



# FRP HOLDINGS, INC./NEWS

Contact: John D. Milton, Jr.  
Chief Financial Officer

904/858-9100

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## **FRP HOLDINGS, INC. (NASDAQ: FRPH) ANNOUNCES RESULTS FOR THE THIRD QUARTER AND NINE MONTHS ENDED SEPTEMBER 30, 2018**

FRP Holdings, Inc. (NASDAQ-FRPH) Jacksonville, Florida; November 7, 2018 –

### **Third Quarter Consolidated Results of Operations**

Net income for the third quarter of 2018 was \$2,224,000 or \$.22 per share versus \$25,391,000 or \$2.52 per share in the same period last year. Loss from discontinued operations for the third quarter of 2018 was \$78,000 or \$.01 per share versus income from discontinued operations of \$1,585,000 or \$.16 per share in the same period last year. The third quarter of 2017 included a gain on remeasurement of investment of \$60.2 million in the Company's Dock 79 real estate partnership as a result of the asset's stabilization and the ensuing change in control of the partnership for accounting purposes. This change in control brought with it this substantial and non-taxable gain. The gain is based on the difference between the carrying value and the fair value of all assets and liabilities in the partnership and is included in Income from continuing operations before income taxes. An affiliate of Blackstone Real Estate Group has the option to purchase the Company's last remaining warehouse property at 1502 Quarry Drive for \$11.7 million if the current tenant fails to properly exercise its right of first refusal. The Company currently is seeking a court determination that the tenant has failed to exercise its right of first refusal.

### **Third Quarter Segment Operating Results**

#### Asset Management Segment:

Most of the Asset Management Segment was reclassified to discontinued operations leaving only three office buildings. Total revenues in this segment were \$568,000, up \$9,000 or 1.6%, over the same period last year. Operating profit was \$242,000, up \$20,000 compared to the same quarter last year.

#### Mining Royalty Lands Segment:

Total revenues in this segment were \$2,125,000 versus \$1,786,000 in the same period last year. Total operating profit in this segment was \$1,933,000, an increase of \$296,000 versus \$1,637,000 in the same period last year.

#### Land Development and Construction Segment:

The Land Development and Construction segment is responsible for (i) seeking out and identifying opportunistic purchases of income producing warehouse/office buildings, and (ii) developing our non-income producing properties into income production.

With respect to ongoing projects:

- We are fully engaged in the formal process of seeking PUD entitlements for our 118-acre tract in Hampstead, Maryland, now known as “Hampstead Overlook.”
- We began construction in the third quarter of last year on our joint venture with St. John Properties and expect to complete construction of the first phase of this project by the end of the year. This first phase will comprise four single-story buildings totaling 100,000 square feet of office and retail space.
- We are the principal capital source of a residential development venture in Essexshire now known as “Hyde Park.” We have committed up to \$9.2 million in exchange for an interest rate of 10% and a preferred return of 20% after which a “waterfall” determines the split of proceeds. This project will hold 125 town homes and 4 single family lots and is currently in the entitlement process.
- Last quarter, we began construction on a 94,350-square foot spec building at Hollander Business Park. This Class “A” facility will be our first building with a 32-foot clear and should come on line in the second quarter of 2019.
- In April of this past quarter, we began construction on Phase II of our RiverFront on the Anacostia project, now known as “The Maren.” We expect to deliver the building in the first half of 2020.
- At the end of this quarter, the Company signed a Letter of Intent to enter into a joint venture agreement with MidAtlantic Realty Partners (MRP) for the development of the first phase of a multifamily, mixed-use development in northeast Washington, DC known as “Bryant Street.” FRP plans to contribute to the joint venture \$35 million in common equity and another \$20-25 million in preferred equity.

