

Securities and Exchange Commission
Washington, DC 20549
FORM 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 1998
TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the transition period from to
Commission File Number 1-12002
ACADIA REALTY TRUST
(Exact name of registrant as specified in its charter)

Maryland 23-2715194
(State of incorporation) (I.R.S. employer identification no.)

20 Soundview Marketplace
Port Washington, NY 11050 (516) 767-8830
(Address of principal executive offices) (Registrant's
telephone number)

Securities registered pursuant to Section 12(b) of the Act:
Common Shares of Beneficial Interest, \$.001 par value

(Title of Class)
New York Stock Exchange
(Name of exchange on which registered)

Securities registered pursuant to Section 12(g) of the Act: NONE

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

YES X NO

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

YES X NO

The aggregate market value of the voting common equity stock held by non-affiliates of the Registrant was approximately \$127.1 million based on the closing price (\$5.00) on the New York Stock Exchange for such stock on March 22, 1999 (the Company has no non-voting common equity).

The number of shares of the Registrant's Common Shares of Beneficial Interest outstanding was 25,419,215 on March 22, 1999.

DOCUMENTS INCORPORATED BY REFERENCE

Part III - Definitive proxy statement for the Annual Meeting of Shareholders presently scheduled to be held June 16, 1999, to be filed pursuant to Regulation 14A.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this Annual Report on Form 10-K constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the following: general economic and business conditions, which will, among other things, affect demand for rental space, the availability and creditworthiness of prospective tenants, lease rents and the availability of financing; adverse changes in the Company's real estate markets, including, among other things, competition with other companies; risks of real estate development and acquisition; governmental actions and initiatives; and environmental/safety requirements.

PART I

ITEM 1. BUSINESS

GENERAL

Acadia Realty Trust (the "Company"), formerly Mark Centers Trust, was formed on March 4, 1993 as a Maryland Real Estate Investment Trust ("REIT") to continue the business of its predecessor company, Mark Development Group ("MDG"). The Company is a fully integrated, self-managed and self-administered equity REIT focused primarily on the ownership, acquisition, redevelopment and management of neighborhood and community shopping centers, and multi-family properties. As of March 22, 1999, the Company operates fifty-seven properties, which it owns or has an ownership interest in, consisting of forty-seven neighborhood and community shopping centers, three enclosed malls, one mixed-use (retail/office) property, five multi-family properties and one redevelopment

property located in the Eastern and Midwestern regions of the United States.

All of the Company's assets are held by, and all of its operations are conducted through, Acadia Realty Limited Partnership, a Delaware limited partnership (the "Operating Partnership"), previously Mark Centers Limited Partnership, and its majority owned subsidiaries. As of December 31, 1998, the Company controlled 69% of the Operating Partnership as the sole general partner.

Concurrently with the consummation of the Company's initial public offering on June 1, 1993, the Operating Partnership acquired thirty-one properties from Marvin L. Slomowitz, the founder of MDG and the Company's former principal shareholder (the "Former Principal Shareholder"), or from his affiliates, in exchange for Operating Partnership units ("OP Units") which are exchangeable on a one for one basis into the Company's common shares of beneficial interest ("Common Shares"). The properties had been developed directly or indirectly by the Former Principal Shareholder from 1964 through 1992 and were operated under MDG's direction.

RECENT DEVELOPMENTS

On August 12, 1998 the Company completed the transactions contemplated by the Contribution and Share Purchase Agreement dated April 15, 1998 (the "RDC Transaction"). In connection with the RDC Transaction, the Operating Partnership acquired (i) fee title or all, or substantially all, of the ownership interests in twelve shopping centers, five multi-family properties and one redevelopment property, (ii) a 49% interest in one shopping center, (iii) certain third party management contracts, and (iv) certain promissory notes from real estate investment partnerships and related entities, which are not under common control, in which RDC Capital, Inc. ("RDC") serves as general partner or in another similar management capacity, for approximately 11.1 million OP Units and approximately 2.0 million Common Shares valued at \$97.2 million. In addition, the Company assumed mortgage debt aggregating \$154.2 million and incurred other capitalized transaction costs of \$5.8 million resulting in an aggregate purchase price of \$257.2 million. Pursuant to the terms of the RDC Transaction, the recipients of the OP Units and Common Shares are restricted, subject to certain limited exceptions, from selling or otherwise transferring such OP Units or Common Shares prior to the first anniversary of the closing of the RDC Transaction.

