acquisition of the construction contracts and certain other assets of Armada Hoffler Construction Company and Armada Hoffler Construction Company of Virginia pursuant to an asset purchase agreement.

- Our services company will succeed to the development and asset management businesses of Armada Hoffler through the sale of certain assets to our services company.

- Our operating partnership will acquire equity interests in entities that own or control the projects in our identified development pipeline from Armada Hoffler and its affiliates and assume certain debt related to the development projects, which we currently expect will be approximately $ million in the aggregate.

- Prior investors, other than the Armada Hoffler affiliates, will receive as consideration for such contributions and acquisitions an aggregate of $ of cash and common units having an aggregate value of approximately $ in accordance with the terms of the applicable contribution and asset purchase agreements.

- Prior investors who are Armada Hoffler affiliates, including Messrs. Hoffler, Haddad and Kirk and certain of our other officers, will receive as consideration for such contributions and acquisitions, an aggregate of $ of cash and common units having an aggregate value of approximately $.

- We will enter into a purchase agreement to acquire the Apprentice School Apartments project from Messrs. Hoffler, Haddad and Kirk and certain of our other officers upon the satisfaction of certain conditions, including the completion of construction of all three components of the Apprentice School project, which is currently expected to occur in November 2013, for approximately $4.6 million, the repayment of $3.0 million of mezzanine indebtedness and the assumption of approximately $20.9 million of first mortgage debt.

- We and our operating partnership will acquire options to acquire seven vacant parcels of developable land from entities owned or controlled by Messrs. Hoffler, Haddad and Kirk and certain of our other officers. See Our Business and Properties Option Properties.

- Mr. Hoffler will enter into a representation, warranty and indemnity agreement, pursuant to which he will make certain representations and warranties to us regarding the properties being acquired in the formation transactions and agree to indemnify us and our operating partnership for certain breaches of such representations and warranties for one year after the completion of the formation transactions. Mr. Hoffler will also agree to indemnify us with respect to certain aspects of the construction business. See Structure and Formation of Our Company Formation Transactions. Other than Mr. Hoffler, none of the prior investors will provide us with any indemnification, other than with respect to representations regarding their interests in the ownership entities that they will contribute to us.

- We will enter into tax protection agreements with certain of the prior investors who will become limited partners of our operating partnership, including the Armada Hoffler affiliates, pursuant to which we will agree to indemnify them against certain adverse tax consequences to them, which may affect the way in which we conduct our business, including with respect to when and under what circumstances we sell properties in our initial portfolio or interests therein or repay debt during the restriction period. See Structure and Formation of Our Company Tax Protection Agreements.

- The current management team of Armada Hoffler will become our senior management team, and approximately 100 current employees of Armada Hoffler and its affiliates will become our employees.

- Concurrently with or shortly after completion of this offering, we will enter into an agreement for a $100 million secured revolving credit facility, which we expect to contain an accordion feature that will

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allow us to increase the borrowing capacity under the facility up to $250 million, subject to our satisfaction of certain conditions. We expect to use approximately $19.3 million of borrowings under this credit facility initially to fund a portion of the cash consideration payable in connection with the completion of the formation transactions, to acquire the projects in our identified development pipeline and to repay existing lines of credit and certain debt relating to the projects in our development pipeline and thereafter for general corporate purposes, including funding acquisitions and development and redevelopment of properties in our portfolio and for working capital.

¡ Our operating partnership intends to use a portion of the net proceeds of this offering to repay approximately $112.8 million of outstanding indebtedness, including associated fees and costs. As a result, we expect to have approximately $280 million of total debt outstanding upon completion of this offering and the formation transactions, including amounts expected to be drawn from our anticipated credit facility at or shortly after the completion of this offering.

¡ As a result of the foregoing, (i) we will own 100% of the interests in the properties in our initial portfolio, (ii) our services company will succeed to the ongoing construction and development business of Armada Hoffler, (iii) we will assume asset management of certain of the properties in our initial portfolio, (iv) our services company will succeed to the third-party asset management business of Armada Hoffler, (v) we will own interests in entities that own or control the six development projects in our identified development pipeline, (vi) we will acquire options to acquire seven parcels of developable land from Armada Hoffler, and (vii) we will enter into a purchase agreement to acquire the Apprentice School Apartments, a 197-unit multifamily property currently under construction in Newport News, Virginia, upon completion of construction of all the three components of the Apprentice School project, which is currently expected to occur in November 2013.

Benefits of the Formation Transactions to Related Parties

In connection with this offering and the formation transactions, affiliates of Armada Hoffler will receive material benefits described in Certain Relationships and Related Transactions, including those described below. All amounts are based on a value equal to the midpoint of the price range set forth on the front cover of this prospectus.

¡ Mr. Hoffler, our Executive Chairman, and his affiliates, including certain trusts he established for the benefit of his family, will receive common units having an aggregate value of approximately $ and approximately $ in cash in connection with the formation transactions. As a result, Mr. Hoffler and his affiliates will own approximately % of the combined shares of our common stock and common units in our operating partnership upon completion of this offering and the formation transactions, or % if the underwriters overallotment option is exercised in full.

¡ Mr. Haddad, our President and Chief Executive Officer, will receive common units having an aggregate value of approximately $ and approximately $ in cash in connection with the formation transactions. As a result, Mr. Haddad will own approximately % of the combined shares of our common stock and common units in our operating partnership upon completion of this offering and the formation transactions, or % if the underwriters overallotment option is exercised in full.

¡ Mr. Kirk, our Vice Chairman, and his affiliates, including a trust and entities he established for the benefit of his family, will receive common units having an aggregate value of approximately $ and approximately $ in cash in connection with the formation transactions. As a result, Mr. Kirk and his affiliates will own approximately % of the combined shares of our common stock and common units in our operating partnership upon completion of this offering and the formation transactions, or % if the underwriters overallotment option is exercised in full.

¡ Other executive officers and employees of our company will receive, in the aggregate, common units having an aggregate value of approximately $ and approximately $ in cash in connection with the formation transactions.

¡ Messrs. Hoffler, Haddad and Kirk are guarantors of approximately $71.7 million of indebtedness, in the aggregate, which will be repaid with a portion of the net proceeds from this offering and, as a result, Messrs. Hoffler, Haddad and Kirk will be released from these guarantee obligations. In addition, Messrs. Hoffler, Haddad and Kirk are guarantors of approximately $111.0 million of indebtedness, in the aggregate, that will be assumed by us upon completion of this offering. In connection with this assumption, we will seek to have Messrs. Hoffler, Haddad and Kirk released from such guarantees and to have our operating partnership directly assume any such guarantee obligations as replacement guarantor or, alternatively, we will agree to reimburse Messrs. Hoffler, Haddad and Kirk for any amounts paid by them under guarantees with respect to the assumed indebtedness.

¡ Our operating partnership will enter into tax protection agreements with certain of the prior investors who become limited partners of our operating partnership, including Messrs. Hoffler, Haddad, Kirk, Anthony Nero our President of Development, and Eric Apperson, our President of Construction, and their affiliates, and certain of our other officers, pursuant to which our operating partnership will agree to indemnify such limited partners against adverse tax consequences (including as a result of receiving a tax protection payment) in connection with: (i) our sale of the protected properties in our initial portfolio in a taxable transaction until the anniversary of the completion of the formation transactions; and (ii) our operating partnership s failure to provide such limited partners the opportunity to guarantee certain debt of our operating partnership until the anniversary of the completion of the formation transactions. Pursuant to the tax protection agreements, it is anticipated that the total amount of protected built in gain on the protected properties will be approximately $ million. Our operating partnership also will agree to provide certain prior investors, including Messrs. Hoffler, Haddad, Kirk, Nero and Apperson and their affiliates, as well as certain of our other officers, the opportunity to guarantee a portion of our operating partnership s indebtedness, or, alternatively, to enter into deficit restoration obligations, to provide them with certain tax protections. We are currently evaluating, and have not yet determined, whether such limited partners will have a need to guarantee debt immediately upon the completion of the formation transactions and this offering. In addition to any guarantee opportunities provided immediately upon completion of the formation transactions and this offering, this opportunity will also be provided upon future repayment, retirement, refinancing, or other reduction (other than scheduled amortization) of our operating partnership s liabilities, and we will indemnify those partners for any tax liabilities they incur as a result of our failure to timely provide such opportunity and any tax liabilities incurred as a result of such tax protection payment. See Structure and Formation of Our Company Tax Protection Agreements and Structure and Formation of Our Company Benefits of the Formation Transactions to Related Parties.

¡ Pursuant to the terms of the partnership agreement of our operating partnership, we will agree to file, following the date on which we become eligible to file a registration statement on Form S-3 under the Securities Act of 1933, as amended, one or more registration statements registering the issuance and resale of the common stock issuable upon redemption of the common units issued in connection with the formation transactions, including those issued to Messrs. Hoffler, Haddad and Kirk, their affiliates and related trusts and certain of our other directors and executive officers and their affiliates. We will agree to pay all of the expenses relating to such registration statements. See Shares Eligible for Future Sale Registration Rights.

¡ We intend to adopt a severance plan, effective upon completion of this offering, in which certain of our officers will be participants, including our named executive officers. The material terms of this plan are described under Executive Compensation Severance Benefits and Executive Compensation Summary Compensation Table.

- We intend to enter into indemnification agreements with our directors and executive officers effective upon the completion of this offering, providing for procedures for indemnification by us to the fullest extent permitted by law and advancements by us of certain expenses and costs relating to claims, suits or proceedings arising from their service to us or, at our request, service to other entities, as officers or directors or in certain other capacities.

- We intend to adopt our 2013 Equity Incentive Plan, under which we may grant cash or equity incentive awards to our directors, officers, employees and consultants. Upon completion of this offering, we will issue an aggregate of shares of restricted common stock to Messrs. Hoffler and Kirk (based on the midpoint of the price range set forth on the cover of this prospectus), and an aggregate of shares of restricted common stock to our independent directors (based on the midpoint of the price range set forth on the cover of this prospectus). See Executive Compensation Equity Incentive Plan.

Implications of Being an Emerging Growth Company

We qualify as an emerging growth company, as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. An emerging growth company may take advantage of specified reduced reporting requirements and are relieved of certain other significant requirements that are otherwise generally applicable to public companies. As an emerging growth company, among other things:

- we are exempt from the requirement to obtain an attestation and report from our auditors on the assessment of our internal control over financial reporting pursuant to the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act;

- we are permitted to provide less extensive disclosure about our executive compensation arrangements;

- we are not required to give our stockholders non-binding advisory votes on executive compensation or golden parachute arrangements; and

- we have elected not to use an extended transition period for complying with new or revised accounting standards.

We may take advantage of these provisions for up to five years or such earlier time that we are no longer an emerging growth company. We would cease to be an emerging growth company if we have more than $1 billion in annual revenues, have more than $700 million in market value of shares of our common stock held by non-affiliates, or issue more than $1 billion of non-convertible debt securities over a three-year period.

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Our Structure

The following diagram depicts our expected ownership structure upon completion of this offering and the formation transactions. Our operating partnership will own the various properties in our initial portfolio directly or indirectly, and in some cases through special purpose entities that were created in connection with various financings. All amounts are based on the midpoint of the price range set forth on the front cover of this prospectus.

(1) Reflects (a) and shares of restricted common stock to be granted to Messrs. Hoffler and Kirk, respectively, concurrently with the completion of this offering, (b) shares of restricted common stock to be granted to each of our independent directors concurrently with the completion of this offering and (c) an aggregate of shares of restricted common stock to be granted to certain officers and employees of our company concurrently with the completion of this offering.

Restrictions on Transfer

Under the partnership agreement for our operating partnership, holders of common units may not transfer their units without our prior consent, as general partner of the operating partnership. Each of our executive officers, directors and director nominees and their respective affiliates have agreed not to sell or otherwise transfer or encumber any shares of our common stock or securities convertible or exchangeable into our common stock (including common units) owned by them at the completion of this offering or thereafter acquired by them for a period of 180 days (with respect to our executive officers, directors and director nominees and their affiliates) without the written consent of Robert W. Baird & Co. Incorporated. Beginning on the first anniversary of the completion of the formation transactions, holders of common units may tender their units for redemption by the operating partnership in exchange for cash equal to the market price of our common stock at the time of redemption or, at our option, for shares of our common stock on a one-for-one basis as described under Description of the Partnership Agreement of Armada Hoffler, L.P. Redemption Rights.

Restrictions on Ownership of our Capital Stock

Due to limitations on the concentration of ownership of REIT stock imposed by the Internal Revenue Code of 1986, as amended, or the Code, effective upon the completion of this offering and subject to certain exceptions, our charter will provide that no person may beneficially or constructively own more than 9.8% in value or in number of shares, whichever is more restrictive, of the outstanding shares of any class or series of our capital stock. See Description of Capital Stock Restrictions on Ownership and Transfer.

Our charter will also prohibit any person from, among other things:

- beneficially or constructively owning or transferring shares of our capital stock if such ownership or transfer would result in our being closely held within the meaning of Section 856(h) of the Code (without regard to whether the ownership interest is held during the last half of a year);

- transferring shares of our capital stock if such transfer would result in our capital stock being owned by less than 100 persons;

- beneficially or constructively owning shares of our capital stock to the extent such beneficial or constructive ownership would cause us to constructively own ten percent or more of the ownership interests in a tenant (other than a TRS) of our real property within the meaning of Section 856(d)(2)(B) of the Code; and

- beneficially or constructively owning or transferring shares of our capital stock if such beneficial or constructive ownership or transfer would otherwise cause us to fail to qualify as a REIT under the Code, including, but not limited to, as a result of any hotel management companies failing to qualify as an eligible independent contractor under the REIT rules.