#### RiverFront on the Anacostia Segment:

Average occupancy for the quarter was 95.8% and at the end of the third quarter, Dock 79 was 94.4% leased and 93.8% occupied. During the third quarter, 50.0% of expiring leases renewed with an average increase in rent of 2.62%. Dock 79 is a joint venture between the Company and MRP, in which FRP Holdings, Inc. is the majority partner with 66% ownership.

#### **Nine Months Consolidated Results of Operations**

Net income for first nine months of 2018 was \$123,766,000 or \$12.24 per share versus \$28,547,000 or \$2.84 per share in the same period last year. Income from discontinued operations for the first nine months of 2018 was \$122,109,000 or \$12.08 per share versus \$4,969,000 or \$.50 per share in the same period last year. The third quarter of 2017 included a gain on remeasurement of investment of \$60.2 million in the Company’s Dock 79 real estate partnership as a result of the asset’s stabilization and the ensuing change in control of the partnership for accounting purposes. This change in control brought

with it this substantial and non-taxable gain. The gain is based on the difference between the carrying value and the fair value of all assets and liabilities in the partnership and is included in Income from continuing operations before income taxes.

Total revenues were \$16,370,000, up 57.6%, versus the same period last year, primarily because of the addition of rental revenues from Dock 79 when its results were consolidated starting in July 2017.

### **Nine Months Segment Operating Results**

#### Asset Management Segment:

Total revenues in this segment were \$1,717,000, up \$7,000 or .4%, over the same period last year. Operating profit of \$637,000 was down \$16,000 compared to the same quarter last year due primarily to an increase of \$28,000 in corporate expense allocation.

#### Mining Royalty Lands Segment:

Total revenues in this segment were \$5,952,000 versus \$5,381,000 in the same period last year. Total operating profit in this segment was \$5,340,000, an increase of \$471,000 versus \$4,869,000 in the same period last year.

#### RiverFront on the Anacostia Segment:

Average occupancy for the first nine months was 94.8% and at the end of the third quarter, Dock 79 was 94.4% leased and 93.8% occupied. Through the first nine months of the year, 56.1% of expiring leases renewed with an average increase in rent of 3.27%. Dock 79 is a joint venture between the Company and MRP, in which FRP Holdings, Inc. is the majority partner with 66% ownership.

### **Summary and Outlook**

In light of all that happened last quarter, the last three months were bound to be quiet by comparison. They were not, however, uneventful. The proximity of Dock 79 to the site of baseball's midsummer classic and its surrounding festivities generated tremendous business for our restaurant tenants. It also directly exposed the building to thousands of potential new tenants, as well as the more than eight million people who tuned in to see the game. Mining royalty revenue is up for the third straight quarter and more impressive is the fact that this is the most revenue this segment has generated through the first nine months of any year ever. Perhaps most interestingly, as mentioned above, we have a Letter of Intent with MRP for the first phase of a development in northeast DC along the Metro. The development is in what is known as an "Opportunity Zone" and will defer and possibly reduce a significant tax liability for the Company. This will represent a very serious investment into what we and our partners believe is the ground floor of the next great area for development in our nation's capital. Finally, we are trying to remain good stewards of your proceeds from last quarter's asset sale. We have laddered out the bonds we purchased to a maximum of only two years in order to preserve liquidity and mitigate the opportunity cost of rising interest rates. More importantly, we are searching for ways that make sense to put your money to work—which is to say in investments where we feel we can add value or where there is still room to grow. That means partnering with people like MRP to find the next great neighborhood in DC or developing raw land in and around the Mid-Atlantic. It also means remaining patient until markets and asset prices cool off a bit. At the risk of repeating ourselves, it does us no good to sell at the top of the market if only to turn around and reinvest at the same peak. Again, we will not wait

forever to return these proceeds to you whether in the form of new investments or as a dividend. However, we will be disciplined, and we will be patient before we make any decision regarding this money. It is too good an opportunity to squander.