As part of the RDC Transaction, the Company issued approximately 13.3 million Common Shares to three real estate investment limited partnerships (collectively "RDC Funds"), in which affiliates of RDC serve as general partner, in exchange for \$100.0 million. The proceeds from the issuance of Common Shares were used as follows:

Repayment of mortgage notes payable	\$ 70.5
Repayment of note payable to Former Principal Shareholder	3.0
Transaction costs allocable to stock issuance	4.1
Transaction costs allocable to RDC properties, RDC management contracts and contributed notes	4.5
Payment of liabilities assumed in connection with acquisition of RDC properties, RDC management contracts and contributed notes	1.3
Prepayment and assumption fees on mortgage notes	0.4
Contractual payments to Company management personnel pursuant to severance and change in control obligations and other RDC Transaction expenses	2.2
Additions to working capital	14.0

	\$100.0
	=====

As a result of the RDC Transaction, the RDC Funds owned 63% of the Common Shares in the Company. Each of the RDC Funds has appointed each of its partners as such RDC Funds' proxy with respect to the Common Shares to which such partner would be entitled upon a dissolution of such RDC Fund and a distribution of such Common Shares among the partners. Other real estate investment partnerships and related entities in which RDC or its affiliates serve as general partner or in another similar management capacity, owned 93% of the minority interest in the Operating Partnership as limited partners.

Collectively, after giving effect to the conversion of their OP Units, which are generally exchangeable for Common Shares on a one-for-one basis, these entities and the RDC Funds beneficially owned 72% of the Common Shares as of the closing of the RDC Transaction.

The Operating Partnership is also obligated to acquire from an RDC affiliate its 25% ownership interest in a shopping center currently under construction. Upon completion of construction and attainment of certain occupancy levels, the Operating Partnership will issue OP Units valued at \$5.5 million. In addition, the Operating Partnership is obligated to issue additional OP Units valued at \$2.8 million upon the completion of certain improvements and the commencement of rental payments from a designated tenant at one of the properties acquired in the RDC Transaction.

Concurrent with the closing of the RDC Transaction, the Company appointed Ross Dworman and Kenneth F. Bernstein, the Chief Executive Officer and Chief Operating Officer, respectively, of RDC, as the Chairman and Chief Executive Officer, and President, respectively, of the Company. Messrs. Dworman and Bernstein, together with two designees of RDC, were appointed to the Board of Trustees.

Following the completion of the RDC Transaction, the Company changed its name from Mark Centers Trust to Acadia Realty Trust and the name of the Operating Partnership was changed from Mark Centers Limited Partnership to Acadia Realty Limited Partnership.

BUSINESS OBJECTIVES AND OPERATING STRATEGY

The Company's primary business objective is to acquire and manage commercial retail properties that will provide cash for distributions to shareholders while also creating potential for capital appreciation to enhance investor returns. The Company's acquisition program focuses on acquiring sub-performing neighborhood and community shopping centers that are well-located and creating significant value through retenanting, timely capital improvements and property redevelopment. In considering acquisitions, the Company focuses on quality shopping centers located in the Northeast, Mid-Atlantic, Southeast and Midwest regions. The Company considers both single assets and portfolios in its acquisition program. Furthermore, the Company may, from time to time, consider acquiring multi-family apartment complexes as well as engaging in joint ventures related to property acquisition and development.

The Company typically holds its properties for long-term investment. As such, it continuously reviews the existing portfolio and implements programs to renovate and modernize targeted centers to enhance the property's market position. This in turn strengthens the competitive position of the leasing program to attract and retain quality tenants, increasing cash flow and consequently property value. Upon evaluating the portfolio, the Company also periodically identifies certain properties for disposition and redeploys the capital to existing centers or acquisitions with greater potential for capital appreciation.

Operating functions such as leasing, property management, construction, finance and legal ("property management") are provided by Company personnel, providing for fully integrated property management and development. Property management's involvement in acquisitions is an essential component to the acquisition program. By incorporating the property management group in the acquisition process, acquisitions are appropriately priced giving effect to each asset's specific risks and returns. Also, because of property management's involvement with, and corresponding understanding of, the acquisition process, transition time is minimized and management can immediately execute an asset's strategic plan.

RETAIL PROPERTY ACQUISITIONS IN CONNECTION WITH THE RDC TRANSACTION

As a result of the RDC Transaction, the Company significantly expanded its retail portfolio. By increasing the size and geographic diversity of its portfolio, the Company anticipates that it will be less susceptible to regional economic downturns. The Company also diversified the mix of its retail tenants thus allowing it to better manage the risks associated with tenant delinquencies due to bankruptcy and other conditions that have historically impacted tenants' ability to meet their leasing obligations. Furthermore, by increasing the number

of locations for certain tenants as well as the addition of experienced management and leasing staff following the RDC Transaction, the Company has strengthened the quality of its existing tenant relationships.

The Company acquired the fee title or an interest in 13 retail centers and one redevelopment property. The acquired retail properties comprise an aggregate of 2.2 million square feet of gross leasable area ("GLA") and average 171,000 square feet of GLA. As of December 31, 1998, these properties were 93% leased to 215 tenants. The properties are located primarily throughout the Northeast, Mid-Atlantic and Midwest regions of the continental United States and are generally well-established, anchored community and neighborhood shopping centers situated in infill, densely populated areas offering attractive trade area demographics. The properties are leased to a variety of national, regional and credit tenants, as well as a large number of local enterprises.

The redevelopment property consists of a 40,000 square foot retail and residential building located in Greenwich, Connecticut. The building, which is currently vacant, is being completely refurbished, and when fully completed (anticipated for late 1999) will consist of approximately 17,000 square feet of retail space and 21 apartments (approximately 15,000 square feet). Approximately 12,300 square feet of retail space has been pre-leased to a national tenant who is expected to commence paying rent in the second quarter of 1999.