Our board of directors, in its sole discretion, may exempt (prospectively or retroactively) a person from the 9.8% ownership limit and certain other restrictions in our charter and may establish or increase an excepted holder percentage limit for such person if our board of directors obtains such representations, covenants and undertakings as it deems appropriate in order to conclude that granting the exemption and/or establishing or increasing the excepted holder percentage limit will not cause us to lose our status as a REIT.

Our charter will also provide that any ownership or purported transfer of our stock in violation of the foregoing restrictions will result in the shares owned or transferred in such violation being automatically transferred to one or more charitable trusts for the benefit of a charitable beneficiary and the purported owner or transferee acquiring no rights in such shares, except that any transfer that results in the violation of the restriction relating to shares of our capital stock being beneficially owned by fewer than 100 persons will be void ab initio. If the transfer to the trust is ineffective for any reason to prevent a violation of the restriction, the transfer that would have resulted in such violation will be void ab initio.

Conflicts of Interest

Following the completion of this offering and the formation transactions, conflicts of interest may arise between the holders of common units of our operating partnership, on the one hand, and our stockholders, on the other hand, with respect to certain transactions, such as the sale of properties or a reduction of indebtedness, which could have adverse tax consequences to holders of common units, including Messrs. Hoffler, Haddad and Kirk (our Executive Chairman, President and Chief Executive Officer and Vice Chairman, respectively), thereby making those transactions less desirable to such holders. See Policies with respect to Certain Activities Conflict of Interest Policies and Description of the Partnership Agreement of Armada Hoffler, L.P. In addition, Messrs. Hoffler, Haddad and Kirk and/or our other directors and executive officers are parties to, or have interests in, certain agreements with us, including contribution agreements and, in the case of Mr. Hoffler, a representation, warranty and indemnity agreement. See Certain Relationships and Related Transactions Formation Transactions. Furthermore, our operating partnership will enter into tax protection agreements with certain prior investors who will become limited partners of our operating partnership, including Messrs. Hoffler, Haddad, Kirk, Nero and Apperson and their affiliates and certain of our other officers, pursuant to which our operating partnership will agree to

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indemnify them against certain adverse tax consequences to them, which may affect the way in which we conduct our business, including with respect to when and under what circumstances we sell properties in our initial portfolio or interests therein or repay debt during the restriction period. See Structure and Formation of Our Company Tax Protection Agreements. There may be conflicts of interest in the interpretation and enforcement of such agreements.

In addition, our management team will retain ownership interests in certain properties that will not be contributed to us in our formation transactions. We will provide asset management services to 16 of these properties and construction and development services to the Apprentice School project following the completion of this offering. As a result of these ownership interests and asset management agreements, our management team will have conflicts of interest. See Risk Factors Risks Related to Our Organizational Structure We may pursue less vigorous enforcement of terms of the contribution and other agreements with members of our senior management and our affiliates because of our dependence on them and conflicts of interest. For additional information about these relationships, see Certain Relationships and Related Transactions Excluded Assets.

We will have options to purchase seven parcels of developable land from entities owned or controlled by the Armada Hoffler affiliates following the completion of the formation transactions. These individuals will have a conflict of interest with respect to our election to exercise these options and acquire these properties.

Distribution Policy

We intend to pay regular quarterly cash dividends to holders of our common stock. Although we have not previously paid dividends, we intend to pay a pro rata dividend with respect to the period commencing on the completion of this offering and ending , 2013 based on $ per share for a full quarter. On an annualized basis, this would be $ per share, or an annual dividend rate of approximately %, based on the midpoint of the price range set forth on the front cover of this prospectus. We intend to maintain our initial dividend rate for the 12-month period following completion of this offering unless actual results of operations, economic conditions or other factors differ materially from the assumptions used in our estimates. Actual distributions may be significantly different from expected distributions. Distributions declared by us will be authorized by our board of directors in its sole discretion out of funds legally available therefore and will depend upon a number of factors, including restrictions under applicable law, our results of operations, the capital requirements of our company and the distribution requirements necessary to maintain our qualification as a REIT. See Distribution Policy.

We intend to make dividend distributions that will enable us to meet the distribution requirements applicable to REITs and to eliminate or minimize our obligation to pay income and excise taxes. Although we have no current intention to pay dividends in shares of our common stock, we may in the future choose to do so. See Material U.S. Federal Income Tax Considerations Taxation of Taxable U.S. Stockholders and Risk Factors Risks Related to Our Status as a REIT We may pay taxable dividends in shares of our common stock and cash, in which case stockholders may sell shares of our common stock to pay tax on such dividends, placing downward pressure on the market price of our common stock. We do not intend to reduce the expected dividend per share if the underwriters overallotment option is exercised.

Our Tax Status

We intend to elect and qualify to be taxed as a REIT for U.S. federal income tax purposes commencing with our short taxable year ending December 31, 2013. Our qualification as a REIT will depend upon our ability to meet, on a continuing basis, through actual investment and operating results, various complex requirements under the Code relating to, among other things, the sources of our gross income, the composition and values of our assets, our distribution levels and the diversity of ownership of our capital stock. We believe that we will be organized in conformity with the requirements for qualification as a REIT under the Code and that our intended manner of operation will enable us to meet the requirements for qualification and taxation as a REIT for U.S. federal income tax purposes commencing with our short taxable year ending December 31, 2013. In addition, we intend to elect to treat Armada Hoffler Holding, Inc., which, through its wholly-owned subsidiaries, will operate our construction, development and third-party asset management businesses, as a TRS.

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

Corporate Information

Our principal executive office is located at 222 Central Park Avenue, Suite 2100, Virginia Beach, Virginia 23462 in the Armada Hoffler Tower at the Virginia Beach Town Center. In addition, we have construction offices located at 249 Central Park Avenue, Suite 300, Virginia Beach, Virginia 23462 and 720 Aliceanna Street, Suite 320-A, Baltimore, Maryland 21202. The telephone number for our principal executive office is (757) 366-4000. We maintain a website located at *www.armadahoffler.com*. The information on, or accessible through, our website is not incorporated into and does not constitute a part of this prospectus or any other report or document we file with or furnish to the Securities and Exchange Commission, or SEC.

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This Offering

Common stock offered by us	shares (plus up to an additional shares of our common stock that we may issue and sell upon the exercise of the underwriters overallotment option in full).
Common stock to be outstanding after this offering	shares[(1)]
Common stock and common units to be outstanding after this offering and the formation transactions	shares and common units[(1)(2)]
Use of proceeds	We estimate that the net proceeds of this offering, after deducting the underwriting discount and commissions and estimated offering expenses payable by us, will be approximately $ million ($ million if the underwriters exercise their overallotment option in full). We will contribute the net proceeds of this offering to our operating partnership. Our operating partnership intends to use the net proceeds of this offering as follows: approximately $112.8 million to repay outstanding indebtedness, including exit fees, defeasance costs and assumption costs of approximately $2.2 million; approximately $44.0 million to pay prior investors in connection with the formation transactions; and the remaining net proceeds, if any, for general corporate purposes, including working capital, future acquisitions, transfer taxes and, potentially, paying distributions.
Risk Factors	Investing in our common stock involves a high degree of risk. You should carefully read and consider the information set forth under the heading Risk Factors beginning on page 21 and other information included in this prospectus before investing in our common stock.
Proposed NYSE symbol	AHH

(1) Includes (a) shares of common stock to be issued in this offering, (b) an aggregate of restricted shares to be granted to our directors concurrently with the completion of this offering (based on the midpoint of the price range set forth on the cover of this prospectus) and (c) an aggregate of shares of restricted stock to be granted to our employees concurrently with the completion of this offering (based on the midpoint of the price range set forth on the cover of this prospectus). Excludes (a) shares of our common stock issuable upon the exercise of the underwriters overallotment option in full, (b) shares of our common stock available for future issuance under our 2013 Equity Incentive Plan, and (c) shares that may be issued, at our option, upon redemption of common units to be issued in the formation transactions.

(2) Includes common units expected to be issued in the formation transactions, which may, subject to certain limitations, and as set forth in the partnership agreement of our operating partnership, be redeemed for cash or, at our option, for shares of our common stock on a one-for-one basis beginning

one year following completion of the formation transactions.

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Summary Selected Financial Data

The following table sets forth summary selected financial and operating data on a historical combined basis for our Predecessor. Our Predecessor, which is not a legal entity, is comprised of certain entities and their consolidated subsidiaries that own directly or indirectly (i) controlling interests in 22 office, retail and multifamily properties, (ii) non-controlling, unconsolidated equity interests in one retail and one multifamily property, (iii) the property development and asset management business of Armada Hoffler and (iv) the general commercial construction business of Armada Hoffler. We refer to these entities and their subsidiaries as the ownership entities. Each of the ownership entities currently owns, directly or indirectly, one or more office, retail or multifamily properties. Upon completion of this offering and the formation transactions, we will acquire the 22 office, retail and multifamily properties owned directly or indirectly by our Predecessor, as well as our Predecessor s unconsolidated equity interests in one retail and one multifamily property, and assume the ownership and operation of its business. We have not presented historical information for Armada Hoffler Properties, Inc. because we have not had any corporate activity since our formation other than the issuance of 1,000 shares of common stock in connection with the initial capitalization of the company and activity in connection with this offering, and because we believe that a discussion of the results of Armada Hoffler Properties, Inc. would not be meaningful.

You should read the following summary selected financial data in conjunction with our historical combined financial statements and the related notes and with Management s Discussion and Analysis of Financial Condition and Results of Operations, which are included elsewhere in this prospectus.

The historical combined balance sheet information as of December 31, 2012 and 2011 of our Predecessor and the combined statements of operations for the years ended December 31, 2012, 2011 and 2010 of our Predecessor have been derived from the historical audited combined financial statements included elsewhere in this prospectus and includes all adjustments consisting of normal recurring adjustments, which management considers necessary for a fair presentation of the historical financial statements for such periods. The historical combined balance sheet information of our Predecessor as of December 31, 2010 has been derived from the historical audited combined financial statements not included in this prospectus.

Our unaudited selected pro forma consolidated financial statements and operating information as of and for the year ended December 31, 2012 assume completion of this offering and the formation transactions as of January 1, 2012 for the operating data and as of December 31, 2012 for the balance sheet data. Our pro forma financial information is not necessarily indicative of what our actual financial position and results of operations would have been as of the date and for the periods indicated, nor does it purport to represent our future financial position or results of operations.

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The Company (Pro Forma) and Our Predecessor

	Pro Forma Consolidated 2012	Year Ended December 31, Historical Combined 2012	2011	2010
		(In thousands, except per share data)		
Statement of Operations Data:				
Revenues:				
Rental revenues		$ 54,436	$ 52,578	$ 47,847
General contractor and service revenues		54,046	77,602	87,279
Total revenues		108,482	130,180	135,126
Expenses:				
Rental expenses		12,682	12,568	11,734
Real estate taxes		4,865	4,781	4,463
General contractor expenses		50,103	72,138	82,127
General and administrative expenses		3,232	3,728	2,523
Depreciation and amortization		12,909	12,994	12,158
Total expenses		83,791	106,209	113,005
Operating income		24,691	23,971	22,121
Other income (expense)		777	258	168
Interest expense		(16,561)	(18,134)	(18,208)
Loss on Extinguishment of Debt			(3,448)	
Income from continuing operations		8,907	2,647	4,081
Discontinued operations:				
Loss from discontinued operations		(35)	(318)	(338)
Loss on sale of real estate		25	(63)	1
Results from discontinued operations		(10)	(381)	(337)
Net income		$ 8,897	$ 2,266	$ 3,744
Balance Sheet Data (at period end)				
Assets				
Real estate, at cost				
Operating real estate		$ 350,814	$ 345,412	$ 340,131
Held for development		3,926	1,836	1,836
Construction in progress			2,685	1,660
		354,740	349,933	343,627
Accumulated depreciation		(92,454)	(80,923)	(69,532)
Net real estate investments		262,286	269,010	274,095
Real estate assets held-for-sale			473	3,162
Cash and cash equivalents		9,400	13,449	8,435
Restricted cash		3,725	4,335	6,156
Other assets		56,402	52,867	67,600
Total Assets		$ 331,813	$ 340,134	$ 359,448
Liabilities and Equity				
Indebtedness:				
Secured debt		$ 334,438	$ 338,919	$ 333,568
Participating note		643	643	643
Debt related to real estate assets held-for-sale				1,225
Construction payables including retention		17,369	20,375	27,079
Other liabilities		20,704	17,596	20,478
Total Liabilities		$ 373,154	$ 377,533	$ 382,993
Equity		(41,341)	(37,399)	(23,545)
Total Liabilities and Equity		$ 331,813	$ 340,134	$ 359,448
Per Share Data:				
Pro forma basic earnings per share				
Pro forma diluted earnings per share				
Pro forma weighted average shares of common stock outstanding basic				
Pro forma weighted average shares of common stock outstanding diluted				
Other Data:				
Pro forma funds from operations[(1)]				
Cash flows from:				
Operating activities		$ 22,326	$ 23,183	$ 6,090

Investing activities	(4,702)	(5,998)	(14,715)
Financing activities	(21,673)	(12,171)	5,566

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(1) We calculate FFO in accordance with the standards established by the National Association of Real Estate Investment Trusts, or NAREIT. FFO represents net income (loss) (computed in accordance with U.S. generally accepted accounting principles, or GAAP), excluding gains (or losses) from sales of depreciable operating property, real estate related depreciation and amortization (excluding amortization of deferred financing costs) and after adjustments for unconsolidated partnerships and joint ventures. FFO is a supplemental non-GAAP financial measure. Management uses FFO as a supplemental performance measure because it believes that FFO is beneficial to investors as a starting point in measuring our operational performance. Specifically, in excluding real estate related depreciation and amortization and gains and losses from property dispositions, which do not relate to or are not indicative of operating performance, FFO provides a performance measure that, when compared year over year, captures trends in occupancy rates, rental rates and operating costs. We also believe that, as a widely recognized measure of the performance of REITs, FFO will be used by investors as a basis to compare our operating performance with that of other REITs. However, because FFO excludes real estate related depreciation and amortization and captures neither the changes in the value of our properties that result from use or market conditions nor the level of capital expenditures and leasing commissions necessary to maintain the operating performance of our properties, all of which have real economic effects and could materially impact our results from operations, the utility of FFO as a measure of our performance is limited. In addition, other equity REITs may not calculate FFO in accordance with the NAREIT definition as we do, and, accordingly, our FFO may not be comparable to such other REITs FFO. Accordingly, FFO should be considered only as a supplement to net income as a measure of our performance. FFO should not be used as a measure of our liquidity, nor is it indicative of funds available to fund our cash needs, including our ability to pay dividends or service indebtedness. FFO also should not be used as a supplement to or substitute for cash flow from operating activities computed in accordance with GAAP. The following table sets forth a reconciliation of our pro forma FFO to net income, the most directly comparable GAAP equivalent, for the periods presented:

	Pro Forma Year Ended December 31, 2012
Pro forma net income	
Plus: pro forma real estate depreciation and amortization	
Pro forma funds from operations	

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RISK FACTORS

Investing in our common stock involves a high degree of risk. In addition to other information contained in this prospectus, you should carefully consider the following factors, together with the other information contained in this prospectus, including our historical and pro forma combined financial statements and the notes thereto, before making an investment decision to purchase shares of our common stock offered by this prospectus. The occurrence of any of the following risks could materially and adversely affect our business, prospects, financial condition, cash flows, funds from operations, results of operations, the per share trading price of our common stock and our ability to make cash distributions to our stockholders, which could cause you to lose all or a part of your investment in our common stock. Some statements in this prospectus, including statements in the following risk factors, constitute forward-looking statements. Please refer to the section titled Forward-Looking Statements.