## Conference Call

The Company will also host a conference call on Wednesday, November 7, 2018 at 1:00 p.m. (EST). Analysts, stockholders and other interested parties may access the teleconference live by calling 1-800-311-9406 (passcode 16794705) within the United States. International callers may dial 1-334-323-7224 (passcode 16794705). Computer audio live streaming is available via the Internet through the Company's website at [www.frpholdings.com](http://www.frpholdings.com). You may also click on this link for the live streaming <http://stream.conferenceamerica.com/frp110718>. For the archived audio via the internet, click on the following link <http://archive.conferenceamerica.com/archivestream/frp110718.mp3>. If using the Company's website, click on the Investor Relations tab, then select the earnings conference stream. An audio replay will be available for sixty days following the conference call. To listen to the audio replay, dial toll free 1-877-919-4059, international callers dial 1-334-323-0140. The passcode of the audio replay is 50154474. Replay options: "1" begins playback, "4" rewind 30 seconds, "5" pause, "6" fast forward 30 seconds, "0" instructions, and "9" exits recording. There may be a 30-40 minute delay until the archive is available following the conclusion of the conference call.

*Investors are cautioned that any statements in this press release which relate to the future are, by their nature, subject to risks and uncertainties that could cause actual results and events to differ materially from those indicated in such forward-looking statements. These include, but are not limited to—the possibility that we may be unable to find appropriate reinvestment opportunities for the proceeds from the Sale Transaction; levels of construction activity in the markets served by our mining properties, demand for flexible warehouse/office facilities in the Baltimore-Washington-Northern Virginia area demand for apartments in Washington D.C., our ability to obtain zoning and entitlements necessary for property development, the impact of lending and capital market conditions on our liquidity, our ability to finance projects or repay our debt, general real estate investment and development risks, vacancies in our properties, risks associated with developing and managing properties in partnership with others, competition, our ability to renew leases or re-lease spaces as leases expire, illiquidity of real estate investments, bankruptcy or defaults of tenants, the impact of restrictions imposed by our credit facility, the level and volatility of interest rates, environmental liabilities, inflation risks, cybersecurity risks, as well as other risks listed from time to time in our SEC filings, including but not limited to, our annual and quarterly reports. We have no obligation to revise or update any forward-looking statements, other than as imposed by law, as a result of future events or new information. Readers are cautioned not to place undue reliance on such forward-looking statements.*

FRP Holdings, Inc. is a holding company engaged in the real estate business, namely (i) mining royalty land ownership and leasing, (ii) land acquisition, entitlement and development primarily for future warehouse/office or residential building construction, (iii) ownership, leasing, and management of a residential apartment building, and (iv) warehouse/office building ownership, leasing and management.

**FRP HOLDINGS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**

(In thousands except per share amounts)  
(Unaudited)

