

Comstock Holding Companies Reports 2017 Results

WASHINGTON and RESTON, Va., April 23, 2018 (GLOBE NEWSWIRE) -- On April 20, 2018, Comstock Holding Companies, Inc., (NASDAQ:CHCI), announced financial results for the year ended December 31, 2017:

Highlights of 2017 year-end financial results:

- | 2017 homebuilding revenue up 7% to \$43.4 million from \$40.7 million in 2016
- | 2017 average settlement price up 13% to \$488,000 from \$433,000 in 2016
- | 2017 unit settlements down 5% to 89 from 94 in 2016
- | Net loss of \$(4.1) million or \$(1.21) per diluted share in 2017 compared to net loss of \$(9.3) million or \$(2.81) per diluted share in 2016
- | Backlog at year-end 2017 of 20 units valued at \$13.9 million, compared to 35 units valued at \$16.7 million at year-end 2016
- | Average backlog price up 46% in 2017 to \$696,000 as compared to \$476,000 in 2016

Highlights of Comstock's recently announced plan to transform its business strategy and focus:

As of April 2, 2018, the Company announced it will be transitioning its business strategy and operating platform from for-sale homebuilding to commercial development, asset management and real estate services. Anchoring the transition is a long-term asset management agreement entered into by CDS Asset Management, LC, a wholly owned subsidiary of CHCI, and privately held entities that own multiple mixed-use developments and stabilized assets in the Washington DC area. The assets under management ("AUM") covered by the initial asset management agreement will, at full build out, include more than 5 million square feet of investment-grade, mixed-use assets encompassing more than 2,500 multi-family rental units, Class A and Trophy office buildings, retail and entertainment buildings, hotels, and parking garages located adjacent to Metro's new Silver Line Commuter Rail Stations; representing an estimated AUM value of \$2.5 to \$3.0 Billion.

Ownership of the portfolio of assets covered by the initial asset management agreement includes the Company's Chairman/CEO and largest individual shareholder, Christopher Clemente, a prominent high net worth family office, and Daito Trust Construction, Ltd., one of the largest publicly traded Japanese developers and managers of multi-family assets.

The transition of the Company's business platform represents the integration of the previously separate for-sale homebuilding operating platform of CHCI and the commercial development operating platform of Mr. Clemente's private company into one public company. The combination leverages the diverse capabilities and relationships developed over more than 30 years of Comstock's commercial and residential development operations in the Washington, DC metropolitan area. The enhanced operating platform of Comstock will be service focused, transitioning from an on-balance sheet for-sale homebuilder into an asset manager of investment-grade commercial real estate assets and provider of real estate services operating through two real estate focused platforms:

- | CDS Asset Management ("CAM") will provide real estate development, asset management and property management services.
- | Comstock Real Estate Services ("CRES") will provide development supply chain services including capital markets, real estate brokerage, environmental consulting and design services.

"The shift from a for-sale homebuilding operation to a fee-for-service asset management model positions CHCI for greater financial stability, profitability and growth," said Christopher Clemente, Chairman and Chief Executive Officer of CHCI. "The transition will result in a substantial reduction in short-term and long-term debt; enhancing the overall financial profile of the Company as we complete the majority of our for-sale homebuilding during the next 4 quarters, while also positioning CHCI to benefit from tremendous growth taking place in the Dulles Corridor of Fairfax County and Loudoun County and elsewhere in the Washington, DC region. With the initial asset management agreement anchoring this transformation of the Company, CHCI is positioned to expand AUM revenue through development of multiple properties in markets experiencing high-demand for mixed-use, transit-oriented properties that have entitlements substantially in place, while pursuing additional growth in AUM and pursuing service based revenue growth through CRES. We also foresee the opportunity in the future to utilize our significant tax asset of approximately \$144 million of NOLs to shelter income generated through our new business platform."

A discussion of the Company's new approach to enhancing shareholder value is covered in the Company's latest investor relations presentation, which can be found at www.ComstockCompanies.com.

