

Comstock Holding Companies, Inc. Reports Third-Quarter 2013 Results

- 3Q homebuilding revenue of \$9.2 million compared to \$2.5 million in 3Q last year
- 3Q net income from continuing operations of \$0.3 million compared to net loss of \$(4.2) million 3Q last year
- Net new home orders increased to 104 for the first nine months of 2013 compared to 47 in the first nine months of the prior year
- Backlog of \$22.5 million at quarter-end, up from \$5.1 million one year earlier

RESTON, Va.--(BUSINESS WIRE)-- Comstock Holding Companies, Inc. (NASDAQ:CHCI) ("Comstock" or the "Company"), a homebuilding and multi-faceted real estate development and services company in the Washington, D.C. metropolitan area, today announced results for the third quarter of 2013, ended September 30.

"The significant increase in new orders, settlements and revenue generated in the third quarter and the first nine months of 2013 is the result of two primary factors; a meaningful increase in demand for new homes in our core market of Washington, DC, and our focus on increasing our open community count so that we can position Comstock to capitalize on the increased demand" stated Chairman and CEO, Christopher Clemente. "At year end 2012, we had two open communities. We expect to have six open communities by year-end 2013. With additional increases planned for 2014, we expect to continue the progress we have made over the past year towards our ultimate goal of generating consistently positive results.

Third-Quarter 2013 Financial Results

Net new orders of homes increased to 27 for the three months ended September 30, 2013 from 13 in the same period last year. For the nine months ended September 30, 2013, net new orders increased to 104 from 47 in the same period last year. Backlog totaled 50 units (representing \$22.5 million in revenue) as of September 30, 2013 compared to 9 units (representing \$5.1 million in revenue) as of September 30, 2012. Average backlog price decreased to \$449 from \$568 in the same period last year, which is largely related to product mix.

Total revenue for the third quarter of 2013 totaled \$9.6 million (\$9.2 million from 20 home settlements) compared to \$3.5 million (\$2.5 million from 12 home settlements) for the third quarter of 2012. Total revenue for the nine months ended September 30, 2013 totaled \$33.3 million (\$32.6 million from 63 home settlements) compared to \$11.7 million (\$9.5 million from 41 settlements) for the nine months ended September 30, 2012. The Company reported net income from continuing operations of \$0.3 million for the third quarter of 2013 compared to a net loss from continuing operations of \$(4.2) million for the same period in 2012. In the third quarter of 2013, net loss attributable to Comstock Holding Companies totaled \$(0.7) million, or \$(0.03) per diluted share, compared to \$(4.5) million, or \$(0.22) per diluted share, in the same period last year. The 2012 period included a loss of \$(0.4) million within net (loss) income from discontinued operations resulting from the tax impact of the \$19.35 million sale of Cascades Apartments, the Company's first investment grade multi-family property.

The Company's results for the nine months ended September 30, 2013 reflected the reversal of an impairment charge of \$0.7 million reflecting increased sales activity at its Eclipse project in the first quarter of 2013, which was fully settled and exited by the Company in the second quarter of 2013.

Backlog and 2013 Revenue Update (see Exhibit 1)

As of November 11, 2013, the Company has total backlog of \$24.3 million representing 51 units. Of these units in backlog, 46 representing \$21.3 million in revenue are expected to close this year. Total revenue settled to date as of November 11, 2013 is \$37.6 million representing 73 units. Consequently, the Company estimates total homebuilding revenue for 2013 will be approximately \$60 million on 120 units settled. Backlog detail by community is as follows:

- Hampshires 73 townhome lots and 38 single-family lots in the Lamond Riggs neighborhood in northeast Washington, D.C. Construction on the single-family units began in August 2012, with the first closings occurring in March 2013. Construction on the townhomes began in April 2013 and the sales center opened in July 2013. There are seven single family units currently in backlog, with average revenue of \$736,000. There are nine townhome units currently in backlog, with average revenue of \$542,000.
- Shady Grove 36 townhome lots and 117 multi-family lots across the street from the Shady Grove Metro station in

Rockville, MD (Montgomery County). Closing on the property took place in March 2013 and site development began on schedule in June. The sales center opened in July 2013. There are five townhome units currently in backlog with average revenue of \$586,000.

