

Comstock Holding Companies, Inc. Reports Second Quarter 2014 Results

- 2Q homebuilding revenue totaled \$11.7 million on 28 deliveries
- Backlog rises to \$24.8 million compared to \$18.8 million one year earlier
- Community count of 10 at quarter-end 2014 compared to 5 a year earlier

RESTON, Va.--(BUSINESS WIRE)-- Comstock Holding Companies, Inc. (NASDAQ:CHCI) ("Comstock" or the "Company"), a leading homebuilding and multi-faceted real estate development and services company focused on the Washington, D.C. metropolitan area, today announced results for the second quarter ended June 30, 2014.

Chairman and CEO Christopher Clemente commented, "During the quarter, we delivered the last of the 66 units in our Eastgate community in Chantilly, VA. This community sold out ahead of schedule while also exceeding our original expectations for revenue and average sales prices. Overall new orders for the second quarter and the first half of 2014 are slightly below the same periods last year primarily as a result of the delayed opening of several new communities this year as a result of the harsh winter months. However, as a result of healthy demand for new homes in the Washington, DC region, and the year-to-date performance of our open communities, our backlog expanded in the second quarter and was approximately 32% higher in backlog revenue as of June 30th than it was a year ago."

"Further, as a result of favorable economic conditions in the Washington, DC region, demand for housing has improved significantly over the past few years," Clemente continued. "Although existing homes available for sale have increased slightly, the average days-on-market has decreased and average sales prices have been increasing. Based on current market conditions and our increased number of communities that we expect to have open by the end of 2014, we are looking forward to 2015."

Second Quarter 2014 Financial Results

Net new orders of homes totaled 36 for the three months ended June 30, 2014 compared to 44 in the same period last year. For the six months ended June 30, 2014, net new orders totaled 67, as compared to 77 in the prior year. Backlog totaled 48 units (representing \$24.8 million in revenue) as of June 30, 2014 compared to 43 units (representing \$18.8 million in revenue) as of June 30, 2013. Average backlog price increased to \$517,000 from \$438,000 in the same period last year.

Revenue for the second quarter of 2014 totaled \$11.8 million (\$11.7 million from 28 home settlements) compared to \$12.2 million for the 2013 second quarter (\$12.0 million from 22 home settlements). The Company reported a consolidated net loss of \$0.7 million for the second quarter of 2014 compared to net income of \$0.1 million for the 2013 period. In the second quarter of 2014, net loss attributable to Comstock Holding Companies, Inc. totaled \$1.7 million, or \$0.08 per diluted share, compared to a net loss of \$0.8 million, or \$0.04 per diluted share, in the prior-year period. In the second quarter of 2014, the Company recorded a severance and restructuring charge of \$0.5 million related to the departure of the former Chief Operating Officer.

Revenue for the six months ended June 30, 2014 totaled \$19.8 million (\$19.5 million from 47 settlements) compared to \$23.8 million (\$23.4 million from 43 settlements) for the six months ended June 30, 2013. The Company reported a consolidated net loss of \$1.5 million for the six months ended June 30, 2014 compared to net income of \$1.1 million for the 2013 period. For the six months ended June 30, 2014, net loss attributable to Comstock Holding Companies, Inc. totaled \$3.2 million, or \$0.15 per diluted share, compared to a net loss of \$0.1 million, or \$0.01 per diluted share in the prior-year period.

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, townhomes, 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 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; adverse weather conditions or 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, 2013. Our actual results could differ materially from those 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 June 30, 2014 (000's)			Six Months Ended June 30, 2014 (000's)		
Community	Settled	Settled Revenue	Community	Settled	Settled Revenue
Eastgate Villas	12	\$ 4,807	Eastgate Villas	13	\$ 5,158
The Hampshires - Singles	1	725	The Hampshires - Singles	3	2,205
The Hampshires - Towns	6	3,358	The Hampshires - Towns	12	6,421
Falls Grove - Towns	9	2,767	Falls Grove - Towns	19	5,704
Total	28	\$ 11,657	Total	47	\$ 19,488

Exhibit 2

Backlog by Community

As of June 30, 2014 (000's)

Community	Backlog Units	Backlog Revenue
The Hampshires - Singles	7	\$ 5,258
The Hampshires - Towns	8	4,454
Falls Grove - Singles	3	1,584
Falls Grove - Towns	13	3,992
Maxwell Square	5	2,126
Shady Grove - TH	12	7,403
Total	48	\$ 24,817

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

	June 30, 2014	December 31, 2013
ASSETS	(unaudited)	

Cash and cash equivalents	\$ 4,814	\$ 11,895
Restricted cash	2,956	2,458
Trade receivables	1,299	346
Real estate inventories	43,387	39,843
Property, plant and equipment, net	202	243
Other assets	2,848	2,094
TOTAL ASSETS	\$ 55,506	\$ 56,879