Risks Related to Our Real Estate Ownership, Acquisition and Development Business

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

The properties in our initial portfolio are located in Virginia and North Carolina, which exposes us to greater economic risks than if we owned a more geographically diverse portfolio. As of December 31, 2012, our properties in the Virginia and North Carolina markets represented approximately 93.7% and 6.3%, respectively, of the total annualized base rent of the properties in our portfolio. As a result, we are particularly susceptible to adverse economic, regulatory or other conditions in these markets (such as periods of economic slowdown or recession, business layoffs or downsizing, industry slowdowns, relocations of businesses, increases in real estate and other taxes and the cost of complying with governmental regulations or increased regulation), as well as to natural disasters that occur in these markets (such as hurricanes and other events). For example, the markets in Virginia in which the properties in our initial portfolio are located contain high concentrations of military personnel and operations. A reduction of the military presence or cuts in defense spending in these markets including, but not limited to, as a result of the triggered automatic reductions in U.S. government spending known as sequestration, which went into effect March 1, 2013, could have a material adverse effect on us. If there is a further downturn in the economy in the Virginia or North Carolina markets, our operations and our revenue and cash available for distribution, including cash available to pay distributions to our stockholders, could be materially adversely affected. We cannot assure you that these markets will grow or that underlying real estate fundamentals will be favorable to owners and operators of office, retail or multifamily properties. Our operations may also be affected if competing properties are built in these markets. Moreover, submarkets within any of our target markets may be dependent upon a limited number of industries. Any adverse economic or real estate developments in our markets, or any decrease in demand for office, retail or multifamily space resulting from the regulatory environment, business climate or energy or fiscal problems, could materially adversely affect us, including our financial condition, results of operations, cash flow, cash available for distribution and our ability to satisfy our debt service obligations.

We expect to have approximately $280 million of indebtedness outstanding following this offering, including amounts to be drawn from our anticipated credit facility at or shortly after the completion of this offering, which may expose us to the risk of default under our debt obligations and may include covenants that restrict our ability to pay distributions to our stockholders.

Upon completion of this offering and the formation transactions, we anticipate that our total indebtedness will be approximately $280 million, including amounts to be drawn from our anticipated credit facility at or shortly after the completion of this offering, a substantial portion of which will be guaranteed by our operating partnership, and we may incur significant additional debt to finance future acquisition and development activities. Concurrently with, or shortly after, the completion of this offering, we will enter into a $100 million secured revolving credit facility, which we expect to contain an accordion feature that will allow us to increase the borrowing capacity under the facility up to $250 million, subject to our satisfaction of certain conditions.

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Payments of principal and interest on borrowings may leave us with insufficient cash resources to operate our properties or to pay the dividends currently contemplated or necessary to maintain our REIT qualification. Our level of debt and the limitations imposed on us by our debt agreements could have significant adverse consequences, including the following:

- our cash flow may be insufficient to meet our required principal and interest payments;
- we may be unable to borrow additional funds as needed or on favorable terms, which could, among other things, adversely affect our ability to meet operational needs;
- we may be unable to refinance our indebtedness at maturity or the refinancing terms may be less favorable than the terms of our original indebtedness;
- we may be forced to dispose of one or more of our properties, possibly on unfavorable terms or in violation of certain covenants to which we may be subject;
- we may default on our obligations, in which case the lenders or mortgagees may have the right to foreclose on any properties that secure the loans and/or collect rents and other income from our properties;
- we may violate restrictive covenants in our loan documents, which would entitle the lenders to accelerate our debt obligations or reduce our ability to pay, or prohibit us from paying, distributions to our stockholders; and
- our default under any loan with cross default provisions could result in a default on other indebtedness.

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

We depend on significant tenants in certain of our office properties, and a bankruptcy, insolvency or inability to pay rent by any of these tenants could result in a material decrease in our rental income, which would have a material adverse effect on us, including our financial condition, results of operations, cash flow, cash available for distribution and our ability to service our debt obligations.

As of December 31, 2012, the three largest tenants at properties in our office portfolio Williams Mullen, Troutman Sanders LLP and Pender & Coward collectively represented approximately 40.7%, and individually represented 32.4%, 4.4% and 4.0%, respectively, of the total annualized base rent in our office portfolio. In addition, Sentara Williamsburg and Virginia Natural Gas are 100% occupied by Sentara Medical Group and Virginia Natural Gas, respectively. The inability of these or other significant tenants to pay rent or the bankruptcy or insolvency of a significant tenant may adversely affect the income produced by our office properties. For example, Williams Mullen, the largest tenant at properties in our initial portfolio by annualized base rent, accounts for an annualized base rent of approximately $7.6 million, which represents 14.2% of the total annualized base rent of our initial portfolio. As a result, Williams Mullen s inability to pay rent could materially adversely affect the income produced by our initial portfolio.

If a tenant becomes bankrupt or insolvent, federal law may prohibit us from evicting such tenant based solely upon such bankruptcy or insolvency. In addition, a bankrupt or insolvent tenant may be authorized to reject and terminate its lease with us. Any claim against such tenant for unpaid, future rent would be subject to a statutory cap that might be substantially less than the remaining rent owed under the lease. If any of these tenants were to experience a downturn in its business or a weakening of its financial condition resulting in its failure to make timely rental payments or causing it to default under its lease, we may experience delays in enforcing our rights as landlord and may incur substantial costs in protecting our investment. In many cases, we may have made substantial initial investments in the applicable leases through tenant

improvement allowances and other concessions that we may not be able to recover. Any such event could have a material adverse effect on us, including our financial condition, results of operations, cash flow, cash available for distribution and our ability to service our debt obligations.

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

Our retail shopping center properties typically are anchored by large, nationally recognized tenants. As of December 31, 2012, Home Depot, Harris Teeter and Food Lion collectively represented approximately 23.2%, and individually represented 9.9%, 7.0% and 6.3%, respectively, of the total annualized base rent in our retail portfolio. In addition, several of our retail properties are single-tenant properties or are occupied primarily by a single tenant. As of December 31, 2012, the Courthouse 7-Eleven, Tyre Neck Harris Teeter and Harrisonburg Regal Cinemas retail properties in our portfolio were 100% occupied by 7-Eleven, Harris Teeter and Regal Cinemas, respectively, and the Dick s at Town Center and Studio 56 retail properties were approximately 83% and 69% occupied by Dick s Sporting Goods and McCormack & Schmick s, respectively. At any time, our tenants may experience a downturn in their business that may weaken significantly their financial condition. As a result, our tenants, including our anchor and other major tenants, may fail to comply with their contractual obligations to us, seek concessions in order to continue operations or declare bankruptcy, any of which could result in the termination of such tenants leases and the loss of rental income attributable to the terminated leases. In addition, certain of our tenants may cease operations while continuing to pay rent, which could decrease customer traffic, thereby decreasing sales for our other tenants at the applicable retail property. In addition to these potential effects of a business downturn, mergers or consolidations among retail establishments could result in the closure of existing stores or duplicate or geographically overlapping store locations, which could include stores at our retail properties.

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

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

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

As of December 31, 2012, 6.0% of the square footage of the properties in our office and retail portfolios was available. We cannot assure you that leases will be renewed or that our properties will be re-let at net effective rental rates equal to or above the current average net effective rental rates or that substantial rent abatements, tenant improvements, early termination rights or below-market renewal options will not be offered to attract new tenants or retain existing tenants. In addition, our ability to lease our multifamily properties at favorable rates, or at all, may be adversely affected by the increase in supply of multifamily properties in our target markets. Our ability to lease our properties depends upon the overall level of spending in the economy, which is adversely affected by, among other things, job losses and unemployment levels, recession, personal debt levels, the housing market, stock market volatility and uncertainty about the future. If rental rates for our properties decrease, our existing tenants do not renew their leases or we do not re-let a significant portion of our available space and space for which leases expire, our financial condition, results of operations, cash flow, cash available for distributions and our ability to service our debt obligations could be materially adversely affected.

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

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

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

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

- we may acquire or develop properties that are not accretive to our results upon acquisition, and we may not successfully manage and lease those properties to meet our expectations;
- our cash flow may be insufficient to enable us to pay the required principal and interest payments on the debt secured by the property;
- we may spend more than budgeted amounts to make necessary improvements or renovations to acquired properties or to develop new properties;
- we may be unable to quickly and efficiently integrate new acquisitions or developed properties into our existing operations;
- market conditions may result in higher than expected vacancy rates and lower than expected rental rates; and
- we may acquire properties subject to liabilities and without any recourse, or with only limited recourse, with respect to unknown liabilities such as liabilities for clean-up of undisclosed environmental contamination, claims by tenants, vendors or other persons dealing with the former owners of the properties, liabilities incurred in the ordinary course of business and claims for indemnification by general partners, directors, officers and others indemnified by the former owners of the properties.

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

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

Certain of the leases at our retail properties contain co-tenancy provisions that condition a tenant s obligation to remain open, the amount of rent payable by the tenant or the tenant s obligation to continue occupancy on certain conditions, including: (1) the presence of a certain anchor tenant or tenants; (2) the continued operation of an anchor tenant s store; and (3) minimum occupancy levels at the retail property. If a co-tenancy provision is triggered by a failure of any of these or other applicable conditions, a tenant could have the right to cease operations, to terminate its lease early or to reduce its rent. In periods of prolonged economic decline, there is a higher than normal risk that co-tenancy provisions will be triggered as there is a higher risk of tenants closing stores or terminating leases during these periods. In addition to these co-tenancy provisions, certain of the leases at our retail properties contain go-dark provisions that allow the tenant to cease operations while continuing to pay rent. This could result in decreased customer traffic at the affected retail property, thereby decreasing sales for our other tenants at that property, which may result in our other tenants being unable to pay their minimum rents or expense recovery charges. These provisions also may result in lower rental revenue generated under the applicable leases. To the extent co-tenancy or go-dark provisions in our retail leases result in lower revenue or tenant sales or tenants rights to terminate their leases early or to a reduction of their rent, revenues and the value of the affected retail property could be materially adversely affected.

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

Many of our tenants, particularly those that lease space in our retail properties are smaller businesses that generally do not have the financial strength or resources of larger corporate tenants. In particular, 69 of our retail tenants (representing approximately 11.7% of our annualized base rent from retail properties as of December 31, 2012) lease 2,500 or less square feet from us, and many of those tenants are smaller independent businesses, which generally experience a higher rate of failure than large businesses. As a result of our dependence on these smaller businesses, we could experience a higher rate of tenant defaults, turnover and bankruptcies, which could have a material adverse effect on our cash flow and results of operations.

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

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

Increases in mortgage rates or unavailability of mortgage debt may make it difficult for us to finance or refinance our debt, which could have a material adverse effect on our financial condition, growth prospects and our ability to make distributions to stockholders.

If mortgage debt is unavailable to us at reasonable rates or at all, we may not be able to finance the purchase or development of additional properties or refinance existing debt when it becomes due. If interest rates are higher when we refinance our properties, our income and cash flow could be reduced, which would reduce cash available for distribution to our stockholders and may hinder our ability to raise more capital by issuing more stock or by borrowing more money. In addition, to the extent we are unable to refinance our debt when it becomes due, we will have fewer debt guarantee opportunities available to offer under our tax protection agreements, which could trigger an obligation to indemnify certain parties under the applicable tax protection agreements.

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

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

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

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

Upon completion of the offering, we expect to have approximately $16 million of indebtedness pursuant to a loan on which the lender has waived a financial covenant default through December 31, 2013, and any future default could have a material adverse effect on us, including our cash available for distribution and our ability to service our debt obligations.

One of the properties in our initial portfolio, Two Columbus, is subject to a loan which we expect to have an outstanding balance of approximately $16 million upon completion of the offering. As of December 31, 2012, the entity that owned Two Columbus, which we will acquire in connection with the formation transaction, was in violation of a covenant in the loan agreement evidencing such loan that required the entity to, among other things, maintain a minimum cash flow to debt service coverage ratio for the fiscal year ended December 31, 2012 and for each fiscal year thereafter.