THREE MONTHS ENDED		NINE MONTHS ENDED	
SEPTEMBER 30,		SEPTEMBER 30,	
2018	2017	2018	2017
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<b>Revenues:</b>				
Rental revenue	\$ 3,440	3,102	9,937	4,609
Mining Royalty and rents	2,102	1,763	5,885	5,311
Revenue – reimbursements	200	170	548	469
Total Revenues	<u>5,742</u>	<u>5,035</u>	<u>16,370</u>	<u>10,389</u>
<b>Cost of operations:</b>				
Depreciation, depletion and amortization	1,821	2,804	6,350	3,303
Operating expenses	983	875	2,951	1,312
Environmental remediation recovery	(465)	—	(465)	—
Property taxes	663	647	1,949	1,384
Management company indirect	550	351	1,366	962
Corporate expenses (Note 4 Related Party)	522	617	2,910	2,510
Total cost of operations	<u>4,074</u>	<u>5,294</u>	<u>15,061</u>	<u>9,471</u>
<b>Total operating profit (loss)</b>	1,668	(259)	1,309	918
Interest income	1,654	—	1,875	—
Interest expense	(768)	(783)	(2,418)	(783)
Equity in loss of joint ventures	(13)	(12)	(36)	(1,589)
Gain on remeasurement of investment in real estate partnership	—	60,196	—	60,196
Loss on investment land sold	<u>(3)</u>	<u>—</u>	<u>(3)</u>	<u>—</u>
Income before income taxes	2,538	59,142	727	58,742
Provision for income taxes	508	15,543	269	15,371
Income from continuing operations	<u>2,030</u>	<u>43,599</u>	<u>458</u>	<u>43,371</u>
Income (loss) from discontinued operations, net	<u>(78)</u>	<u>1,585</u>	<u>122,109</u>	<u>4,969</u>
Net income	1,952	45,184	122,567	48,340
Gain (loss) attributable to noncontrolling interest	(272)	19,793	(1,199)	19,793
<b>Net income attributable to the Company</b>	<u>\$ 2,224</u>	<u>25,391</u>	<u>123,766</u>	<u>28,547</u>
<b>Earnings per common share:</b>				
Income (loss) from continuing operations-				
Basic	\$ 0.20	4.36	0.05	4.35
Diluted	\$ 0.20	4.33	0.05	4.32
Discontinued operations-				
Basic	\$ (0.01)	0.16	12.17	0.50
Diluted	\$ (0.01)	0.16	12.08	0.50
Net income attributable to the Company-				
Basic	\$ 0.22	2.54	12.33	2.86
Diluted	\$ 0.22	2.52	12.24	2.84
<b>Number of shares (in thousands) used in computing:</b>				
-basic earnings per common share	10,062	10,004	10,037	9,967
-diluted earnings per common share	10,135	10,066	10,110	10,035

**FRP HOLDINGS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

(Unaudited)

(In thousands, except share data)

<b>Assets:</b>	September 30 2018	December 31 2017
Real estate investments at cost:		
Land	\$ 83,721	87,235

Buildings and improvements	146,632	147,670
Projects under construction	6,131	1,764
Total investments in properties	236,484	236,669
Less accumulated depreciation and depletion	29,772	26,755
Net investments in properties	206,712	209,914
Real estate held for investment, at cost	7,176	7,176
Investments in joint ventures	25,090	13,406
Net real estate investments	238,978	230,496
Cash and cash equivalents	34,782	4,524
Cash held in escrow	34,270	333
Accounts receivable, net	738	615
Investments available for sale	191,288	—
Federal and state income taxes receivable	2,022	2,962
Unrealized rents	594	223
Deferred costs	942	2,708
Other assets	451	179
Assets of discontinued operations	3,194	176,694
Total assets	\$ 507,259	418,734
<b>Liabilities:</b>		
Secured notes payable, current portion	\$ —	125
Secured notes payable, less current portion	88,755	90,029
Accounts payable and accrued liabilities	2,829	2,081
Environmental remediation liability	100	2,037
Federal and state income taxes payable	—	—
Deferred revenue	32	107
Deferred income taxes	23,795	25,982
Deferred compensation	1,452	1,457
Tenant security deposits	53	54
Liabilities of discontinued operations	1,872	32,280
Total liabilities	118,888	154,152
Commitments and contingencies (Note 8)		
<b>Equity:</b>		
Common stock, \$.10 par value		
25,000,000 shares authorized,		
10,076,524 and 10,014,667 shares issued		
and outstanding, respectively	1,008	1,001
Capital in excess of par value	58,030	55,636
Retained earnings	310,620	186,855
Accumulated other comprehensive income (loss), net	(375)	38
Total shareholders' equity	369,283	243,530
Noncontrolling interest MRP	19,088	21,052
Total equity	388,371	264,582
Total liabilities and shareholders' equity	\$ 507,259	418,734