OTHER RETAIL PROPERTY ACQUISITIONS

On June 1, 1998, the Company acquired for \$1.4 million the building and other improvements constituting the Blackman Plaza, from the Former Principal Shareholder. The 121,000 square foot shopping center is located in Wilkes-Barre, Pennsylvania and is anchored by a 105,000 square foot Kmart. The Company was already the owner of the land. Payment for the building was made with a portion of the proceeds from the financing with Credit Suisse First Boston Mortgage Capital LLC ("CS First Boston").

On February 24, 1999, the Company acquired the Mad River Station, a 154,000 square foot shopping center located in Dayton, Ohio, for \$11.5 million. The Center is anchored by a 33,000 square foot Babies `R Us and a 25,000 square foot Office Depot. The Company assumed \$7.7 million in mortgage debt and funded the remaining purchase price from working capital.

PROPERTY DEVELOPMENT

The Company has substantially completed the redevelopment and expansion of a 100,000 square foot retail center located in Rocky Hill, Connecticut. The center, which was also acquired in the RDC Transaction, is anchored by a 42,000 square foot Waldbaum's (A&P) Supermarket that expanded to 65,000 square feet in 1999 and an adjacent 93,000 square foot Walmart (formerly Caldors) which is not owned by the Company. The renovation also included a new parking lot and exterior facade.

The Company completed the installation of Walmart and Circuit City in approximately 121,000 and 33,000 square feet, respectively, in the Ledgewood Mall in Ledgewood, New Jersey. Both tenants commenced paying rent during the first quarter of 1999.

In addition, the Company completed the expansion of two properties during 1998. An expansion at the Mark Plaza in Edwardsville, Pennsylvania was completed

during April 1998 with the installation of a 53,000 square foot Redner's Supermarket. Additionally, a 32,000 square foot expansion at the Manahawkin Village Shopping Center was completed during November 1998 with the installation of a ten-screen Hoyt's Theater.

MULTI-FAMILY PROPERTY ACQUISITIONS

In connection with the RDC Transaction, the Company also acquired five multi-family properties located in the Mid-Atlantic and Midwest regions. The properties average 455 units and as of December 31, 1998, had an average occupancy rate of 92%.

DISPOSITION OF PROPERTIES

In connection with the Company's ongoing program of evaluating its property portfolio and optimizing the portfolio for both cash flow and future capital appreciation, the Company has sold two centers and has contracted to sell a third property. On December 30, 1998 the Company sold the Normandale Mall, located in Montgomery, Alabama for a sales price of \$2.4 million. On February 1, 1999, the Company sold the Searstown Mall, located in Titusville, Florida for a sales price of \$3.3 million. Furthermore, the Company has entered into a contract to sell the Auburn Plaza, located in Auburn, Maine, although there can be no assurance that this transaction will be completed.

FINANCING STRATEGY

The Company intends to continue to finance acquisitions and property redevelopment with sources of capital determined by management to be the most appropriate based on, among other factors, availability, pricing and other commercial and financial terms. The sources of capital may include bank and other institutional borrowing, the issuance of equity and/or debt securities and the sale of properties. The Company has significantly improved its access to debt financing by reducing its debt to total market capitalization following the de-leveraging of a portion of its portfolio in connection with the RDC Transaction. See Item 7A for a discussion on the Company's market risk exposure related to its mortgage debt.

FINANCIAL INFORMATION ABOUT MARKET SEGMENTS

The Company has two reportable segments: retail properties and multi-family properties. The accounting policies of the segments are the same as

those described in the notes to the consolidated financial statements appearing in Item 8 of this Annual Report on Form 10-K. The Company evaluates property performance primarily based on net operating income before depreciation, amortization and certain non-recurring items. The reportable segments are managed separately due to the differing nature of the leases and property operations associated with retail versus residential tenants. The Company's does not have any foreign operations. See the consolidated financial statements and notes thereto included in Item 8 of this Annual Report on Form 10-K for certain information on industry segments as required by Item 1.

CORPORATE HEADQUARTERS AND EMPLOYEES

The Company's executive offices are located at 20 Soundview Marketplace, Port Washington, New York 11050, and its telephone number is (516)767-8830. The Company has an internet Web address at www.acadiarealty.com. The Company has 158 employees of which 35 are located at the executive offices, 9 at the New York City corporate office, 21 at the Pennsylvania regional office and the remaining property management personnel are located on-site at the Company's properties.

COMPETITION

There are numerous shopping facilities that compete with the Company's properties in attracting retailers to lease space. In addition, there are numerous commercial developers and real estate companies that compete with the Company in seeking land for development, properties for acquisition and tenants for their properties. Also, retailers at the Company's properties face increasing competition from outlet malls, discount shopping clubs, internet commerce, direct mail and telemarketing.