Comstock communities now open

Comstock currently has 6 communities open for sale in Virginia, Maryland, and Washington, D.C., including townhomes and single-family homes priced from the high \$300s to the \$900s. For further details, see the attached Pipeline Report as of December 31, 2017, the Form 10-K filed by the Company on April 20, 2018 or visit www.ComstockHomes.com.

About Comstock Holding Companies, Inc.

CHCI is a multi-faceted real estate development, asset management and real estate related services company that, since 1985, has designed, developed, constructed and managed several thousand residential units and millions of square feet of residential and mixed-use projects throughout the Washington, DC metropolitan market and in other key markets in the southeastern United States. In early 2018, CHCI transitioned its operating platform from being primarily focused on developing on-balance sheet, for-sale, homebuilding projects to being focused on commercial real estate development, asset management and real estate related services. As a result, CHCI began operating through two real estate focused platforms, CDS Asset Management ("CAM") and Comstock Real Estate Services ("CRES"). CAM provides real estate development, asset management, and property management services, while CRES provides development supply chain services, including capital markets, real estate brokerage, environmental consulting and design services in the Washington, DC metropolitan area and in New Jersey and Pennsylvania. Anchoring the transition of CHCI is a long-term asset management agreement covering two of the largest transit-oriented, mixed-use developments in the Washington, DC area; Reston Station, a 3 million square foot transit-oriented, mixed-use development located in Reston, VA, and Loudoun Station, a 2.5 million square foot transit-oriented, mixed-use development in Ashburn, VA, as well as other additional development assets. Comstock's substantial experience in entitling, designing, developing, and managing a diverse range of properties including apartments, single-family homes, townhomes, mid-rise condominiums, high-rise condominiums and mixed-use (residential and commercial) properties, as well as large scale commercial parking garages and infrastructure projects, has positioned the Comstock organization as a premier developer and real estate related service provider in the mid-Atlantic Region. The Company is a publicly traded company, trading on NASDAQ under the symbol CHCI. For more information about CHCI or its businesses, please visit www.ComstockCompanies.com.

About Reston Station

Strategically located mid-way between Tysons Corner and Dulles International Airport, Reston Station is among the largest mixed-use, transit-oriented developments in the Washington, DC area. Located at the terminus of Phase I of Metro's Silver Line, Reston Station is already home to more than 1,000 residents, numerous businesses, multiple retail establishments, and several restaurants. With more than 1 million square feet of completed and stabilized buildings, more than 2 million square feet of additional development in various stages of entitlement, development and construction, and a 3,500-space underground parking garage and transit facility adjacent to the Wiehle Reston-East Metro Station, the Reston Station neighborhood is taking shape and quickly becoming Fairfax County's urban focal point in the Dulles Corridor. For more information about Reston Station, please visit; www.RestonStation.com

About Loudoun Station

Located at the terminus station on Metro's Silver Line, minutes from Dulles International Airport, Loudoun Station represents Loudoun County's first (and currently its only) Metro-connected development. Loudoun Station has approximately 700,000 square feet of mixed-use development completed, including hundreds of rental apartments, approximately 150,000 square feet of retail, restaurants, and entertainment venues, 50,000 square feet of Class-A office, and a 1,500-space commuter parking garage. More than 2 million square feet of additional development is slated for Loudoun Station. Located adjacent to Metro's Ashburn Station, the Loudoun Station neighborhood represents Loudoun County's beginning transformation into a transit connected community with direct connectivity to Dulles International Airport, Reston, Tysons Corner and downtown Washington, DC. As Loudoun County's only transit connected neighborhood, Loudoun Station has become the new downtown of Loudoun County in the Dulles Corridor. For more information about Loudoun Station, please visit; www.LoudounStation.com