The lender for this loan has waived this covenant default through December 31, 2013, but there can be no assurance that we will be in compliance with this covenant after December 31, 2013 or will not violate this or another financial covenant in the loan agreement at some point in the future. If such a covenant default were to occur and we were unable to obtain a waiver, we could be required to repay the loan in full, which could have a material adverse effect on us, including our cash available for distribution and our ability to service our other debt obligations.

Our anticipated revolving credit facility is expected to restrict our ability to engage in certain business activities, including our ability to incur additional indebtedness, make capital expenditures and make certain investments.

Our anticipated revolving credit facility is expected to contain customary negative covenants and other financial and operating covenants that, among other things:

- restrict our ability to incur additional indebtedness;
- restrict our ability to incur additional liens;
- restrict our ability to make certain investments (including certain capital expenditures);
- restrict our ability to merge with another company;
- restrict our ability to sell or dispose of assets;
- restrict our ability to make distributions to stockholders; and

- require us to satisfy minimum financial coverage ratios, minimum tangible net worth requirements and maximum leverage ratios.

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

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

Our business may be affected by market and economic challenges experienced by the U.S. economy or real estate industry as a whole, such as the dislocations in the credit markets and general global economic downturn during the recent recessionary period. These conditions, or similar conditions in the future, may materially adversely affect us as a result of the following potential consequences, among others:

- decreased demand for office, retail and multifamily space, which would cause market rental rates and property values to be negatively impacted;
- reduced values of our properties may limit our ability to dispose of assets at attractive prices or obtain debt financing secured by our properties and may reduce the availability of unsecured loans;
- our ability to obtain financing on terms and conditions that we find acceptable, or at all, may be limited, which could reduce our ability to pursue acquisition and development opportunities and refinance existing debt, reduce our returns from our acquisition and development activities and increase our future debt service expense; and
- one or more lenders under our anticipated credit facility could refuse to fund their financing commitment to us or could fail and we may not be able to replace the financing commitment of any such lenders on favorable terms, or at all.

In addition, the recent economic downturn has adversely affected, and may continue to adversely affect, the businesses of many of our tenants. As a result, we may see increases in bankruptcies of our tenants and increased defaults by tenants, and we may experience higher vacancy rates and delays in re-leasing vacant space, which could negatively impact our business and results of operations, cash flow, cash available for distribution and our ability to service our debt obligations.

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

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

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

Fifteen of our 24 properties, representing approximately 38.1% of our total annualized base rent as of December 31, 2012, are retail properties. As a result, we are subject to factors that affect the retail sector generally, as well as the market for retail space. The retail environment and the market for retail space have been, and could continue to be, adversely affected by weakness in the national, regional and local economies, the level of consumer spending and consumer confidence, the adverse financial condition of some large retailing companies, the ongoing consolidation in the retail sector, the excess amount of retail space in a number of markets and increasing competition from discount retailers, outlet malls, internet retailers and other online businesses. Increases in consumer spending via the internet may significantly affect our retail tenants ability to generate sales in their stores. New and enhanced technologies, including new digital technologies and new web services technologies, may increase competition for certain of our retail tenants.

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

We have no operating history as a REIT or a publicly traded company.

We have no operating history as a REIT or a publicly traded company. We cannot assure you that the past experience of our senior management team will be sufficient to successfully operate our company as a REIT or a publicly traded company, including the requirements to timely meet disclosure requirements of the SEC. Following completion of this offering, we will be required to develop and implement control systems and procedures in order to qualify and maintain our qualification as a REIT and satisfy our periodic and current reporting requirements under applicable SEC regulations and comply with New York Stock Exchange, or NYSE, listing standards, and this transition could place a significant strain on our management systems, infrastructure and other resources. See Risks Related to Our Status as a REIT Failure to qualify as a REIT would have significant adverse consequences to us and the per share trading price of our common stock.

We are an emerging growth company, and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make shares of our common stock less attractive to investors.

In April 2012, President Obama signed into law the Jumpstart Our Business Startups Act, or the JOBS Act. The JOBS Act contains provisions that, among other things, relax certain reporting requirements for emerging growth companies, including certain requirements relating to accounting standards and compensation disclosure. We are classified as an emerging growth company. For as long as we are an emerging growth company, which may be up to five full fiscal years, we may take advantage of exemptions from various reporting and other requirements that are applicable to other public companies that are not emerging growth companies, including the requirements to:

¡ provide an auditor s attestation report on management s assessment of the effectiveness of our system of internal control over financial reporting pursuant to Section 404;

¡ comply with any new or revised financial accounting standards applicable to public companies until such standards are also applicable to private companies;

¡ comply with any new requirements adopted by the Public Company Accounting Oversight Board, or the PCAOB, requiring mandatory audit firm rotation or a supplement to the auditor s report in which the auditor would be required to provide additional information about the audit and the financial statements of the issuer;

¡ comply with any new audit rules adopted by the PCAOB after April 5, 2012 unless the SEC determines otherwise;

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- provide certain disclosure regarding executive compensation required of larger public companies; or
- hold stockholder advisory votes on executive compensation.

We cannot predict if investors will find shares of our common stock less attractive because we will not be subject to the same reporting and other requirements as other public companies. If some investors find shares of our common stock less attractive as a result, there may be a less active trading market for our common stock, the per share trading price of our common stock could decline and may be more volatile.

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

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

We will be subject to the requirements of the Sarbanes-Oxley Act of 2002.

As long as we remain an emerging growth company, as that term is defined in the JOBS Act, we will be permitted to gradually comply with certain of the on-going reporting and disclosure obligations of public companies pursuant to the Sarbanes-Oxley Act. See Risk Factors Risks Related to Our Business and Operations We are an emerging growth company, and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make shares of our common stock less attractive to investors.

However, after we are no longer an emerging growth company under the JOBS Act, management will be required to deliver a report that assesses the effectiveness of our internal controls over financial reporting, pursuant to Section 302 of the Sarbanes-Oxley Act. Section 404 of the Sarbanes-Oxley Act may require our auditors to deliver an attestation report on the effectiveness of our internal controls over financial reporting in conjunction with their opinion on our audited financial statements as of December 31 subsequent to the year in which the registration statement (of which this prospectus forms a part) relating to this offering becomes effective. Substantial work on our part is required to implement appropriate processes, document the system of internal control over key processes, assess their design, remediate any deficiencies identified and test their operation. This process is expected to be both costly and challenging. We cannot give any assurances that material weaknesses will not be identified in the future in connection with our compliance with the provisions of Section 302 and 404 of the Sarbanes-Oxley Act. The existence of any material weakness described above would preclude a conclusion by management and our independent auditors that we maintained effective internal control over financial reporting. Our management may be required to devote significant time and expense to remediate any material weaknesses that may be discovered and may not be able to remediate any material weakness in a timely manner. The existence of any material weakness in our internal control over financial reporting could also result in errors in our financial statements that could require us to restate our financial statements, cause us to fail to meet our reporting obligations and cause investors to lose confidence in our reported financial information, all of which could lead to a decline in the per share trading price of our common stock.

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

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

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

In the future we may acquire properties or portfolios of properties through tax deferred contribution transactions in exchange for partnership interests in our operating partnership, which may result in stockholder. This acquisition structure may have the effect of, among other things, reducing the amount of tax depreciation we could deduct over the tax life of the acquired properties, and may require that we agree to protect the contributors ability to defer recognition of taxable gain through restrictions on our ability to dispose of the acquired properties and/or the allocation of partnership debt to the contributors to maintain their tax bases. These restrictions could limit our ability to sell properties at a time, or on terms, that would be favorable absent such restrictions.

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

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

We have not obtained any third-party appraisals of the properties and other assets to be acquired by us from the prior investors in connection with the formation transactions. Accordingly, the value of the cash and common units to be paid or issued as consideration for the properties and assets to be acquired by us in the formation transactions may exceed their aggregate fair market value and will exceed their aggregate historical combined net tangible book value of approximately $(57.1) million as of December 31, 2012.

We have not obtained any third-party appraisals of the properties and other assets to be acquired by us from the prior investors in connection with the formation transactions. The value of the common units that we will pay or issue as consideration for the properties and assets that we will acquire will increase or decrease if our common stock is priced above or below the midpoint of the estimated price range set forth on the front cover of this prospectus. The initial public offering price of our common stock will be determined in consultation with the underwriters. The initial public offering price does not necessarily bear any relationship to the book value or the fair market value of such properties and assets. As a result, the price to be paid by us for the acquisition of the properties and assets in the formation transactions may exceed the fair market value of those properties and assets. The aggregate historical combined net tangible book value of our predecessor was approximately $(57.1) million as of December 31, 2012.

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

Our continued success and our ability to manage anticipated future growth depend, in large part, upon the efforts of key personnel, particularly Messrs. Hoffler, Kirk, Haddad, Nero, Apperson, O Hara, and Smith and Ms. Hampton, who have

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extensive market knowledge and relationships and exercise substantial influence over our operational, financing, development and construction activity. Among the reasons that these individuals are important to our success is that each has a national or regional industry reputation that attracts business and investment opportunities and assists us in negotiations with lenders, existing and potential tenants and industry personnel. If we lose their services, our relationships with such personnel could diminish.

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

Following the completion of this offering and the formation transactions, we may be subject to on-going or future litigation, including existing claims relating to the entities that own the properties described in this prospectus and otherwise in the ordinary course of business, which could have a material adverse effect on our financial condition, results of operations, cash flow and the per share trading price of our common stock.

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

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

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

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

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

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

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

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

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

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

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

- general market conditions;

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- the market s perception of our growth potential;
- our current debt levels;
- our current and expected future earnings;
- our cash flow and cash distributions; and
- the market price per share of our common stock.

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

Risks Related to Our Third-Party Construction Business

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

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

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

Upon completion of this offering and the formation transactions, we expect to assume all of Armada Hoffler s obligation s with respect to four on-going construction projects. We earn profit for serving as the general contractor equal to the difference between the total construction fees that we charge and the costs we incur to build the property. If the decision is made by a third-party client to abandon construction project for any reason, our anticipated fee revenue from such project could be significantly lower than we expect. In addition, our ability to complete the projects in our identified construction pipeline on time and/or budget could be materially adversely affected as a result of the following factors, among others:

- shortages of subcontractors, equipment, materials or skilled labor;
- unscheduled delays in the delivery of ordered materials and equipment;
- unanticipated increases in the cost of equipment, labor and raw materials;

- unforeseen engineering, environmental and/or geological problems;
- weather interferences;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

From time to time, our construction business and the subcontractors we engage may use unionized construction workers, which requires us to pay the prevailing wage in a jurisdiction to such workers. Due to the highly labor-intensive and price-competitive nature of the construction business, the cost of unionization and/or prevailing wage requirements for new

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developments could be substantial, which could adversely affect our profitability. In addition, the use of unionized construction workers could cause us to become subject to organized work stoppages, which would materially adversely affect our ability to meet our construction timetables and could significantly increase the cost of completing a construction project.

Risks Related to Our Development Business and Property Acquisitions

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

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

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

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

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

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

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

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

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

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

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

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

- unsuccessful development or redevelopment opportunities could result in direct expenses to us and cause us to incur losses;
- construction or redevelopment costs of a project may exceed original estimates, possibly making the project less profitable than originally estimated, or unprofitable;
- time required to complete the construction or redevelopment of a project or to lease up the completed project may be greater than originally anticipated, thereby adversely affecting our cash flow and liquidity;
- contractor and subcontractor disputes, strikes, labor disputes or supply disruptions;
- failure to achieve expected occupancy and/or rent levels within the projected time frame, or at all;
- delays with respect to obtaining or the inability to obtain necessary zoning, occupancy, land use and other governmental permits, and changes in zoning and land use laws;
- occupancy rates and rents of a completed project may not be sufficient to make the project profitable; and
- the availability and pricing of financing to fund our development activities on favorable terms or at all.

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

Our ability to acquire and complete the projects in our identified development pipeline is subject to the availability of proceeds under our anticipated credit facility or another source of financing, and any delay or the failure to close the anticipated credit facility or obtain an alternative source of financing could materially delay our acquisition of, or cause us to be unable to acquire and complete, the projects in our identified development pipeline.

We currently anticipate that we will acquire the projects in our identified development pipeline from Armada Hoffler affiliates in exchange for consideration in an amount equal to all costs incurred by the Armada Hoffler affiliates with respect to all of the development projects through the date of the closing of the formation transactions, which we currently expect will be

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approximately $18.3 million. In addition, we intend to fund a substantial portion of the development costs for the projects in our identified pipeline with borrowings under our anticipated credit facility or an alternative source of funds. Thus, our ability to acquire and complete the projects in our identified development is subject to the availability of proceeds under our anticipated credit facility. If we are unable to arrange the anticipated credit facility, have insufficient borrowing capacity under the credit facility or are unable find an alternative source of funds to acquire the projects in our identified development pipeline, we may not be able to acquire or complete these projects on our anticipated timeline or at all, which could have a material adverse effect on our growth prospects.

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

The development of the projects in our identified development pipeline are subject to numerous risks, many of which are outside of our control. The cost necessary to complete the development of our identified development pipeline could be materially higher than we anticipate. Because we generally intend to commence the construction phase of an office or retail project for our own account only where a substantial percentage of the commercial space is pre-leased, we could decide not to undertake construction on one or more of the projects in our identified development pipeline if our pre-leasing efforts are unsuccessful. Furthermore, if we are delayed in the completion of any development project, tenants may have the right to terminate pre-development leases, which could materially adversely affect the financial viability of the project. In addition, even if we decide to commence construction on a project, we can provide no assurances that we will complete any of the projects in our identified development pipeline on the anticipated schedule, or that, once completed, the properties in our identified development pipeline will achieve the results that we expect. Although we currently anticipate that construction of the Apprentice School Apartments project will be completed in November 2013, we cannot provide any assurances that construction will be completed on time. If construction on any of the three components of such project is delayed, we may not be able to acquire the project for our portfolio at the anticipated time. If the development of our identified development pipeline is not completed in accordance with our anticipated timing or at the anticipated cost, or the properties fail to achieve the financial results we expect, it could have a material adverse effect on our financial condition and results of operations.