**Asset Management Segment:**

(dollars in thousands)	Three months ended September 30					
	2018	%	2017	%	Change	%
Rental revenue	\$ 544	95.8%	538	96.2%	6	1.1%
Revenue-reimbursements	24	4.2%	21	3.8%	3	14.3%
Total revenue	568	100.0%	559	100.0%	9	1.6%
Depreciation, depletion and amortization	145	25.5%	125	22.4%	20	16.0%
Operating expenses	106	18.7%	119	21.3%	(13)	-10.9%
Property taxes	43	7.6%	38	6.8%	5	13.2%
Management company indirect	(2)	-4%	28	5.0%	(30)	-107.1%
Corporate expense	34	6.0%	27	4.8%	7	25.9%
Cost of operations	326	57.4%	337	60.3%	(11)	-3.3%
Operating profit	\$ 242	42.6%	222	39.7%	20	9.0%

**Mining Royalty Lands Segment:**

(dollars in thousands)	Three months ended September 30			
	2018	%	2017	%
Mining Royalty and rents	\$ 2,102	98.9%	1,763	98.7%
Revenue-reimbursements	23	1.1%	23	1.3%
Total revenue	2,125	100.0%	1,786	100.0%
Depreciation, depletion and amortization	55	2.6%	17	.9%
Operating expenses	48	2.2%	43	2.4%
Property taxes	61	2.9%	59	3.3%
Corporate expense	28	1.3%	30	1.7%
Cost of operations	192	9.0%	149	8.3%
Operating profit	\$ 1,933	91.0%	1,637	91.7%

**Land Development and Construction Segment:**

(dollars in thousands)	Three months ended September 30		
	2018	2017	Change
Rental revenue	\$ 214	207	7
Revenue-reimbursements	116	116	—
Total revenue	330	323	7
Depreciation, depletion and amortization	57	98	(41)
Operating expenses	143	52	91
Environmental remediation recovery	(465)	—	(465)
Property taxes	269	282	(13)
Management company indirect	465	281	184
Corporate expense	408	210	198
Cost of operations	877	923	(46)
Operating loss	\$ (547)	(600)	53

**Dock 79 Segment:**

(dollars in thousands)	Three Months Ended September 30			
	2018	%	2017	%
Rental revenue	\$ 2,682	98.6%	2,357	99.6%
Revenue-reimbursements	37	1.4%	10	.4%
Total revenue	2,719	100.0%	2,367	100.0%
Depreciation and amortization	1,564	57.5%	2,564	108.3%
Operating expenses	686	25.2%	661	27.9%
Property taxes	290	10.7%	268	11.3%
Management company indirect	87	3.2%	42	1.8%
Corporate expense	52	1.9%	27	1.2%
Cost of operations	2,679	98.5%	3,562	150.5%
Operating profit	\$ 40	1.5%	\$ (1,195)	-50.5%

**Asset Management Segment:**

(dollars in thousands)	Nine months ended September 30					
	2018	%	2017	%	Change	%
Rental revenue	\$ 1,643	95.7%	1,651	96.5%	(8)	-0.5%
Revenue-reimbursements	74	4.3%	59	3.5%	15	25.4%
Total revenue	1,717	100.0%	1,710	100.0%	7	0.4%
Depreciation, depletion and amortization	405	23.6%	385	22.5%	20	5.2%
Operating expenses	335	19.5%	371	21.7%	(36)	-9.7%
Property taxes	122	7.1%	109	6.4%	13	11.9%
Management company indirect	72	4.2%	74	4.3%	(2)	-2.7%
Corporate expense	146	8.5%	118	6.9%	28	23.7%
Cost of operations	1,080	62.9%	1,057	61.8%	23	2.2%
Operating profit	\$ 637	37.1%	653	38.2%	(16)	-2.5%

**Mining Royalty Lands Segment:**

(dollars in thousands)	Nine months ended September 30			
	2018	%	2017	%
Mining Royalty and rents	\$ 5,885	98.9%	5,311	98.7%
Revenue-reimbursements	67	1.1%	70	1.3%
Total revenue	5,952	100.0%	5,381	100.0%
Depreciation, depletion and amortization	145	2.4%	91	1.7%
Operating expenses	128	2.2%	121	2.2%
Property taxes	182	3.1%	176	3.3%
Corporate expense	157	2.6%	124	2.3%
Cost of operations	612	10.3%	512	9.5%
Operating profit	\$ 5,340	89.7%	4,869	90.5%