Cautionary Statement Regarding Forward-Looking Statements

This release includes "forward-looking" statements that are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements can be identified by use of words such as "anticipate," "believe," "estimate," "may," "intend," "expect," "will," "should," "seeks" or other similar expressions. Forward-looking statements are based largely on our expectations and involve inherent risks and uncertainties, many of which are beyond our control. You should not place undue reliance on any forward-looking statement, which speaks only as of the date made. Some factors which may affect the accuracy of the forward-looking statements apply generally to the real estate industry, while other factors apply directly to us. Any number of important factors which could cause actual results to differ materially from those in the forward-looking statements include, without limitation: completion of Comstock's financial

accounting and review procedures; general economic and market conditions, including interest rate levels; our ability to service our debt; inherent risks in investment in real estate; our ability to compete in the markets in which we operate; economic risks in the markets in which we operate, including actions related to government spending; delays in governmental approvals and/or land development activity at our projects; regulatory actions; fluctuations in operating results; our anticipated growth strategies; shortages and increased costs of labor or building materials; the availability and cost of land in desirable areas; adverse weather conditions or natural disasters; our ability to raise debt and equity capital and grow our operations on a profitable basis; the reliance of substantially all of our revenues derived from our provision of management services to a limited number of companies; the Asset Management Agreement and other agreements with clients are subject to termination; and our continuing relationships with affiliates. Additional information concerning these and other important risk and uncertainties can be found under the heading "Risk Factors" in our Annual Report on Form 10-K, as filed with the Securities and Exchange Commission, for the fiscal year ended December 31, 2017. Our actual results could differ materially from these projected or suggested by the forward-looking statements. Comstock claims the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 for all forward-looking statements contained herein. Comstock specifically disclaims any obligation to update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise.

Company:

Comstock Holding Companies, Inc.
 Christopher Conover, 703-230-1985
 Chief Financial Officer

Source: Comstock Holding Companies, Inc.

COMSTOCK HOLDING COMPANIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
 (Amounts in thousands, except share and per share data)

	<u>December 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
ASSETS		
Cash and cash equivalents	\$ 1,806	\$ 5,761
Restricted cash	1,141	1,238
Trade receivables	636	613
Real estate inventories	44,711	49,842
Fixed assets, net	309	255
Goodwill and intangibles	1,939	-
Other assets, net	616	2,112
TOTAL ASSETS	<u>\$ 51,158</u>	<u>\$ 59,821</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable and accrued liabilities	\$ 9,116	\$ 7,721
Notes payable - secured by real estate inventories, net of deferred financing charges	23,215	26,927
Notes payable - due to affiliates, unsecured, net of discount	14,893	15,866
Notes payable - unsecured, net of deferred financing charges	1,285	911
Income taxes payable	39	19
TOTAL LIABILITIES	<u>48,548</u>	<u>51,444</u>
Commitments and contingencies (Note 10)		
STOCKHOLDERS' EQUITY (DEFICIT)		
Series C preferred stock, \$0.01 par value, 3,000,000 shares authorized, 579,158 and 0 shares issued and liquidation preference of \$2,896 and \$0 at December 31, 2017 and 2016, respectively	\$ 442	\$ -
Series B preferred stock, \$0.01 par value, 3,000,000 shares authorized, 0 and 841,848 shares issued and liquidation preference of \$0 and \$4,209		

at December 31, 2017 and 2016, respectively	-	1,280
Class A common stock, \$0.01 par value, 11,038,071 shares authorized, 3,295,518 and 3,035,922 issued and outstanding, respectively	33	30
Class B common stock, \$0.01 par value, 220,250 and 390,500 shares authorized, issued and outstanding, respectively	2	4
Additional paid-in capital	177,612	176,251
Treasury stock, at cost (85,570 shares Class A common stock)	(2,662)	(2,662)
Accumulated deficit	(189,803)	(184,778)
TOTAL COMSTOCK HOLDING COMPANIES, INC. DEFICIT	(14,376)	(9,875)
Non-controlling interests	16,986	18,252
TOTAL EQUITY	2,610	8,377
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 51,158	\$ 59,821

COMSTOCK HOLDING COMPANIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Amounts in thousands, except per share data)