COMPLIANCE WITH GOVERNMENTAL REGULATIONS - ENVIRONMENTAL MATTERS

Under various Federal, state and local laws, ordinances and regulations relating to the protection of the environment, a current or previous owner or operator of real estate may be liable for the cost of removal or remediation of certain hazardous or toxic substances disposed, stored, generated, released, manufactured or discharged from, on, at, under, or in a property. The Company believes that it is in compliance in all material respects with all Federal,

state and local ordinances and regulations regarding hazardous or toxic substances.

Upon conducting environmental site inspections in connection with obtaining financing from Morgan Stanley Mortgage Capital, Inc. ("Morgan Stanley") during fiscal 1996, soil contamination was identified at the Troy Plaza in Troy, New York. The Company has entered into a voluntary remedial agreement with the State of New York for remediation of this property. Environmental consultants estimate that the remaining cost of such remediation will be approximately \$50,000 for which the Company has recorded a reserve as of December 31, 1998 and for which Morgan Stanley holds \$228,000 in escrow to be released upon final environmental remediation at this property.

Management is not aware of any other environmental liability that they believe would have a material adverse impact on the Company's financial position or results of operations. Management is unaware of any instances in which it would incur significant environmental costs if any or all properties were sold, disposed of or abandoned.

RETAIL ENVIRONMENT

Seasonality

The retail environment is seasonal in nature, particularly in the fourth calendar quarter when retail sales are typically at their highest levels. As such, contingent rents based on tenants achieving certain sales targets are generally higher in the fourth quarter when such targets are typically met.

Tenant Bankruptcies

During 1998, certain tenants experienced financial difficulties and several have filed for bankruptcy protection under Chapter 11 of the United States Bankruptcy laws ("Chapter 11"). Following are the significant bankruptcies to have occurred during the period January 1, 1998 through March 22, 1999.

On January 2, 1998, Bruno's Inc. filed for protection under Chapter 11. Bruno's was a tenant at one location in the Company's portfolio comprising approximately 48,000 square feet. For the fiscal years ended December 31, 1998 and 1997, rental revenues (including expense reimbursements) from this tenant totaled \$64,000 and \$231,000, respectively. The lease was rejected March

18, 1998 and the Company has since installed Office Depot, Inc. in 30,000 square feet of this space. This new tenant, who is paying higher rent per square foot, commenced paying rent during the second quarter of 1998.

On January 5, 1998, HomePlace Stores, Inc. filed for protection under Chapter 11. Homeplace Stores was a tenant at one location in the Company's portfolio comprising approximately 48,000 square feet. For the fiscal years ended December 31, 1998 and 1997 rental revenues (including expenses reimbursements) for this tenant totaled \$246,000 and \$614,000, respectively. The lease was rejected and the Company is currently engaged in releasing efforts for this space.

On March 1, 1999, Penn Traffic filed for protection under Chapter 11. Penn Traffic, which operates grocery stores under the names "Bi-Lo Foods" and "P&C Foods", is a tenant at seven locations in the Company's portfolio comprising approximately 308,000 square feet. Rental revenues (including expense reimbursements) from Penn Traffic for each of the years ended December 31, 1998 and 1997 totaled \$2.4 million. The current status of these seven leases are as follows:

Number of locations -----	Status -----
2	Assigned to other supermarket operators but subject to bankruptcy court approval at one location
2	Stores are open, Penn Traffic is paying its rental obligations but leases have not yet been affirmed
2	Stores are closed. Lease was rejected at one location and terminated effective March 1, 1999 at the other location. Rent obligations

have ended and the Company is actively engaged in securing a replacement tenant

1

Lease expires April 30, 1999. Store is closed and it is anticipated that the tenant will not renew the lease

On March 17, 1999, Service Merchandise filed for protection under Chapter 11. Service Merchandise is a lessee at one location in the Company's portfolio under a ground lease. For the fiscal years ended December 31, 1998 and 1997 rental revenues (including expenses reimbursements) for this tenant totaled \$209,000 and \$223,000, respectively. The lease has been neither confirmed nor rejected.

TAX STATUS - QUALIFICATION AS REAL ESTATE INVESTMENT TRUST

The Company has and currently transacts its affairs so as to qualify as, and has elected to be treated as, a real estate investment trust under sections

856 through 860 of the Internal Revenue Code of 1986, as amended (the "Code"). Under the Code, a real estate investment trust that meets applicable requirements is not subject to Federal income tax to the extent it distributes at least 95% of its REIT taxable income to its shareholders. If the Company fails to qualify as a REIT in any taxable year, it will be subject to Federal income tax on its taxable income.

ITEM 2. PROPERTIES

SHOPPING CENTER PROPERTIES

As of December 31, 1998, the Company owned and operated 52 shopping centers (including one property which is under redevelopment, a mixed-use center and a shopping center in which the Company owns a 49% interest) totaling approximately 9.2 million square feet of gross leasable area ("GLA"). The Company's shopping centers, which are located in 15 states, are generally well-established, anchored community and neighborhood shopping centers. The shopping centers are diverse in size, ranging from approximately 45,000 to 511,000 square feet with an average size of 180,000 square feet. The Company's portfolio was approximately 90% occupied at December 31, 1998. The Company's shopping centers are typically anchored by a national or regional discount department store and/or a supermarket or drugstore.