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

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

Risks Related to the Real Estate Industry

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

Our ability to pay expected dividends to our stockholders depends on our ability to generate revenues in excess of expenses, scheduled principal payments on debt and capital expenditure requirements. Events and conditions generally applicable to owners and operators of real property that are beyond our control may decrease cash available for distribution and the value of our properties. These events include many of the risks set forth above under Risks Related to Our Business and Operations, as well as the following:

- oversupply or reduction in demand for office, retail or multifamily space in our markets;

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

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

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

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

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

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

Even if we qualify as a REIT for federal income tax purposes, we will be required to pay some state and local taxes on our properties. The real property taxes on our properties may increase as property tax rates change or as our properties are assessed or reassessed by taxing authorities. Therefore, the amount of property taxes we pay in the future may increase substantially from what we have paid in the past. If the property taxes we pay increase, our cash flow would be adversely impacted, and our ability to pay dividends to our stockholders could be adversely affected.

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

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

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

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

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

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

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

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

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

Risks Related to Our Organizational Structure

Upon completion of this offering and the formation transactions, Daniel Hoffler and his affiliates will own, directly or indirectly, a substantial beneficial interest in our company on a fully diluted basis and will have the ability to exercise significant influence on our company and our operating partnership, including the approval of significant corporate transactions.

Upon completion of this offering and the formation transactions, Mr. Hoffler and his affiliates will own approximately % and, collectively, Messrs. Hoffler, Haddad and Kirk and their affiliates collectively will own approximately % of the combined outstanding shares of our common stock and common units of our operating partnership (which may be redeemable for shares of our common stock), which together represent an approximate % beneficial interest in our company on a fully diluted basis. Consequently, these individuals may be able to significantly influence the outcome of matters submitted for stockholder action, including the approval of significant corporate transactions, including business combinations, consolidations and mergers.

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

Conflicts of interest may exist or could arise in the future as a result of the relationships between us and our affiliates, on the one hand, and our operating partnership or any partner thereof, on the other. Our directors and officers have

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duties to our company under Maryland law in connection with their management of our company. At the same time, we, as the general partner of our operating partnership, have fiduciary duties and obligations to our operating partnership and its limited partners under Virginia law and the partnership agreement of our operating partnership in connection with the management of our operating partnership. Our fiduciary duties and obligations as the general partner of our operating partnership may come into conflict with the duties of our directors and officers to our company. Messrs. Hoffler, Haddad and Kirk own a significant interest in our operating partnership as limited partners and may have conflicts of interest in making decisions that affect both our stockholders and the limited partners of our operating partnership.

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

Additionally, the partnership agreement provides that we will not be liable to the operating partnership or any partner for monetary damages for losses sustained, liabilities incurred or benefits not derived by the operating partnership or any limited partner, except for liability for our intentional harm or gross negligence. Our operating partnership must indemnify us, our directors and officers, officers of our operating partnership and our designees from and against any and all claims that relate to the operations of our operating partnership, unless (1) an act or omission of the person was material to the matter giving rise to the action and either was committed in bad faith or was the result of active and deliberate dishonesty, (2) the person actually received an improper personal benefit in violation or breach of the partnership agreement or (3) in the case of a criminal proceeding, the indemnified person had reasonable cause to believe that the act or omission was unlawful. Our operating partnership must also pay or reimburse the reasonable expenses of any such person upon its receipt of a written affirmation of the person s good faith belief that the standard of conduct necessary for indemnification has been met and a written undertaking to repay any amounts paid or advanced if it is ultimately determined that the person did not meet the standard of conduct for indemnification. Our operating partnership will not indemnify or advance funds to any person with respect to any action initiated by the person seeking indemnification without our approval (except for any proceeding brought to enforce such person s right to indemnification under the partnership agreement) or if the person is found to be liable to our operating partnership on any portion of any claim in the action.

We may assume unknown liabilities in connection with our formation transactions, and any recourse against third parties, including the prior investors in our assets, for certain of these liabilities will be limited.

As part of our formation transactions, we will acquire entities and assets that are subject to existing liabilities, some of which may be unknown or unquantifiable at the time this offering is completed. These liabilities might include liabilities for cleanup or remediation of undisclosed environmental conditions, claims by tenants, vendors or other persons dealing with our predecessor entities (that had not been asserted or threatened prior to this offering), tax liabilities and accrued but unpaid liabilities incurred in the ordinary course of business. While in some instances we may have the right to seek reimbursement against an insurer, any recourse against third parties, including the prior investors in our assets, for certain of these liabilities will be limited. Mr. Hoffler has entered into a Representation, Warranty and Indemnity Agreement with us with respect to certain aspects of the formation transactions but his liability to us is limited with respect to time and dollar amount. There can be no assurance that we will be entitled to any such reimbursement or that ultimately we will be able to recover in respect of such rights for any of these historical liabilities.

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

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

- discourage a tender offer or other transactions or a change in management or of control that might involve a premium price for our common stock or that our stockholders otherwise believe to be in their best interests; and
- result in the transfer of shares acquired in excess of the restrictions to a trust for the benefit of a charitable beneficiary and, as a result, the forfeiture by the acquirer of certain of the benefits of owning the additional shares.

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

Our board of directors, without stockholder approval, has the power under our charter to amend our charter to increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series that we are authorized to issue. In addition, under our charter, our board of directors, without stockholder approval, has the power to authorize us to issue authorized but unissued shares of our common stock or preferred stock and to classify or reclassify any unissued shares of our common stock or preferred stock into one or more classes or series of stock and set the preference, conversion or other rights, voting powers, restrictions, limitations as to dividends and other distributions, qualifications or terms or conditions of redemption for such newly classified or reclassified shares. See Description of Capital Stock Power to Increase or Decrease Authorized Shares of Common Stock and Issue Additional Shares of Common and Preferred Stock. As a result, we may issue series or classes of common stock or preferred stock with preferences, dividends, powers and rights, voting or otherwise, that are senior to, or otherwise conflict with, the rights of holders of our common stock. Although our board of directors has no such intention at the present time, it could establish a class or series of preferred stock that could, depending on the terms of such series, delay, defer or prevent a transaction or a change of control that might involve a premium price for our common stock or that our stockholders otherwise believe to be in their best interests.

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

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

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

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

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

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

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

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

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

Upon completion of this offering and the formation transactions, the limited partners, including Mr. Hoffler and his affiliates and our other executive officers and directors, will own approximately % of the outstanding common units of our operating partnership and approximately % of the outstanding shares of our common stock, which together represent an approximate % beneficial interest in our company on a fully diluted basis.

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

In connection with the formation transactions, our operating partnership will enter into tax protection agreements that provide that if we dispose of any interest in the protected initial properties in a taxable transaction prior to the anniversary of the completion of the formation transactions, subject to certain exceptions, we will indemnify certain contributors, including Messrs. Hoffler, Haddad, Kirk, Nero and Apperson and their respective affiliates and certain of our other officers, for their tax liabilities attributable to the built-in gain that exists with respect to such property interests as of the time of this offering, and the tax liabilities incurred as a result of such tax protection payment. Therefore, although it may be in our stockholders best interests that we sell one of these properties, it may be economically prohibitive for us to do so because of these obligations. Moreover, as a result of these potential tax liabilities, Messrs. Hoffler, Haddad, Kirk, Nero and Apperson and certain of our other officers may have a conflict of interest with respect to our determination as to these properties.

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

Under our tax protection agreements, our operating partnership will provide certain of our contributors, including Messrs. Hoffler, Haddad, Kirk, Nero and Apperson and their respective affiliates and certain of our other officers, the opportunity to guarantee debt or enter into a deficit restoration obligations both at the completion of the formation transactions and this offering (if needed) and upon a future repayment, retirement, refinancing or other reduction (other than scheduled amortization) of currently outstanding debt prior to the anniversary of the completion of the formation transactions. If we fail to make such opportunities available, we will be required to deliver to each such contributor a cash payment intended to approximate the contributor s tax liability resulting from our failure to make such opportunities available to that contributor and the tax liabilities incurred as a result of such tax protection payment. See Structure and Formation of Our Company Tax Protection Agreements. We agreed to these provisions in order to assist our contributors in deferring the recognition of taxable gain as a result of and after the formation transactions. These obligations may require us to maintain more or different indebtedness than we would otherwise require for our business.

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

Each of Messrs. Hoffler, Haddad and Kirk, our Executive Chairman of the Board, President and Chief Executive Officer and Vice Chairman of the Board, respectively, are parties to or have interests in contribution agreements with us pursuant to which we will acquire interests in our properties and assets. In addition, we will enter into option agreements with certain of our officers and directors, or entities they control, with respect to certain parcels of developable land. Mr. Hoffler has entered into a representation, warranty and indemnity agreement with us pursuant to which he has made certain representations and warranties to us regarding the entities and assets being acquired in the formation transactions and agreed to indemnify us and our operating partnership for breaches of such representations and warranties for one year after the completion of this offering and the formation transactions. We may choose not to enforce, or to enforce less vigorously, our rights under these agreements because of our desire to maintain our ongoing relationships with members of board of directors and our management, with possible negative impact on stockholders.

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

Our investment, financing, leverage and distribution policies, and our policies with respect to all other activities, including growth, capitalization and operations, will be determined exclusively by our board of directors, and may be amended or revised at any time by our board of directors without notice to or a vote of our stockholders. This could result in us conducting operational matters, making investments or pursuing different business or growth strategies than those contemplated in this prospectus. Further, our charter and bylaws do not limit the amount or percentage of indebtedness, funded or otherwise, that we may incur. Our board of directors may alter or eliminate our current policy on borrowing at any time without stockholder approval. If this policy changed, we could become more highly leveraged which could result in an increase in our debt service. Higher leverage also increases the risk of default on our obligations. In addition, a change in our

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investment policies, including the manner in which we allocate our resources across our portfolio or the types of assets in which we seek to invest, may increase our exposure to interest rate risk, real estate market fluctuations and liquidity risk. Changes to our policies with regards to the foregoing could materially adversely affect our financial condition, results of operations and cash flow.

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

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

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

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

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

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

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

After giving effect to this offering, we will own % of the outstanding common units in our operating partnership. We may, in connection with our acquisition of properties or otherwise, issue additional common units to third parties. Such issuances would reduce our ownership percentage in our operating partnership and could affect the amount of distributions made to us by our operating partnership and, therefore, the amount of distributions we can make to our stockholders. Because you will not directly own common units, you will not have any voting rights with respect to any such issuances or other partnership level activities of our operating partnership.

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Risks Related to Our Status as a REIT

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

We believe that our organization and proposed method of operation will enable us to meet the requirements for qualification and taxation as a REIT commencing with our short taxable year ending December 31, 2013. However, we cannot assure you that we will qualify and remain qualified as a REIT. In connection with this offering, we will receive an opinion from Hunton & Williams LLP that, commencing with our short taxable year ending December 31, 2013, we will be organized in conformity with the requirements for qualification and taxation as a REIT under the U.S. federal income tax laws and our proposed method of operations will enable us to satisfy the requirements for qualification and taxation as a REIT under the U.S. federal income tax laws for our short taxable year ending December 31, 2013 and subsequent taxable years. Investors should be aware that Hunton & Williams LLP s opinion will be based upon customary assumptions, will be conditioned upon certain representations made by us as to factual matters, including representations regarding the nature of our assets and the conduct of our business, is not binding upon the Internal Revenue Service, or the IRS, or any court and speaks as of the date issued. In addition, Hunton & Williams LLP s opinion will be based on existing U.S. federal income tax law governing qualification as a REIT, which is subject to change either prospectively or retroactively. Moreover, our qualification and taxation as a REIT depend upon our ability to meet on a continuing basis, through actual annual operating results, certain qualification tests set forth in the federal tax laws. Hunton & Williams LLP will not review our compliance with those tests on a continuing basis. Accordingly, no assurance can be given that our actual results of operations for any particular taxable year will satisfy such requirements.

If we fail to qualify as a REIT in any taxable year, we will face serious tax consequences that will substantially reduce the funds available for distributions to our stockholders because:

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

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

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

In addition, if we fail to qualify as a REIT, we will no longer be required to make distributions. As a result of all these factors, our failure to qualify as a REIT could impair our ability to expand our business and raise capital, and it would adversely affect the value of our common stock. See Material U.S. Federal Income Tax Considerations for a discussion of material U.S. federal income tax consequences relating to us and our common stock.

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

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

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

We intend to operate in a manner so as to qualify as a REIT for U.S. federal income tax purposes. In order to qualify as a REIT, we generally are required to distribute at least 90% of our REIT taxable income, determined without regard to the dividends paid deduction and excluding any net capital gain, each year to our stockholders. To the extent that we satisfy this distribution requirement, but distribute less than 100% of our REIT taxable income, we will be subject to U.S. federal

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corporate income tax on our undistributed taxable income. In addition, we will be subject to a 4% nondeductible excise tax if the actual amount that we pay out to our stockholders in a calendar year is less than a minimum amount specified under the Code.

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

To qualify as a REIT for federal income tax purposes, we must continually satisfy tests concerning, among other things, the sources of our income, the nature and diversification of our assets, the amounts we distribute to our stockholders and the ownership of our capital stock. In order to meet these tests, we may be required to forego investments we might otherwise make. Thus, compliance with the REIT requirements may hinder our performance.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We may be subject to adverse legislative or regulatory tax changes that could reduce the market price of our common stock.