	For the years ended December 31,	
	2017	2016
Revenues		
Revenue—homebuilding	\$ 43,399	\$ 40,696
Revenue—other	2,031	884
Total revenue	45,430	41,580
Expenses		
Cost of sales—homebuilding	40,585	38,236
Cost of sales—other	2,297	427
Impairment charges and recovery, net	526	1,703
Sales and marketing	1,490	1,606
General and administrative	5,297	5,586
Interest and real estate tax expense	41	886
Operating loss	(4,806)	(6,864)
Other income, net	66	157
Loss before income tax expense	(4,740)	(6,707)
Income tax expense	(38)	(55)
Net loss	(4,778)	(6,762)
Net income attributable to non-controlling interests	247	2,231
Net loss attributable to Comstock Holding Companies, Inc.	(5,025)	(8,993)
Paid-in-kind dividends on Series B Preferred Stock	78	348
Extinguishment of Series B Preferred Stock	(1,011)	-
Net loss attributable to common stockholders	\$ (4,092)	\$ (9,341)
Basic loss per share	\$ (1.21)	\$ (2.81)
Diluted loss per share	\$ (1.21)	\$ (2.81)
Basic weighted average shares outstanding	3,370	3,321
Diluted weighted average shares outstanding	3,370	3,321

Pipeline Report as of December 31, 2017

Project	State	Product Type (1)	Estimated		Backlog (8)	Units Owned/Unsold	Units Under Control (2)	Total Units Owned, Unsettled and Under Control	Average New Order Revenue Per Unit to Date (in 000's)
			Units at Completion	Units Settled					
City Homes at the Hampshires	DC	SF	38	38	-	-	-	- \$	747
Townes at the Hampshires (3)	DC	TH	73	73	-	-	-	- \$	551
Estates at Falls Grove	VA	SF	19	19	-	-	-	- \$	545
Townes at Falls Grove	VA	TH	110	110	-	-	-	- \$	304
Townes at Shady Grove Metro	MD	TH	36	27	-	9	-	9 \$	583
Townes at Shady Grove Metro (4)	MD	SF	3	3	-	-	-	- \$	-
Momentum Shady Grove Metro (5)	MD	Condo	110	-	-	110	-	110 \$	-
Estates at Emerald Farms	MD	SF	84	84	-	-	-	- \$	426
Townes at Maxwell Square	MD	TH	45	45	-	-	-	- \$	421
Townes at Hallcrest	VA	TH	42	42	-	-	-	- \$	465
Estates at Leeland	VA	SF	24	12	1	11	-	12 \$	451
Villas Preserve at Two Rivers 28'	MD	TH	6	6	-	-	-	- \$	458
Villas Preserve at Two Rivers 32'	MD	TH	10	10	-	-	-	- \$	504
Marrwood East (6)	VA	SF	35	19	11	5	-	16 \$	641
Townes at Totten Mews (7)	DC	TH	40	11	1	28	-	29 \$	558
The Towns at 1333	VA	TH	18	4	2	12	-	14 \$	935
The Woods at Spring Ridge	MD	SF	21	3	4	14	-	18 \$	692
Solomons Choice	MD	SF	56	-	1	55	-	56 \$	621
Townes at Richmond Station	VA	TH	104	-	-	-	104	104 \$	-
Condominiums at Richmond Station	VA	MF	54	-	-	-	54	54 \$	-
Total			928	506	20	244	158	422	

(1) "SF" means single family home, "TH" means townhouse, "Condo" means condominium and "MF" means multi-family.

(2) Under land option purchase contract, not owned.

(3) 3 of these units are subject to statutory affordable dwelling unit program.

(4) Units are subject to statutory moderately priced dwelling unit program.

(5) 16 of these units are subject to statutory moderately priced dwelling unit program.

(6) 1 of these units is subject to statutory affordable dwelling unit program.

(7) 5 of these units are subject to statutory inclusionary zoning program.

(8) "Backlog" means we have an executed order with a buyer but the settlement did not occur prior to report date.

 Primary Logo

Source: Comstock Holding Companies, Inc.

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