The Company had 746 leases (including the mixed-use and joint venture properties) as of December 31, 1998 of which approximately 44% were with national or regional tenants. A substantial portion of the income from the properties consists of rent received under long term leases. Most of these leases provide for the payment of fixed minimum rent monthly in advance and for the payment by tenants of a pro-rata share of the real estate taxes, insurance, utilities and common area maintenance of the shopping centers. Certain of the tenant leases permit tenants to exclude some or all of these expenses from their rental obligations. Minimum rents and expense reimbursements accounted for approximately 84% of the Company's total revenues for the year ended December 31, 1998.

As of December 31, 1998, approximately 53% of the Company's existing leases also provided for the payment of percentage rents either in addition to or in place of minimum rents. These arrangements generally provide for payment to the Company of a certain percentage of a tenant's gross sales in excess of a stipulated annual amount. Percentage rents accounted for approximately 4% of the total 1998 revenues of the Company.

Eight of the Company's shopping center properties are subject to long-term ground leases in which a third party owns and has leased the underlying land to the Company. The Company pays rent for the use of the land and is responsible for all costs and expenses associated with the building and improvements.

No individual property contributed in excess of 10% of the Company's total revenues for the year ended December 31, 1998. For the years ended December 31, 1997 and 1996, greater than 10% of the Company's total rents were derived from leases at the Northwood Centre, a mixed-use (retail/office)

property (See "Major Tenants" in Item 2).

The following sets forth more specific information with respect to each of the Company's shopping center, mixed-use and joint venture properties at December 31, 1998:

Shopping Center Property	Location	Year Constructed (C) Acquired (A)	Ownership Interest	Occupancy (1)		Anchor Tenants (2)	
				GLA	% 12/31/98	Current Lease Expiration	Lease Option Expiration

Northeast Region							
Connecticut							
239 Greenwich Avenue	Greenwich	1998 (A)	Fee	(3)			
Town Line Plaza	Rocky Hill	1998 (A)	Fee	205,752	96%	Super Food Market (A&P)	2017/2052
Maine							
Auburn Plaza (5)	Auburn	1994(A)	LI (6)	259,218	59%	Hoyt Cinema 2005/2020	Service Merchandise 2011/2090 (7)
Massachusetts							
Methuen Shopping Center	Methuen	1998 (A)	Fee	129,494	100%	Caldor 2001/2021 (7)	DeMoulas Market 2000/2015
Crescent Plaza	Brockton	1984 (A)	Fee (8)	216,095	99%	Bradlees 2009/2027	Shaw's 2012/2042
New Jersey							
Berlin Shopping Center	Berlin	1994 (A)	Fee	187,296	88%	Kmart 1999/2049	Acme 2005/2015
Elmwood Park Plaza	Elmwood Park	1998 (A)	Fee	124,144 (15)	86%	Grand Union 2001/none	
Ledgewood Mall	Ledgewood	1983 (A)	Fee	511,131	64%	The Sports' Authority 2007/2037	Stern's 2005/2030
						Walmart (9)	Circuit City (9)
Manahawkin Village Shopping Center	Manahawkin	1993 (A)	Fee	175,261	95%	Kmart 2019/2069	Manahawkin Cinema 2018/2038
Marketplace of Absecon	Absecon	1998 (A)	Fee	91,699	96%	SuperFresh (A&P)	2015/2055

Shopping Center Property	Location	Year Constructed (C) Acquired (A)	Ownership Interest	Occupancy (1)		Anchor Tenants (2)	
				GLA	% 12/31/98	Current Lease Expiration	Lease Option Expiration

New York							
Branch Shopping Center	Village of the Branch	1998 (A)	LI (6)	125,812	100%	Grand Union 2013/2028	Pergament 2004/2019
New Loudon Center	Latham	1982 (A)	Fee	251,743	62%	Price Chopper 2015/2035	Marshalls 2004/2009
Troy Plaza	Troy	1982 (A)	Fee	128,479	92%	Ames 2001/2016	Price Chopper 2004/2014
Smithtown Shopping Center	Smithtown	1998 (A)	Fee	87,155	92%	Daffy's 2008/2028	Walgreens 2021/none
Soundview Marketplace	Port Washington	1998 (A)	LI/Fee (6)	169,555	85%	King Kullen 2007/2022	Clearview Cinema Group 2010/2030 (subsidiary of Cablevision)
Rhode Island							
Walnut Hill Plaza	Woonsocket	1998 (A)	Fee	260,988	97%	Sears 2003/2033	Shaw's 2013/2043
Mid-Atlantic Region							
Pennsylvania							
25th Street Shopping Center	Easton	1993 (A)	Fee	131,477	97%	CVS 2005/2010	Petco 2009/2018
Ames Plaza	Shamokin	1966 (C)	Fee	98,210	92%	Ames 2000/2013	BiLo 1999 (7), (10)
Atrium Mall	Abington	1998 (A)	Fee	178,434	78%	SuperFresh (A&P) 2009/2039	Circuit City 2009/2029
Birney Mall	Moosic	1968 (C)	Fee	193,899	96%	TJ Maxx 2004/2014	Kmart 1999/2049
Consolidated Stores 2003/2008							