LIABILITIES AND STOCKHOLDERS' EQUITY

Accounts payable and accrued liabilities	\$ 10,791	\$ 7,506
Notes payable - secured by real estate inventories	25,151	22,701
Notes payable - due to affiliates, unsecured	4,462	4,687
Notes payable - unsecured	2,322	2,580
Income taxes payable	33	346
TOTAL LIABILITIES	42,759	37,820

Commitments and contingencies (Note 8)

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STOCKHOLDERS' EQUITY

Class A common stock, \$0.01 par value, 77,266,500 shares authorized, 18,810,281 and 18,629,638 issued and outstanding, respectively	188	186
Class B common stock, \$0.01 par value, 2,733,500 shares authorized, issued and outstanding	27	27
Additional paid-in capital	171,021	170,811
Treasury stock, at cost (426,633 shares Class A common stock)	(2,480)	(2,480)
Accumulated deficit	(167,622)	(164,379)
TOTAL COMSTOCK HOLDING COMPANIES, INC. EQUITY	1,134	4,165
Non-controlling interest	11,613	14,894
TOTAL EQUITY	12,747	19,059
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 55,506	\$ 56,879

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Revenues				
Revenue—homebuilding	\$ 11,657	\$ 11,987	\$ 19,488	\$ 23,383
Revenue—other	143	226	266	387
Total revenue	11,800	12,213	19,754	23,770
Expenses				
Cost of sales—homebuilding	9,459	9,621	15,715	18,417
Cost of sales—other	85	276	178	497
Impairment reversal	-	-	-	(722)
Sales and marketing	559	511	1,097	957
General and administrative	2,318	1,704	4,207	3,259
Interest, real estate taxes and indirect costs related to inactive projects	3	118	5	344
Operating (loss) income	(624)	(17)	(1,448)	1,018
Other income, net	12	131	67	158
(Loss) income before income tax expense	(612)	114	(1,381)	1,176
Income tax expense	(57)	-	(131)	-
Net (loss) income	(669)	114	(1,512)	1,176
Net income attributable to non-controlling interests	995	952	1,731	1,291
Net loss attributable to Comstock Holding Companies, Inc.	\$ (1,664)	\$ (838)	\$ (3,243)	\$ (115)

Basic net loss per share	\$ (0.08)	\$ (0.04)	\$ (0.15)	\$ (0.01)
Diluted net loss per share	\$ (0.08)	\$ (0.04)	\$ (0.15)	\$ (0.01)
Basic weighted average shares outstanding	21,089	20,674	21,012	20,599
Diluted weighted average shares outstanding	21,089	20,674	21,012	20,599

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

	Six Months Ended June	
	2014	2013
		30,
	2014	2013
Cash flows from operating activities:		
Net (loss) income	\$ (1,512)	\$ 1,176
Adjustment to reconcile net (loss) income to net cash (used in) provided by operating activities		
Amortization of loan discount and deferred financing fees	142	305
Depreciation expense	48	25
Provision for bad debt	10	2
Earnings from unconsolidated joint venture, net of distributions	29	42
Impairment reversal	-	(722)
Amortization of stock compensation	96	278
Changes in operating assets and liabilities:		
Restricted cash - purchaser deposits	(296)	(372)
Trade receivables	(963)	(66)
Real estate inventories	(3,528)	132
Other assets	(880)	(482)
Accrued interest	416	(116)
Accounts payable and accrued liabilities	3,447	2,623
Income taxes payable	(313)	-
Net cash (used in) provided by operating activities	<u>(3,304)</u>	<u>2,825</u>
Cash flows from investing activities:		
Investment in unconsolidated joint venture	-	(7)
Purchase of property, plant and equipment	(7)	(69)
Restricted cash	(202)	-
Proceeds from sale of Cascades multi-family - operating real estate, net	-	279
Net cash (used in) provided by investing activities	<u>(209)</u>	<u>203</u>
Cash flows from financing activities:		
Proceeds from notes payable	12,841	16,235
Payments on notes payable	(11,290)	(19,170)
Loan financing costs	(45)	(123)
Distributions to non-controlling interests	(5,012)	-
Contributions from non-controlling interests	-	7,909
Proceeds from exercise of stock options	-	1
Taxes paid related to net share settlement of equity awards	(62)	(8)
Net cash (used in) provided by financing activities	<u>(3,568)</u>	<u>4,844</u>
Net (decrease) increase in cash and cash equivalents	(7,081)	7,872
Cash and cash equivalents, beginning of period	11,895	3,539
Cash and cash equivalents, end of period	<u>\$ 4,814</u>	<u>\$ 11,411</u>
Supplemental disclosure for non-cash activity:		
Interest paid, net of interest capitalized	\$ (417)	\$ 212

Increase in class A common stock at par value in connection with vesting and issuance of stock compensation	\$	2	\$	8
Accrued liability settled through issuance of stock	\$	162	\$	-

Company:

Comstock Holding Companies, Inc.

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or

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