- Falls Grove 110 townhome lots and 19 single family lots off Route 28 in Manassas, VA (Prince William County). The Company purchased the first seven single-family lots in 2011, closing on the remaining lots in May 2013. Site development began on schedule in June 2013 and the community's sales center opened in July. There are 8 units currently in backlog with average revenue of \$293,000.
- Eastgate 66 finished "six-plex" lots in Chantilly, VA (Loudoun County). Construction on the units began in December 2012, with the first closings occurring in March 2013. There are 22 units currently in backlog, with average revenue of \$407,000.
- Maxwell Square 45 townhome lots in the Historic district of Fredrick, MD. Closing on the property took place in September 2013. The sales center opened in October 2013. Development and construction is anticipated to begin in the fourth quarter of 2013.
- Hall Crest 42 townhome lots in Sterling, VA. Closing on the property took place in September 2013. Development and construction is anticipated to begin in the first quarter of 2014.

About Comstock Holding Companies, Inc.

Comstock is a homebuilding and multi-faceted real estate development and services company that builds a wide range of housing products under its Comstock Homes brand through its wholly owned subsidiary, Comstock Homes of Washington, LC. Our track record of developing numerous successful new home communities and more than 5,500 homes, together with our substantial experience in building a diverse range of products including apartments, single-family homes, townhouses, mid-rise condominiums, high-rise condominiums and mixed-use (residential and commercial) developments has positioned Comstock as a leading residential developer and homebuilder in the Washington, D.C. metropolitan area. Comstock Holding Companies, Inc. is a publicly traded company, trading on NASDAQ under the symbol CHCI. For more information about Comstock or its new home communities, please visit www.comstockhomes.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 the 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: 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; natural disasters; our ability to raise debt and equity capital and grow our operations on a profitable basis; 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, 2012. 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.

Exhibit 1

Settled Revenue by Community

Three Months Ended Sept. 30, 2013

Community	Settled	Settled Revenue
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Eastgate Villas	13	\$4,784,848
The Hampshires - Singles	3	2,173,990
The Hampshires - Towns	4	2,251,755
Penderbrook Square (Sold Out Q1)	-	
The Eclipse (Sold Out Q2)	-	
Total	20	\$9,210,593

Nine Months Ended Sept. 30, 2013

Community	Settled	Settled Revenue
Eastgate Villas	24	\$8,885,023
The Hampshires - Singles	13	9,683,517
The Hampshires - Towns	5	2,755,695
Penderbrook Square (Sold Out Q1)	2	365,000
The Eclipse (Sold Out Q2)	19	10,904,200
Total	63	\$32,593,435

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

	September 30, 2013	December 31, 2012
ASSETS	(unaudited)	
Cash and cash equivalents	\$ 4,188	\$ 3,539
Restricted cash	3,707	3,203
Trade receivables	1,881	1,611
Real estate inventories	39,171	27,781
Property, plant and equipment, net	250	222
Other assets	1,952	2,343
TOTAL ASSETS	\$ 51,149	\$ 38,699
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable and accrued liabilities	\$ 8,697	\$ 4,691
Notes payable - secured by real estate inventories	18,938	19,492
Notes payable - due to affiliates, unsecured	4,797	5,041
Notes payable - unsecured	2,709	3,096
Income taxes payable	197	-
TOTAL LIABILITIES	35,338	32,320
Commitments and contingencies (Note 10)	-	-
SHAREHOLDERS' EQUITY		
Class A common stock, \$0.01 par value, 77,266,500 shares authorized, 18,445,638		
and 17,944,503 issued and outstanding, respectively	184	176
Class B common stock, \$0.01 par value, 2,733,500 shares authorized, issued and outstanding	27	27
Additional paid-in capital	170,672	170,070
Treasury stock, at cost (426,633 shares Class A common stock)	(2,480)	(2,480)
Accumulated deficit	(163,203)	(162,349)
TOTAL COMSTOCK HOLDING COMPANIES, INC. EQUITY	5,200	5,444
Non-controlling interest	10,611	935

TOTAL EQUITY	15,811	6,379
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 51,149	\$ 38,699