Shopping Center Property	Location	Year Constructed (C) Acquired (A)	Ownership Interest	Occupancy (1)		Anchor Tenants (2)	
				GLA	% 12/31/98	Current Lease Expiration	Lease Option Expiration

Blackman Plaza	Wilkes-Barre	1968 (C)	Fee	117,456	99%	Kmart 2004/2049	
Bradford Towne Centre	Towanda	1993 (C)	Fee	257,319	92%	Kmart 2019/2069	P&C Foods 2014/2024 (7)
Circle Plaza	Shamokin Dam	1978 (C)	Fee	92,171	100%	Kmart 2004/2054	
Dunmore Plaza	Dunmore	1975 (A)	Fee (11)	45,380	100%	Price Chopper 2000/2020	Eckerd Drug 2004/2019
East End Centre	Wilkes-Barre	1986 (C)	Fee	308,427	100%	Hills 2007/2037 (16)	PharMor 2003/2017
Green Ridge Plaza	Scranton	1986 (C)	Fee	197,622	100%	Price Chopper 2008/2028	Hills 2007/2037
Kingston Plaza	Kingston	1982 (C)	Fee	64,824	100%	BiLo 2008/2017 (7), (17)	Price Chopper 2006/2026
Dollar General 2001/2007							

Luzerne Street Shopping Center	Scranton	1983 (A)	Fee	57,715	100%	Price Chopper 2004/2024 Eckerd Drug 2004/2019
Mark Plaza	Edwardsville	1968 (C)	LI (6)	216,220	100%	Kmart 2004/2049
Monroe Plaza	Stroudsburg	1964 (C)	Fee (6)	130,569	100%	Redner's Markets 2018/2028 Ames 2001/2019 Shoprite 2005/2023 Eckerd Drug 2002/2012
Mountainville Shopping Center	Allentown	1983 (A)	Fee	114,801	93%	Acme 2004/2028 True Value Hardware 2002/2010 Eckerd Drug 2004/2019
Pittston Plaza	Pittston	1994 (C)	Fee	79,568	97%	BiLo 2015/2025 (7), (18) Eckerd Drug 2004 (10)
Plaza 15	Lewisburg	1995 (A)	Fee	113,530	98%	Weis Market 2001/2021 (12) Ames 2001/2021
Plaza 422	Lebanon	1972 (C)	Fee	154,791	93%	Hills 2001/2021 Giant Food 2004 (10)
Route 6 Mall	Honesdale	1994 (C)	Fee	175,482	99%	Kmart 2020/2070

Shopping Center Property	Location	Year Constructed (C) Acquired (A)	Ownership Interest	GLA	Occupancy (1)	Anchor Tenants (2)
					% 12/31/98	Current Lease Expiration Lease Option Expiration
Shillington Plaza	Reading	1994 (A)	Fee	150,742	100%	Kmart 2004/2049 Weis Market 2001/2019
Tioga West	Tunkhannock	1965 (C)	Fee	122,338	100%	BiLo 2014/2024 (7) Ames 2000/2015 Eckerd Drug 2000/2010 Fashion Bug 2009/2021
Union Plaza	New Castle	1996 (C)	Fee	217,992	100%	Sears 2011/2031 Hills 2017/2026 Peebles 2018/2027
Valmont Plaza	West Hazleton	1985 (A)	Fee	200,164	99%	Hills 2007/2027 BiLo 2008/2027 (19)
Virginia						
Kings Fairgrounds	Danville	1992 (A)	LI (6)	118,535	100%	Schewel Furniture 2001/2011 The Tractor Co. 2008/2023 CVS 2002/2012 (10)
Southeast Region						
Alabama						
Midway Plaza	Opelika	1984 (A)	Fee	207,538	77%	Office Depot 2007/2022 Carmike Cinema 2005/2015 Beall's Outlet Stores 2001/none
Northside Mall	Dothan	1986 (A)	Fee (6)	382,299	88%	Wal-Mart 2004/2029 Montgomery Ward 2004/2014 (7)

Shopping Center Property	Location	Year Constructed (C) Acquired (A)	Ownership Interest	GLA	Occupancy (1)	Anchor Tenants (2)
					% 12/31/98	Current Lease Expiration Lease Option Expiration
Florida						
New Smyrna Beach Shopping Center	New Smyrna Beach	1983 (A)	Fee	100,430	96%	DeMarsh Theater 2005/2015 Hardbodies Family Fitness 2008/none
Searstown Mall (13)	Titusville	1984 (A)	Fee	265,549	69%	Sears 2003/2013 United Artist 2005/2015
Georgia						
Cloud Springs Plaza	Fort Oglethorpe	1985 (A)	Fee	113,367	96%	Food Lion 2011/2031 Consolidated Stores 2000/2005 Badcock Furniture 2000/2010
South Carolina						
Martintown Plaza	North Augusta	1985 (A)	LI (6)	133,892	98%	Belk's Store 2004/2024 Office Depot 2008/2018 Old America Stores 2008/none
Wesmark Plaza	Sumter	1986 (A)	Fee	215,198	74%	Staples 2005/2015 Old America Store 2007/2012 Goody's 2005/2015
Midwest Region						
Illinois						
Hobson West Plaza	Naperville	1998 (A)	Fee	99,950	88%	Eagle Foods 2007/2032
Indiana						
Merrillville Plaza	Hobart	1998 (A)	Fee	235,420	99%	JC Penney 2008/2018 Office Max 2008/2028 TJ Maxx 2004/2009
Michigan						
Bloomfield Town Square	Bloomfield Hills	1998 (A)	Fee	216,303	92%	Burlington Coat 2009/2014 (10) Drug Emporium 2000/2020 TJ Maxx 2003/2013 Office Max 2010/2025