At any time, the U.S. federal income tax laws governing REITs or the administrative interpretations of those laws may be amended. We cannot predict when or if any new U.S. federal income tax law, regulation or administrative interpretation, or any amendment to any existing U.S. federal income tax law, regulation or administrative interpretation, will be adopted, promulgated or become effective and any such law, regulation, or interpretation may take effect retroactively. We and our stockholders could be adversely affected by any such change in the U.S. federal income tax laws, regulations or administrative interpretations.

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

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

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

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

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Risks Related to this Offering

There has been no public market for our common stock prior to this offering and an active trading market for our common stock may not develop following this offering.

Prior to this offering, there has not been any public market for our common stock, and there can be no assurance that an active trading market will develop or be sustained or that shares of our common stock will be resold at or above the initial public offering price. The initial public offering price of our common stock will be determined by agreement among us and the underwriters, but there can be no assurance that our common stock will not trade below the initial public offering price following the completion of this offering. See Underwriting. The market value of our common stock could be substantially affected by general market conditions, including the extent to which a secondary market develops for our common stock following the completion of this offering, the extent of institutional investor interest in us, the general reputation of REITs and the attractiveness of their equity securities in comparison to other equity securities (including securities issued by other real estate-based companies), our financial performance and general stock and bond market conditions.

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

Our estimated initial annual distributions represent % of our estimated initial cash available for distribution for the months ending , 2013 as calculated in Distribution Policy. Accordingly, we may be unable to pay our estimated initial annual distribution to stockholders out of cash available for distribution. If sufficient cash is not available for distribution from our operations, we may have to fund distributions from working capital, borrow to provide funds for such distributions, or reduce the amount of such distributions. To the extent we borrow to fund distributions, our future interest costs would increase, thereby reducing our earnings and cash available for distribution from what they otherwise would have been. If cash available for distribution generated by our assets is less than our current estimate, or if such cash available for distribution decreases in future periods from expected levels, our inability to make the expected distributions could result in a decrease in the market price of our common stock. In the event the underwriters overallotment option is exercised, pending investment of the proceeds therefrom, our ability to pay such distributions out of cash from our operations may be further materially adversely affected.

Our ability to make distributions may also be limited by our anticipated revolving credit facility. We expect that under the terms of the revolving credit facility we intend to enter into concurrently with or shortly after the completion of this offering, our ability to make distributions will be limited to the greater of (1) 100% of our FFO through the first anniversary of the closing date of the credit facility plus a portion of the net proceeds of this offering and 95% of our FFO thereafter or (2) the amount required for us to (x) qualify and maintain our REIT status and (y) avoid the payment of federal or state income or excise tax. We also expect that if a default or events of default exist or would result from a distribution, we may be precluded from making certain distributions other than those required to allow us to qualify and maintain our status as a REIT.

All distributions will be made at the discretion of our board of directors and will be based upon, among other factors, our historical and projected results of operations, financial condition, cash flows and liquidity, maintenance of our REIT qualification and other tax considerations, capital expenditure and other expense obligations, debt covenants, contractual prohibitions or other limitations and applicable law and such other matters as our board of directors may deem relevant from time to time. We may not be able to make distributions in the future, and our inability to make distributions, or to make distributions at expected levels, could result in a decrease in the market price of our common stock.

Messrs. Hoffler, Haddad, Kirk, Nero and Apperson and their affiliates will receive benefits in connection with this offering, which create a conflict of interest because they have interests in the successful completion of this offering that may influence their decisions affecting the terms and circumstances under which this offering and formation transactions are completed.

In connection with this offering and our formation transactions, Messrs. Hoffler, Haddad, Kirk, Nero and Apperson and their affiliates will receive an aggregate of common units of our operating partnership, representing a % beneficial interest in our company on a fully diluted basis, and cash payments in the aggregate amount of approximately $ million. These transactions create a conflict of interest because Messrs. Hoffler, Haddad, Kirk, Nero and Apperson

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have interests in the successful completion of this offering. These interests may influence their decisions, affecting the terms and circumstances under which this offering and the formation transactions are completed. For more information concerning benefits to be received by Messrs. Hoffler, Haddad, Kirk, Nero and Apperson in connection with this offering, see Structure and Formation of Our Company Consequences of This Offering and the Formation Transactions and Certain Relationships and Related Transactions.

The market price and trading volume of our common stock may be volatile following this offering.

Even if an active trading market develops for our common stock, the per share trading price of our common stock may be volatile. In addition, the trading volume in our common stock may fluctuate and cause significant price variations to occur, and investors in shares of our common stock may from time to time experience a decrease in the value of their shares, including decreases unrelated to our operating performance or prospects. If the per share trading price of our common stock declines significantly, you may be unable to resell your shares at or above the public offering price. We cannot assure you that the per share trading price of our common stock will not fluctuate or decline significantly in the future.

Some of the factors that could negatively affect our share price or result in fluctuations in the price or trading volume of our common stock include:

- actual or anticipated variations in our quarterly operating results or dividends;
- changes in our funds from operations or earnings estimates;
- publication of research reports about us or the real estate industry;
- increases in market interest rates that lead purchasers of our shares to demand a higher yield;
- changes in market valuations of similar companies;
- adverse market reaction to any additional debt we incur in the future;
- additions or departures of key management personnel;
- actions by institutional stockholders;
- speculation in the press or investment community;
- the realization of any of the other risk factors presented in this prospectus;
- the extent of investor interest in our securities;

- the general reputation of REITs and the attractiveness of our equity securities in comparison to other equity securities, including securities issued by other real estate-based companies;
- our underlying asset value;
- investor confidence in the stock and bond markets generally;
- changes in tax laws;
- future equity issuances;
- failure to meet earnings estimates;
- failure to meet and maintain REIT qualifications;

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- changes in our credit ratings; and

- general market and economic conditions.

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

We may use a portion of the net proceeds from this offering to make distributions to our stockholders, which would, among other things, reduce our cash available to develop or acquire properties and may reduce the returns on your investment in our common stock.

Prior to the time we have fully invested the net proceeds of this offering, we may fund distributions to our stockholders out of the net proceeds of this offering, which would reduce the amount of cash we have available to acquire properties and may reduce the returns on your investment in our common stock. The use of these net proceeds for distributions to stockholders could adversely affect our financial results. In addition, funding distributions from the net proceeds of this offering may constitute a return of capital to our stockholders, which would have the effect of reducing each stockholder s tax basis in our common stock.

You will experience immediate and material dilution in connection with the purchase of our common stock in this offering.

As of December 31, 2012, the aggregate historical combined net tangible book value of our Predecessor was approximately $(57.1) million, or $ per share of our common stock held by the prior investors, assuming the exchange of common units into shares of our common stock on a one-for-one basis. As a result, the pro forma net tangible book value per share of our common stock after the completion of this offering and the formation transactions will be less than the initial public offering price. The purchasers of shares of our common stock offered hereby will experience immediate and substantial dilution of $ per share in the pro forma net tangible book value per share of our common stock, based on the midpoint of the price range set forth on the front cover of this prospectus. See Dilution.

The combined financial statements of our Predecessor and our unaudited pro forma financial statements may not be representative of our financial statements as an independent public company.

The combined financial statements of our Predecessor and our unaudited pro forma financial statements that are included in this prospectus do not necessarily reflect what our financial position, results of operations or cash flow would have been had we been an independent entity during the periods presented. Furthermore, this financial information is not necessarily indicative of what our results of operations, financial position or cash flow will be in the future. It is not possible for us to accurately estimate all adjustments that may reflect all the significant changes that will occur in our cost structure, funding and operations as a result of this offering and the formation transactions, including potential increased costs associated with reduced economies of scale and increased costs associated with being an independent publicly traded company. See Summary Selected Financial and Other Data and the combined financial statements of our predecessor and our unaudited pro forma financial statements, as well as Management s Discussion and Analysis of Financial Condition and Results of Operations, appearing elsewhere in this prospectus.

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

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

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

We are offering shares of our common stock as described in this prospectus. Upon completion of this offering and the formation transactions, we will have outstanding approximately shares of our common stock. Of these shares, the shares sold in this offering will be freely tradable, except for any shares purchased in this offering by our affiliates, as that term is defined by Rule 144 under the Securities Act, and for restrictions on ownership and transfer in our charter intended to preserve our status as a REIT. Upon completion of this offering and the formation transactions, Messrs. Hoffler, Haddad and Kirk and our other directors and officers and their affiliates, together with third-party prior investors, will beneficially own common units which will be redeemable at the option of the holders beginning approximately one year following completion of this offering, for cash, or at our option, for shares of our common stock, on a one-for-one basis. We have agreed to register the shares issuable upon redemption of the common units so that such shares will be freely tradable under the securities laws.

We cannot predict whether future issuances or sales of shares of our common stock or the availability of shares for resale in the open market will decrease the per share trading price per share of our common stock. The per share trading price of our common stock may decline significantly when the restrictions on resale by certain of our stockholders lapse or upon the registration of additional shares of our common stock pursuant to registration rights granted in connection with this offering.

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

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

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

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

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FORWARD-LOOKING STATEMENTS

We make statements in this prospectus that are forward-looking statements within the meaning of the federal securities laws. In particular, statements pertaining to our capital resources, property performance and results of operations contain forward-looking statements. Likewise, our pro forma financial statements and all of our statements regarding anticipated growth in our funds from operations and estimated general contracting and real estate services for the year ended December 31, 2013 and anticipated market conditions, demographics and results of operations 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, pro forma, estimates or anticipates or the neg phrases 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, including our proposed acquisition of the Apprentice School Apartments;
- our failure to successfully operate developed and acquired properties;
- fluctuations in interest rates and increased operating costs;
- our failure to obtain necessary outside financing on favorable terms or at all, including our anticipated credit facility;
- 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;

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- 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 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 as a REIT for U.S. federal income tax purposes; and
- changes in governmental regulations or interpretations thereof, such as real estate and zoning laws and increases in real property tax rates and taxation of REITs.

While forward-looking statements reflect our good faith beliefs, they are not guarantees of future performance. We disclaim any obligation to publicly update or revise any forward-looking statement to reflect changes in underlying assumptions or factors, of new information, data or methods, future events or other changes after the date of this prospectus, except as required by applicable law. You should not place undue reliance on any forward-looking statements that are based on information currently available to us or the third parties making the forward-looking statements. For a further discussion of these and other factors that could impact our future results, performance or transactions, see the section below titled Risk Factors.

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Use of Proceeds

After deducting the underwriting discount and commissions and estimated expenses of this offering payable by us, we expect to receive net proceeds from this offering of approximately $ million, or approximately $ million if the underwriters overallotment option is exercised in full, in each case assuming an initial public offering price of $ per share, which is the midpoint of the price range set forth on the front cover of this prospectus.

We intend to contribute the net proceeds of this offering to our operating partnership in exchange for common units in our operating partnership, and our operating partnership intends use the net proceeds received from us as described below:

- approximately $112.8 million to repay anticipated outstanding indebtedness as described in the table below, including exit fees, defeasance costs and assumption costs of approximately $2.2 million;

- approximately $44.0 million as partial consideration for the equity interests in the entities that own the properties in our initial portfolio and the construction, development and asset management business of Armada Hoffler that we will acquire from the prior investors in connection with the formation transactions; and

- the remaining net proceeds, if any, for general corporate purposes, including working capital, development costs for our identified development pipeline, future acquisitions, transfer taxes and, potentially, paying distributions.

The following table sets forth information regarding the indebtedness that we intend to repay with the net proceeds of this offering and the properties to which the indebtedness relates:

Property		Amount to be Repaid(1)	Interest Rate(2)	Maturity Date
Richmond Tower	$	46,523,410	LIBOR + 2.75%	12/18/2014
Armada Hoffler Tower		38,880,892	6.32%	10/1/2013
Sentara Williamsburg		10,915,162	5.66%	6/3/2017
Virginia Natural Gas		5,476,348	LIBOR + 2.50%	4/5/2017
Parkway Marketplace(3)		1,750,000	4.25%	10/1/2018
Parkway Marketplace		750,000	4.25%	10/1/2018
Broad Creek Shopping Center(3)		2,700,000	LIBOR + 2.75%	12/7/2016
Oyster Point(4)		643,336	N/A(4)	N/A
Two Columbus		2,913,465	LIBOR + 2.50%	7/5/2015
Total	**$**	**110,552,613**		

(1) Amounts based on projected debt balances as of May 6, 2013.

(2) LIBOR refers to the London Interbank Offered Rate.

(3) The proceeds of this loan have been used to pay certain expenses of this offering and the formation transactions.

(4)

This is a participation note that bears interest annually in an amount equal to the greater of 10% of the outstanding principal balance of the loan or 50% of the annual cash flows from the property. Affiliates of Armada Hoffler, including certain of our directors and officers, will receive 12.5%, or approximately $80,400, of the repayment amount of this loan.

Pending application of net proceeds of this offering, we intend to invest the net proceeds in interest-bearing accounts, money market accounts and interest-bearing securities in a manner that is consistent with our intention to qualify for taxation as a REIT. Such investments may include, for example, government and government agency certificates, government bonds, certificates of deposit, interest-bearing bank deposits, money market accounts and mortgage loan participations.

See our pro forma financial statements elsewhere in this prospectus for additional information regarding the use of proceeds.