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Revenues				
Revenue—homebuilding	\$ 9,211	\$ 2,527	\$ 32,594	\$ 9,479
Revenue—other	361	956	748	2,183
Total revenue	9,572	3,483	33,342	11,662
Expenses				
Cost of sales—homebuilding	6,850	2,093	25,267	8,149
Cost of sales—other	59	1,144	556	2,951
Impairment charge (reversal) (Note 16)	-	2,358	(722)	2,358
Sales and marketing	477	181	1,434	465
General and administrative	1,719	2,002	4,974	5,700
Interest, real estate taxes and indirect costs related to inactive projects	61	190	405	1,982
Operating income (loss)	406	(4,485)	1,428	(9,943)
Other income (expense), net	41	(45)	199	(8)
Income (loss) before income tax (expense) benefit	447	(4,530)	1,627	(9,951)
Income tax (expense) benefit	(197)	364	(197)	2,478
Net income (loss) from continuing operations	250	(4,166)	1,430	(7,473)
Discontinued operations:				
Loss from discontinued operations	-	(6)	(4)	(112)
Gain on sale of real estate from discontinued operations	-	-	-	6,466
Income tax expense from discontinued operations	-	(364)	-	(2,478)
Net (loss) income from discontinued operations	-	(370)	(4)	3,876
Net income (loss)	250	(4,536)	1,426	(3,597)
Less: Net income (loss) from continuing operations attributable to non-controlling interests	989	(40)	2,280	(40)
Less: Net income from discontinued operations attributable to non-controlling interests	-	-	-	103
Net loss attributable to Comstock Holding Companies, Inc.	\$ (739)	\$ (4,496)	\$ (854)	\$ (3,660)
Basic loss per share from:				
Continuing operations	\$ (0.03)	\$ (0.20)	\$ (0.04)	\$ (0.36)
Discontinued operations	-	(0.02)	-	0.18
Net loss per share	\$ (0.03)	\$ (0.22)	\$ (0.04)	\$ (0.18)

Diluted loss per share from:

Continuing operations	\$ (0.03)	\$ (0.20)	\$ (0.04)	\$ (0.36)
Discontinued operations	-	(0.02)	-	0.18
Net loss per share	<u>\$ (0.03)</u>	<u>\$ (0.22)</u>	<u>\$ (0.04)</u>	<u>\$ (0.18)</u>
Basic weighted average shares outstanding	20,739	20,653	20,646	20,433
Diluted weighted average shares outstanding	20,739	20,653	20,646	20,433
Net loss attributable to Comstock Holding Companies, Inc.:				
Loss from continuing operations	\$ (739)	\$ (4,126)	\$ (850)	\$ (7,433)
(Loss) income from discontinued operations	-	(370)	(4)	3,773
Net loss	<u>\$ (739)</u>	<u>\$ (4,496)</u>	<u>\$ (854)</u>	<u>\$ (3,660)</u>

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

	Nine Months Ended September 30,	
	2013	2012
Cash flows from operating activities:		
Net income (loss)	\$ 1,426	\$ (3,597)
Adjustment to reconcile net income to net cash used in operating activities		
Amortization of loan discount and deferred financing fees	359	1,234
Depreciation expense	47	107
Provision for bad debt	(22)	-
(Gain) loss on extinguishment of notes payable	(27)	73
Undistributed earnings from unconsolidated joint venture	(16)	-
Gain on sale of operating real estate, net	-	(6,466)
Impairment (reversal) charge	(722)	2,358
Loss on disposal of property, plant and equipment	-	1
Amortization of stock compensation	392	928
Changes in operating assets and liabilities:		
Restricted cash	(504)	(118)
Trade receivables	(248)	930
Real estate inventories	(10,825)	1,154
Other assets	(36)	(340)
Accrued interest	(13)	(596)
Accounts payable and accrued liabilities	4,006	(777)
Income taxes payable	197	(28)
Net cash used in operating activities	<u>(5,986)</u>	<u>(5,137)</u>
Cash flows from investing activities:		
Investment in unconsolidated joint venture	(7)	-
Purchase of property, plant and equipment	(75)	(106)
Proceeds from sale of Cascades Apartments - operating real estate, net	279	18,882
Net cash provided by investing activities	<u>197</u>	<u>18,776</u>
Cash flows from financing activities:		
Proceeds from notes payable	22,984	13,662
Payments on notes payable	(23,893)	(25,283)
Loan financing costs	(188)	(338)
Distribution to non-controlling interests	-	(2,944)

Contribution from non-controlling interests	614	67
Proceeds from Comstock Investor VII, L.C. private placement	7,295	-
Distribution to Comstock Investor VII, L.C. investors	(367)	-
Proceeds from exercise of stock options	1	-
Taxes paid related to net share settlement of equity awards	(8)	-
Net cash provided by (used in) financing activities	<u>6,438</u>	<u>(14,836)</u>
Net increase (decrease) in cash and cash equivalents	649	(1,197)
Cash and cash equivalents, beginning of period	3,539	5,639
Cash and cash equivalents, end of period	<u>\$ 4,188</u>	<u>\$ 4,442</u>
Supplemental disclosure for non-cash activity:		
Interest paid, net of interest capitalized	\$ 184	\$ 1,308
Reduction in proceeds from sale of Cascades Apartment and increase in other assets related to amounts placed in escrow upon settlement of Cascades Apartments sale	\$ -	\$ 418
Increase in class A common stock par value in connection with issuance of stock compensation and warrants exercise	\$ 8	\$ -

Comstock Holding Companies, Inc.

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