Shopping Center Property	Location	Year Constructed (C) Acquired (A)	Ownership Interest	GLA	Occupancy (1)	Anchor Tenants (2)
					% 12/31/98	Current Lease Expiration Lease Option Expiration

Mixed-Use Property

Florida

Northwood Centre	Tallahassee	1985 (A)	Fee	500,012	92%	FL Dept of HRS 2004 FL Dept of Business and Professional Regulation 2006
------------------	-------------	----------	-----	---------	-----	--

Property Owned in Joint Venture (14)

New York

Crossroads Shopping Center	Greenburgh	1998	JV	310,897	100%	Kmart 2012/2037
				-----	---	Waldbaum's (A&P) 2007/2032
			Total	9,242,343	90%	
				=====	===	

Notes:

- (1) Does not include space leased but not yet occupied by the tenant.
- (2) Tenant GLA comprises at least 10% of GLA for the center
- (3) This property is currently vacant and is being redeveloped. When completed it is anticipated that this property will consist of approximately 17,000 square feet of retail space and 21 apartments (approximately 15,000 square feet)
- (4) Includes a 92,500 square foot non-owned Walmart (formerly Caldors)
- (5) This property is currently under contract for sale
- (6) The Company is ground lessee under long-term ground leases
- (7) The tenant is currently operating under Chapter 11 of the United States Bankruptcy laws and has neither affirmed nor rejected the lease
- (8) During the term of the lease, Bradlees has the right of first refusal in the event that the Company sells all or a portion of the Crescent Plaza giving it the right to purchase on the same terms as a bona fide offer from a third party
- (9) Leased premise was under construction as of December 31, 1998 with rent commencing in 1999. The space related to these tenants is not included as occupied as of December 31, 1998
- (10) Includes space leased for which rent is being paid but which is not presently occupied
- (11) The Company holds a fee interest in a portion of the Dunmore Plaza and an equitable interest in the land on the remaining portion. The fee for this remaining portion is held by an industrial development authority and the equitable interest in the building on such remaining portion is held by an unrelated entity. The Company receives and accounts for most of its income from this property as percentage rent
- (12) This signed lease is for the former BiLo space
- (13) This property was sold in 1999
- (14) The Company has a 49% investment in this property
- (15) The Company has signed a lease with A&P to construct a 48,000 free-standing building at this site subject to township approval
- (16) Ames acquired all the Hills stores in the Company's portfolio during 1998 and is reconfiguring such to Ames stores during 1999
- (17) This lease was terminated effective March 1, 1999
- (18) This lease has been assigned, subject to approval by the bankruptcy court, to another grocery store operator
- (19) The tenant rejected this lease during March 1999

Major Tenants

No individual retail tenant accounted for more than 7.3% of total revenues for the year ended December 31, 1998 or 11% of total leased GLA as of December 31, 1998. For the years ended December 31, 1997 and 1996, 11.3% and 10.8%, respectively, of the Company's total rents were derived from leases with Florida State agencies. The following table sets forth certain information for the 25 largest retail tenants based upon minimum rents in place as of December 31, 1998:

TOP 25 TABLE

(GLA and rent in thousands)

Retail Tenant	Number of Stores in Portfolio	Total GLA	Annualized Base Rent (1)	Percentage of Total Represented by Retail Tenant	
				Total Portfolio GLA (2)	Annualized Base Rent (2)
-----	-----	-----	-----	-----	-----
Kmart	9	924	\$ 3,432	11.0%	7.3%
Ames (3)	10	739	2,211	8.8%	4.7%