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DISTRIBUTION POLICY

We intend to pay regular quarterly dividends to holders of shares of our common stock. Although we have not previously paid dividends, we intend to pay a pro rata initial dividend with respect to the period commencing on the completion of this offering and ending December 31, 2013, based on $ per share for a full quarter. On an annualized basis, this would be $ per share, or an annual distribution rate of approximately % based on an estimated initial public offering price at the midpoint of the price range set forth on the front cover of this prospectus. We estimate that this initial annual distribution rate will represent approximately % of estimated cash available for distribution for the year ending December 31, 2013. Our intended initial annual distribution rate has been established based on our estimate of cash available for distribution for the year ending December 31, 2013, which we have calculated based on adjustments to our pro forma income before non-controlling interests for the year ended December 31, 2013 and our estimate of general contracting and real estate services segment profit for the year ending December 31, 2013. This estimate was based on our Predecessor s historical operating results and does not take into account our growth strategy. In estimating our cash available for distribution for the year ending December 31, 2013, we have made certain assumptions as reflected in the table and footnotes below, including that there will be no early lease terminations, that lease renewals will be based on our historical average retention rate for the three years ended December 31, 2012 and that no new leases were executed in our portfolio after December 31, 2012 (unless there has been an early lease termination or a new or renewal lease has been entered into prior to the date of this prospectus).

Our estimate of cash available for distribution does not include the effect of any changes in our working capital resulting from changes in our working capital accounts after December 31, 2012, other than the amount of cash estimated to be used for tenant improvement and leasing commission costs related to leases that may be entered into prior to the date of this prospectus. Our estimate also does not reflect the amount of cash estimated to be used for investing activities for acquisition, development and other activities, other than a reserve for recurring capital expenditures, and amounts estimated for leasing commissions and tenant improvements for renewing space. It also does not reflect the amount of cash estimated to be used for financing activities, other than scheduled loan principal payments on mortgage and other indebtedness that will be outstanding upon completion of this offering. Although we have included all material investing and financing activities that we have commitments to undertake as of December 31, 2012, we may undertake other investing and/or financing activities in the future, including in connection with the development of properties in our identified development pipeline. Any such investing and/or financing activities may have a material effect on our estimate of cash available for distribution. Because we have made the assumptions set forth above in estimating cash available for distribution, we do not intend this estimate to be a projection or forecast of our actual results of operations or our liquidity, and have estimated cash available for distribution for the sole purpose of determining the amount of our initial annual distribution rate. Our estimate of cash available for distribution should not be considered as an alternative to cash flow from operating activities (computed in accordance with GAAP) or as an indicator of our liquidity or our ability to pay dividends or make other distributions. In addition, the methodology upon which we made the adjustments described below is not necessarily intended to be a basis for determining future dividends or other distributions.

We intend to maintain our initial distribution rate for the 12-month period following completion of this offering unless actual results of operations, economic conditions or other factors differ materially from the assumptions used in our estimate. Dividends and other distributions made by us will be authorized and determined by our board of directors in its sole discretion out of funds legally available therefor and will be dependent upon a number of factors, including restrictions under applicable law and restrictive covenants in loan agreements in respect of our outstanding indebtedness, the capital requirements of our company, the distribution requirements necessary to maintain our qualification as a REIT and other factors described below. Although we have no current intention to do so, we may in the future also choose to pay dividends in shares of our own stock. See Material U.S. Federal Income Tax Considerations Distribution Requirements and Risk Factors Risks Related to Our Status as a REIT We may pay taxable dividends of our common stock and cash, in which case stockholders may sell shares of our common stock to pay tax on such dividends, placing downward pressure on the market price of our common stock. We believe that our estimate of cash available for distribution constitutes a reasonable basis for setting the initial distribution rate; however, we cannot assure you that the estimate will prove accurate, and actual distributions may therefore be significantly different from the expected distributions. We do not intend to reduce the expected dividends per share if the underwriters overallotment option is exercised; however, this could require us to pay dividends from net offering proceeds.

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We anticipate that, at least initially, our distributions will exceed our then-current and accumulated earnings and profits as determined for U.S. federal income tax purposes due to the write-off of prepayment fees paid with offering proceeds and non-cash expenses, primarily depreciation and amortization charges that we expect to incur. Therefore, a portion of these distributions may represent a return of capital for federal income tax purposes. Distributions in excess of our current and accumulated earnings and profits and not treated by us as a distribution will not be taxable to a taxable U.S. stockholder under current U.S. federal income tax law to the extent those distributions do not exceed the stockholder s adjusted tax basis in his or her common stock, but rather will reduce the adjusted basis of the common stock. Therefore, the gain (or loss) recognized on the sale of that common stock or upon our liquidation will be increased (or decreased) accordingly. To the extent those distributions exceed a taxable U.S. stockholder s adjusted tax basis in his or her common stock, they generally will be treated as a capital gain realized from the taxable disposition of those shares. We expect to pay our first dividend in , 2013, which will include a payment with respect to the period commencing on the completion of this offering and ending , 2013. We expect that approximately % of our estimated initial dividend will represent a return of capital for the tax period ending December 31, 2013. The percentage of our stockholder distributions that exceeds our current and accumulated earnings and profits may vary substantially from year to year. For a more complete discussion of the tax treatment of distributions to holders of our common stock, see Material U.S. Federal Income Tax Considerations.

Actual distributions may be significantly different from expected distributions. We cannot assure you that our estimated dividends will be made or sustained or that our board of directors will not change our distribution policy in the future. Any dividends or other distributions we pay in the future will depend upon our actual results of operations, economic conditions, debt service requirements and other factors that could differ materially from our current expectations. Our actual results of operations will be affected by a number of factors, including the revenue we receive from our properties, our operating expenses, interest expense, the ability of our tenants to meet their obligations and unanticipated expenditures. For more information regarding risk factors that could materially adversely affect our actual results of operations, please see Risk Factors.

Federal income tax law requires that a REIT distribute annually at least 90% of its REIT taxable income excluding net capital gains, and that it pay tax at regular corporate rates to the extent that it annually distributes less than 100% of its REIT taxable income including capital gains. In addition, a REIT will be required to pay a 4% nondeductible excise tax on the amount, if any, by which the distributions it makes in a calendar year are less than the sum of 85% of its ordinary income, 95% of its capital gain net income and 100% of its undistributed income from prior years. For more information, please see Material U.S. Federal Income Tax Considerations. We anticipate that our estimated cash available for distribution will be sufficient to enable us to meet the annual distribution requirements applicable to REITs and to avoid or minimize the imposition of corporate and excise taxes. However, under some circumstances, we may be required to pay distributions in excess of cash available for distribution in order to meet these distribution requirements or to avoid or minimize the imposition of tax and we may need to borrow funds to make some distributions.

The following table describes our pro forma net income for the year ended December 31, 2012 and the adjustments we have made thereto in order to estimate our initial cash available for distribution for the year ending December 31, 2013 (dollars in thousands, except per share amounts):

Pro forma net income (loss) before non-controlling interests for the year ended December 31, 2012	**$**
Add: Pro Forma real estate depreciation and amortization[(1)]	13,261
Add: Pro Forma lease commission amortization[(2)]	1,398
Add: Amortization of debt issuance costs[(3)]	833
Less: Net effects of straight-line rent adjustments to tenant leases[(4)]	(2,163)
Add: Net effects of straight-line rent adjustments to ground leases expense[(5)]	371
Add: Amortization of lease incentives and below market rents[(6)]	677

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Add: Net increases in contractual rent income[7]		2,278
Less: Net decreases in contractual rent income due to lease expirations, assuming historical retention rate[8]		(126)
Less: General contracting and real estate services segment profit for the year ended December 31, 2012		(3,943)
Add: Estimated general contracting and real estate services segment profit for the year ending December 31, 2013[9]		
Estimated cash flow from operating activities for the year ending December 31, 2013	**$**	
Estimated cash flows used in investing activities:		
Less: Estimated provision for tenant improvements and leasing commission costs[10]		(367)
Less: Estimated annual provision for general improvements[11]		(489)
Total estimated cash flows used in investing activities for the year ending December 31, 2013	**$**	**(856)**
Estimated cash flow used in financing activities		
Less: Scheduled mortgage loan principal payments[12]		(4,041)
Less: Scheduled loan maturities[13]		(2,208)
Less: Net increase in long-term ground lease obligations[14]		(37)
Estimated cash flow from financing activities for the year ending December 31, 2013	**$**	**(6,286)**
Our share of estimated cash available for distribution to stockholders and common unit holders	**$**	
Total estimated initial annual distributions to stockholders and common unit holders	**$**	
Estimated initial annual distribution per share[15]	**$**	
Payout ratio based on our share of estimated cash available for distribution[16]		%

(1) Represents pro forma consolidated depreciation and amortization for the year ended December 31, 2012.

(2) Pro forma non-cash amortization of lease commissions for the year ended December 31, 2012.

(3) Pro forma non-cash amortization of debt issuance costs for the year ended December 31, 2012.

(4) Represents the conversion of estimated rental revenues on in-place leases from GAAP basis to cash basis of recognition.

(5) Represents the conversion of estimated ground lease expense on in-place leases from GAAP basis to cash basis of recognition.

(6) Represents the elimination of non-cash lease incentives and above market rents for the year ended December 31, 2012.

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(7) Represents increases in contractual rental income net of contractual or anticipated rent concessions from existing leases and from new leases and renewals that were not in effect for the entire year ended December 31, 2012 or that will go into effect during the year ending December 31, 2013 based on executed leases as of the date of this prospectus, as calculated in the following schedule:

Office Properties	**(In Thousands)**
Net increases in contractual rental income	$ 1,729
Less: Impact of 2012 vacancies	(179)
Total net increase in contractual rent income	$ 1,550
Retail Properties	
Net Increases in contractual rental income	$ 830
Less: Impact of 2012 vacancies	(101)
Total net increase in contractual rent income	$ 728
Total net increase in office retail property contractual rent income	**$ 2,278**

(8) For leases expiring after December 31, 2012, assumes renewal probability based on historical average retention rate, for the period commencing January 1, 2010 and ending on December 31, 2012, as calculated in the following schedule:

Office Properties

	Year Ended December 31,			Total/Weighted Average
	2010	**2011**	**2012**	**2010-2012**
		(In thousands)		
Annualized base rent expiring in year(a)	$ 1,461	$ 2,602	$ 2,860	$ 2,307
Annualized base rent renewed(b)	1,207	1,858	2,720	1,928
Retention rate(c)	82.6%	71.4%	95.1%	83.6%
Pro forma consolidated base rent expiring in 2013(d)				$ 608
Estimated retention rate				83.6%
Estimated rent retained				$ 508
Estimated decrease in contractual rent income at office properties				$ (100)

Retail Properties

	Year Ended December 31,			Total/Weighted Average
	2010	**2011**	**2012**	**2010-2012**
		(In thousands)		
Annualized base rent expiring in year(a)	$ 480	$ 1,088	$ 1,213	$ 927
Annualized base rent renewed(b)	414	865	1,174	818
Retention rate(c)	86.2%	79.5%	96.8%	88.2%
Pro forma consolidated base rent expiring in 2013(d)				$ 224
Estimated retention rate				88.2%
Estimated rent retained				$ 198
Estimated decrease in contractual rent income at retail properties				$ (26)

Estimated decrease in contractual rent income at office and retail properties	**$**	**(126)**

(a) Represents monthly base rent earned by our combined predecessor on a cash basis for the month ending December 31 of the prior year multiplied by 12 for each respective year presented.

(b) Represents annualized base rent, as defined in (a) above, which was renewed in the year.

(c) Calculated as our combined predecessor annualized base rent renewed divided by annualized base rent expiring in each period.

(d) Represents the amount of rent expiring in the year ending December 31, 2013 based on the month the lease expires.

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(9) Represents estimated general contracting and real estate services segment profit as calculated below.
The estimated general contracting and real estate services segment profit is calculated as estimated general contracting and real estate services revenues for the year ending December 31, 2013 from uncompleted signed construction contracts and signed asset management agreements as of the date of this prospectus, less estimated general contracting and real estate services expenses associated with such contracts. Our estimates reflect management s judgment as of the date of this prospectus of conditions we expect to exist and the course of action we expect to take during the year ending December 31, 2013. We can give you no assurance that such estimates will be achieved. There likely will be differences between our estimated general contracting and real estate services revenues and expenses for the year ending December 31, 2013 and our actual results for such period may differ materially from our estimates. If we fail to achieve our estimated general contracting and real estate services segment profit for the year ending December 31, 2013, we may not be able to pay cash distributions on our common stock at the expected distribution rate or at all.

We do not, as a matter of course, make public projections as to future operations, earnings or other results. However, management has prepared the estimates set forth below to support our belief that we will have generated sufficient general contracting and real estate services segment profit that, in connection with our other business, will provide a basis to make the anticipated distributions on our common stock for the twelve months ending December 31, 2013. This prospective financial information reflects the best estimates currently available to us and management s judgments and presents, to the best of management s knowledge and belief, reasonable assumptions on which to base our belief that we can generate sufficient cash available for distribution to support the anticipated distribution rate on our common stock for the twelve months ending December 31, 2013. However, this information is not historical fact and should not be relied upon as being necessarily indicative of future results, and readers of this prospectus are cautioned not to place undue reliance on the prospective financial information. The prospective financial information included in this prospectus has been prepared by, and is the responsibility of, our management. Ernst & Young LLP has neither examined, compiled nor performed any procedures with respect to the accompanying prospective financial information and, accordingly, Ernst & Young LLP does not express an opinion or any other form of assurance with respect thereto. The Ernst & Young LLP report included in this offering document relates to our historical financial information. It does not extend to the prospective financial information and should not be read to do so.

When considering the estimated general contracting and real estate services revenues and expenses set forth below you should keep in mind the risk factors and other cautionary statements under Risk Factors. Any of the risks discussed in this prospectus could cause our actual results of operations to vary significantly from the estimates. Accordingly, there can be no assurance that the estimates are indicative of our future performance. Inclusion of the estimates in this prospectus is not a representation by any person, including us or the underwriters, that the results in the forecast will be achieved.