**Land Development and Construction Segment:**

(dollars in thousands)	Nine months ended September 30		
	<u>2018</u>	<u>2017</u>	<u>Change</u>
Rental revenue	\$ 609	601	8
Revenue-reimbursements	<u>335</u>	<u>330</u>	<u>5</u>
Total revenue	944	931	13
Depreciation, depletion and amortization	171	263	(92)
Operating expenses	618	159	459
Environmental remediation recovery	(465)	—	(465)
Property taxes	768	831	(63)
Management company indirect	998	846	152
Corporate expense	<u>1,110</u>	<u>935</u>	<u>175</u>
Cost of operations	<u>3,200</u>	<u>3,034</u>	<u>166</u>
Operating loss	<u>\$ (2,256)</u>	<u>(2,103)</u>	<u>(153)</u>

**Dock 79 Segment:**

(dollars in thousands)	Nine Months Ended September 30			
	<u>2018</u>	<u>%</u>	<u>2017</u>	<u>%</u>
Rental revenue	\$ 7,685	99.1%	2,357	99.6%
Revenue-reimbursements	<u>72</u>	<u>0.9%</u>	<u>10</u>	<u>.4%</u>
Total revenue	7,757	100.0%	2,367	100.0%
Depreciation and amortization	5,629	72.6%	2,564	108.3%
Operating expenses	1,870	24.1%	661	27.9%
Property taxes	877	11.3%	268	11.3%
Management company indirect	296	3.8%	42	1.8%
Corporate expense	<u>289</u>	<u>3.7%</u>	<u>27</u>	<u>1.2%</u>
Cost of operations	<u>8,961</u>	<u>115.5%</u>	<u>3,562</u>	<u>150.5%</u>
Operating profit	<u>\$ (1,204)</u>	<u>-15.5%</u>	<u>\$ (1,195)</u>	<u>-50.5%</u>

**FRP HOLDINGS, INC. AND SUBSIDIARIES**  
**DISCONTINUED OPERATIONS**

(In thousands except per share amounts)

(Unaudited)

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2018	2017	2018	2017
<b>Revenues:</b>				
Rental revenue	\$ 190	5,636	9,602	16,634
Revenue – reimbursements	29	1,383	2,274	3,713
Total Revenues	<u>219</u>	<u>7,019</u>	<u>11,876</u>	<u>20,347</u>
<b>Cost of operations:</b>				
Depreciation, depletion and amortization	29	1,965	3,131	5,727
Operating expenses	52	1,004	1,694	2,570
Property taxes	19	754	1,266	2,208
Management company indirect	370	209	1,360	542
Corporate expenses	56	—	1,458	—
Total cost of operations	<u>526</u>	<u>3,932</u>	<u>8,909</u>	<u>11,047</u>
<b>Total operating profit (loss)</b>	(307)	3,087	2,967	9,300
Interest expense	—	(468)	(587)	(1,087)
Gain on sale of buildings	<u>200</u>	<u>—</u>	<u>165,007</u>	<u>—</u>
Income (loss) before income taxes	(107)	2,619	167,387	8,213
Provision for (benefit from) income taxes	<u>(29)</u>	<u>1,034</u>	<u>45,278</u>	<u>3,244</u>
<b>Income (loss) from discontinued operations</b>	<u>\$ (78)</u>	<u>1,585</u>	<u>122,109</u>	<u>4,969</u>
<b>Earnings per common share:</b>				
Income (loss) from discontinued operations-				
Basic	\$ (0.01)	0.16	12.17	0.50
Diluted	\$ (0.01)	0.16	12.08	0.50