	Year Ending December 31, 2013
Estimated general contracting and real estate services segment 2013 revenue[a]	$
Estimated general contracting and real estate services segment 2013 expenses[b]	
Estimated general contracting and real estate services segment 2013 profit	$

(a) Represents the amount of estimated general contracting and real estate services revenue from uncompleted signed construction contracts and signed asset management agreements as of the date of this prospectus. This estimate is based on the following assumptions:

- Construction projects are completed on our anticipated schedule, consistent with the projects budgets and without significant changes to the projects;
- We are able to receive revenues generally consistent with the terms of these construction contracts and the budgets for the projects; and
- The risk factors described elsewhere in this prospectus under the heading, Risks Related to Our Third-Party Construction Business do not materially or adversely affect our results of operations.

(b) Represents the amount of estimated general contracting and real estate services expenses from uncompleted signed construction contracts and signed asset management agreements as of the date of this prospectus. This estimate is based on the following assumptions:

- Construction projects are completed on our anticipated schedule, consistent with the projects budgets and without significant changes to the projects;

- Estimated payments to sub-contractors to complete the construction projects are generally consistent with the budgets for these projects and similar projects; and

- The risk factors described elsewhere in this prospectus under the heading, Risks Related to Our Third-Party Construction Business do not materially or adversely affect our results of operations.

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(10) Estimated provision for tenant improvement and leasing commission costs that we are contractually obligated to provide and expect to incur in the year ending December 31, 2013, plus an estimate of tenant improvement and leasing commission cost for our estimated square feet expiring in 2013 which we expect to renew, as calculated in the following schedule:

Office Properties

	Year Ended December 31,			Total/Weighted Average
	2010	**2011**	**2012**	**2010-2012**
Square footage expiring [(a)]	65,091	118,765	130,563	104,806
Square footage renewed[(a)]	53,817	83,423	124,965	87,402
Retention rate[(b)]	82.7%	70.2%	95.7%	83.4%
Pro forma consolidated square footage expiring in 2013				67,898
Estimated retention rate				83.4%
Estimated 2013 square footage renewed				56,623
Estimated 2013 tenant improvement and leasing commission cost per square foot[(c)]				$ 4.86
Estimated 2013 tenant improvement and leasing commission costs for renewals				275,191
Plus: Contractual obligated tenant improvement and leasing commission costs				771
Total estimated 2013 tenant improvement and leasing commission costs for office properties				$ 275,962

(a) Based on our consolidated predecessor.

(b) Calculated as our consolidated predecessor square footage divided by square footage expiring in each period.

(c) Based on the average annual tenant improvement and leasing commission costs per square foot incurred during the years ended December 31, 2010, 2011 and 2012, calculated as follows:

	Year Ended December 31,			Total/Weighted Average
	2010	**2011**	**2012**	**2010-2012**
Consolidated predecessor square footage renewal during period	53,817	83,423	124,965	87,402
Tenant improvement and leasing commission costs for renewals	$ 95,700	$ 576,900	$ 601,741	$ 424,780
Tenant improvement and leasing commission costs per square foot	$ 1.78	$ 6.92	$ 4.82	$ 4.86

Retail Properties

	Year Ended December 31,			Total/Weighted Average
	2010	**2011**	**2012**	**2010-2012**
Square footage expiring [(a)]	34,637	66,928	56,882	52,816
Square footage renewed[(a)]	30,557	55,780	55,257	47,198
Retention rate[(b)]	88.2%	83.3%	97.1%	89.4%
Pro forma consolidated square footage expiring in 2013				31,254

Estimated retention rate		89.4%
Estimated 2013 square footage renewed		27,930
Estimated 2013 tenant improvement and leasing commission cost per square foot(c)	$	3.27
Estimated 2013 tenant improvement and leasing commission costs for renewals	$	91,448
Plus: Contractual obligated tenant improvement and leasing commission costs		
Total estimated 2013 tenant improvement and leasing commission costs for retail properties	$	91,448
Total estimated 2013 tenant improvement and leasing commission costs for office properties and retail properties	**$**	**367,410**

(a) Based on our consolidated predecessor.

(b) Calculated as our consolidated predecessor square footage divided by square footage expiring in each period.

(c) Based on the average annual tenant improvement and leasing commission costs per square foot incurred during the years ended December 31, 2010, 2011 and 2012, calculated as follows:

	Year Ended December 31,			Total/Weighted Average
	2010	2011	2012	2010-2012
Consolidated predecessor square footage renewal during period	30,557	55,780	55,257	47,198
Tenant improvement and leasing commission costs for renewals	$ 28,502	$ 303,065	$ 132,045	$ 154,537
Tenant improvement and leasing commission costs per square foot	$ 0.93	$ 5.43	$ 2.39	$ 3.27

(11) Reflects estimated provision for general improvements (capital expenditures excluding tenant and leasing commission costs) for the year ending December 31, 2013, based on the average annual general improvement expenditures (capital expenditures excluding tenant and leasing commission costs) per square foot incurred during the years ended December 31, 2010, 2011 and 2012, multiplied by our portfolio s square footage for office and retail properties and units for multifamily properties, as calculated in the following schedule:

Office Properties

	Year Ended December 31,			Total/Weighted Average
	2010	2011	2012	2010-2012
General improvements per square foot (excluding tenant and leasing commission costs[a]	$ 0.47	$ 0.17	$ 0.14	$ 0.26
Predecessor office properties square footage[b]	954,440	954,440	954,656	954,512
General Improvements (excluding tenant and leasing commission costs) for office properties	$ 449,018	$ 158,713	$ 136,512	$ 248,089

Retail Properties

	Year Ended December 31,			Total/Weighted Average
	2010	2011	2012	2010-2012
General improvements per square foot (excluding tenant and leasing commission costs)[a]	$ 0.04	$ 0.01	$ 0.01	$ 0.02
Predecessor retail properties square footage	1,092,323	1,102,596	1,091,496	1,095,472
General Improvements (excluding tenant and leasing commission costs) for retail properties	$ 44,330	$ 15,428	$ 11,395	$ 23,741

Multifamily Properties

	Year Ended December 31,			Total/Weighted Average
	2010	2011	2012	2010-2012
	$ 289	$ 395	$ 355	$ 346

General improvements per unit (excluding tenant and leasing commission costs[a])					
Predecessor multifamily properties units[b]	626	626	626		626
General Improvements (excluding tenant and leasing commission costs) for multifamily properties	$ 180,676	$ 247,470	$ 221,963	$	216,703
Total general improvements (excluding tenant and leasing commission costs)				**$**	**488,533**

(a) Based on our Predecessor combined square footage for office and retail properties and units for multifamily properties. Excludes ground leases for retail properties.

(b) 100% of pro forma consolidated square footage for office and retail properties and units for multifamily properties.

(12) Represents scheduled payments of mortgage loan principal due during the year ending December 31, 2013.

(13) Represents scheduled loan maturities of mortgage loans due during the twelve months ending December 31, 2013.

(14) Represents net increase in long-term ground lease obligations due during the year ending December 31, 2013.

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(15) Represents the aggregate amount of the initial annual distribution divided by the number of shares of our common stock and common units to be outstanding upon completion of this offering (excluding shares of our common stock that may be issued by us upon exercise of the underwriters overallotment option).

(16) Calculated as estimated initial annual distribution per share divided by our share of estimated cash available for distribution per share for the year ending December 31, 2013.

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CAPITALIZATION

The following table sets forth (i) the historical combined capitalization of our Predecessor as of December 31, 2012, (ii) our unaudited pro forma capitalization, adjusted to give effect to our formation transactions, but before giving effect to this offering and (iii) our unaudited pro forma capitalization on an as adjusted basis to give effect to our formation transactions, this offering and the use of net proceeds as set forth in Use of Proceeds. You should read this table in conjunction with Use of Proceeds, Selected Financial Data, Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and related notes appearing elsewhere in this prospectus.

	As of December 31, 2012		
	Predecessor Historical Combined	Pro Forma Pre-Offering	Pro Forma As Adjusted
	(In thousands, except share amounts)		
Mortgages and other secured loans[1][2]	$ 334,438		
Non-controlling partnership interest			
Stockholders equity:			
Common stock, $0.01 par value per share; 1,000 shares authorized, issued and outstanding on an historical basis; 500,000,000 shares authorized, shares issued and outstanding on a pro forma pre-offering basis; and 500,000,000 shares authorized; shares issued and outstanding on a pro forma as adjusted basis[3]			
Preferred stock, $0.01 par value per share; no shares authorized, issued or outstanding on an historical basis; 100,000,000 shares authorized, none issued and outstanding on a pro forma pre-offering and as adjusted basis			
Additional paid in capital			
Total equity	(41,341)		
Total capitalization	$ 293,097		

(1) We also will enter into a $100 million secured revolving credit facility, and we expect to draw approximately $19.3 million under the credit facility to fund a portion of the cash consideration payable in connection with the completion of the formation transactions, to acquire the projects in our identified development pipeline and to repay existing lines of credit and certain debt relating to the project in our development pipeline.

(2) Amount represents debt as of December 31, 2012 and reflects fair value adjustments. Upon completion of this offering and the formation transactions, we expect to have approximately $280 million of outstanding consolidated long-term secured debt.

(3) Pro forma common stock outstanding includes (a) shares of our common stock to be issued in this offering, and (b) an aggregate of shares of our restricted common stock to be granted to our directors and certain of our officers and other employees concurrently with the completion of this offering, but excludes (i) up to shares of our common stock issuable upon exercise of the underwriters overallotment option, (ii) additional shares of common stock available for future issuance under our 2013 Equity Incentive Plan, and (iii) shares of our common stock that may be issued, at our option, upon redemption of common units to be issued in the formation transactions. The common units may, subject to limits in the operating partnership agreement, be redeemed at the option of the holder for cash or, at our option, for shares of our common stock on a one-for-one basis generally commencing 12 months after completion of the formation transactions.

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DILUTION

Purchasers of shares of our common stock offered by this prospectus will experience an immediate and substantial dilution of the net tangible book value of our common stock from the initial public offering price. At December 31, 2012, we had a combined net tangible book value of approximately $(57.1) million, or $ per share of our common stock held by the prior investors, assuming the exchange of outstanding common units (other than common units held by us) into shares of our common stock on a one-for-one basis. After giving effect to the formation transactions and the sale of the shares of our common stock offered by this prospectus, including the expected use of the net proceeds of this offering as described under Use of Proceeds, and the deduction of underwriting discounts and commissions and estimated offering and formation transaction expenses, the pro forma net tangible book value at December 31, 2012 attributable to common stockholders would have been $ million, or $ per share of our common stock. This amount represents an immediate increase in net tangible book value of $ per share to the prior investors and an immediate dilution in pro forma net tangible book value of $ per share from the assumed public offering price of $ per share of our common stock to new public investors. See Risk Factors Risks Related to this Offering Differences between the book value of the assets to be acquired in the formation transactions and the price paid for our common stock will result in an immediate and material dilution of the book value of our common stock. The following table illustrates this per share dilution:

Assumed initial public offering price per share of common stock[(1)]		$
Net tangible book value per share before the formation transactions and this offering[(2)]	($)	
Decrease in pro forma net tangible book value per share attributable to the formation transactions, but before this offering[(3)]	$	
Increase in pro forma net tangible book value per share after the formation transactions and this offering[(4)]	$	
Pro forma net tangible book value per share after the formation transaction and this offering[(5)]		$
Dilution in pro forma net tangible book value per share to new investors[(6)]		$

(1) Based on a price per share equal to the midpoint of the range set forth on the front cover of this prospectus.

(2) Net tangible book value per share of our common stock before the formation transactions and this offering is determined by dividing the net tangible book value based on December 31, 2012 net book value of tangible assets (consisting of total assets less intangible assets, which are comprised of deferred financing and leasing costs, acquired above-market leases and acquired in-place lease value, net of liabilities to be assumed, excluding acquired below-market leases) of our Predecessor by the number of shares of our common stock held by prior investors after this offering, assuming the exchange for shares of our common stock on a one-for-one basis of the common units to be issued in connection with the formation transactions.

(3) The decrease in pro forma net tangible book value per share of our common stock attributable to our formation transactions, but before this offering, is determined by dividing the difference between (a) the pro forma net tangible book value before our formation transactions and this offering and (b) the pro forma net tangible book value after our formation transactions and before this offering, by the number of shares of our common stock held by prior investors after this offering, assuming the exchange for shares of our common stock on a one-for-one basis of the common units to be issued in connection with the formation transactions.

(4) The increase in pro forma net tangible book value per share attributable to this offering is determined by subtracting (a) the sum of (i) the net tangible book value per share before the formation transactions and this offering (see note (1) above) and (ii) the decrease in pro forma net tangible book value per share attributable to our formation transactions (see note (2) above) from (b) the pro forma net tangible book value per share after our formation transactions and this offering (see note (4) below).

(5) Based on pro forma net tangible book value of approximately $ million divided by the sum of shares of our common stock and common units to be outstanding after this offering (excluding units held by us), not including (a) shares of common stock issuable upon the exercise of the underwriters overallotment option and (b) shares of our common stock available for issuance under our 2013 Equity Incentive Plan.

(6) Dilution is determined by subtracting pro forma net tangible book value per share of our common stock after giving effect to the formation transactions and this offering from the initial public offering price paid by a new investor for a share of our common stock.

The table below summarizes, as of December 31, 2012, on a pro forma basis after giving effect to the formation transactions and this offering, the differences between:

- the number of common units to be received by the Armada Hoffler affiliates and the prior investors other than the Armada Hoffler affiliates in the formation transactions and the number of shares of common stock to be received by the new investors purchasing shares in this offering; and

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- the total consideration paid and the average price per common unit paid by the Armada Hoffler affiliates and the prior investors (based on the net tangible book value of the assets and properties being acquired by our operating partnership in the formation transactions) and the total consideration paid and the average price per share paid by the new investors purchasing shares in this offering.

	Common Units/Shares Issued	Net Tangible Book Value of Contribution/Cash