A&P (Waldbaum's, Superfresh)	3	155	1,880	1.8%	4.0%
Penn Traffic (BiLo, P&C Foods) (4)	6	279	1,837	3.3%	3.9%
Price Chopper	6	267	1,559	3.2%	3.3%
Thrift (Eckerd Drug)	15	164	1,088	1.9%	2.3%
Shaw's	2	103	1,015	1.2%	2.2%
Grand Union	2	91	957	1.1%	2.0%
Sears (5)	2	160	703	1.9%	1.5%
T.J. Maxx	4	112	665	1.3%	1.4%
JC Penney	2	73	547	0.9%	1.2%
Payless Shoe Source	12	41	541	0.5%	1.2%
Blockbuster Video	4	23	489	0.3%	1.0%
CVS	6	61	488	0.7%	1.0%
Circuit City (6)	1	33	438	0.4%	0.9%
Walgreens	2	19	420	0.2%	0.9%
Acme	2	64	406	0.8%	0.9%
Kay Bee Toys	4	26	405	0.3%	0.9%
OfficeMax	2	48	375	0.6%	0.8%
Pergament	2	33	309	0.4%	0.7%
US Postal Service	2	16	281	0.2%	0.6%
Dunham's Sports	2	48	261	0.6%	0.6%
Factory Card Outlet	2	19	230	0.2%	0.5%
Old Country Buffet	2	19	230	0.2%	0.5%
Walmart (6)	1	112	228	1.3%	0.5%
	---	---	-----	-----	-----
Total	105	3,629	\$20,995	43.1%	44.8%
	---	-----	-----	-----	-----

- (1) Base rents do not include percentage rents, additional rents for property expense reimbursements, nor contractual rent escalations due after December 31, 1998.
- (2) Total GLA and annualized base rent for the Company's retail properties, excluding mixed-use and joint venture properties.
- (3) Ames acquired all the Hills stores in the Company's portfolio in 1998 and is reconfiguring such to Ames stores during 1999.
- (4) The tenant has filed for protection under Chapter 11. See discussion of this tenant under "Retail Environment -- Tenant Bankruptcies" in Item 2.
- (5) Does not include a Sears store at a property sold in February 1999.
- (6) Does not include leased space which was still under construction at the Ledgewood Mall as of December 31, 1998.

In 1998, approximately 8.5% of the Company's total revenue was derived from current leases of office space and specialized computer facilities with two agencies of the State of Florida at the Northwood Centre in Tallahassee, Florida; the Florida Department of Health and Rehabilitative Services (5.3%) and the Florida Department of Business Professional Regulation (3.2%). During 1998, the State of Florida renewed leases for approximately 59,000 and 123,000 square feet with lease terms of five and seven years, respectively. Leases with these Florida agencies contain customary conditions, required under Florida law, permitting state agency tenants to cancel their leases upon six months' notice in the event that state-owned office facilities in the same county become available. These leases do not provide for early termination penalties. There are currently state-owned facilities available in the county and the State of Florida periodically reassesses its options with respect to such leases including those of the Company. The Company has been advised by the Florida Department of Health and Rehabilitative Services, which recently renewed a 59,000 square foot lease at the Northwood Centre, that it is evaluating the consolidation of its offices into State facilities. The Company would be adversely affected in the event that the State of Florida exercises its right to cancel the lease for its newly renewed space as well as any other space it currently leases.

Lease Expirations

The following table shows scheduled lease expirations for retail tenants in place as of December 31, 1998, assuming that none of the tenants exercise renewal options. The table does not include leases related to the Company's mixed-use and joint venture properties:

(GLA and rent in thousands)

Percentage of Total
Represented by Expiring Leases

December 31,	Number of Leases Expiring	GLA of Expiring Leases	Annualized Base Rent(1)	Leased GLA	Annualized Base Rent
1999	143	800	\$ 3,725	11%	8%
2000	108	665	4,021	9%	9%
2001	96	831	4,001	11%	9%
2002	67	296	2,293	4%	5%
2003	64	522	3,596	7%	8%
2004	47	1,080	4,721	14%	10%
2005	27	413	3,465	5%	7%
2006	13	139	1,033	2%	2%
2007	20	553	3,041	7%	6%
2008	27	439	3,559	6%	8%
Thereafter	50	1,805	13,403	24%	28%
Total	662	7,543	\$46,858	100%	100%

(1) Base rents do not include percentage rents, additional rents for property expense reimbursements, nor contractual rent escalations due after December 31, 1998.

The table does not include activity related to the Company's mixed-use or joint venture properties

GEOGRAPHIC CONCENTRATIONS

The following table summarizes the Company's retail properties (including mixed-use and joint venture properties) by region as of December 31, 1998:

Region	GLA	Occupied %	Annualized Base Rent (1)	Annualized Base Rent per Leased Square Foot	Percentage of Total Represented by Region	
					GLA	Annualized Base Rent
Northeast	2,924	82%	\$ 20,093	\$ 8.41	32%	35%
Mid-Atlantic	3,537	97%	17,930	5.22	38%	31%
Southeast	1,418	85%	4,130	3.43	16%	7%
Midwest	552	95%	4,705	8.98	6%	8%
	8,431	90%	46,858	6.21	92%	81%
Mixed-Use Property	500	100%	5,693	12.37	5%	10%
Joint Venture Property	311	92%	4,899	15.76	3%	9%
Total	9,242	90%	\$ 57,450	\$ 6.90	100%	100%

(1) Base rents do not include percentage rents, additional rents for property expense reimbursements, nor contractual rent escalations due after December 31, 1998.

MULTI-FAMILY PROPERTIES

The Company owns five multi-family properties located in the Mid-Atlantic and Midwest regions. The properties average 455 units and as of December 31, 1998, had an average occupancy rate of 92%. The following sets forth more specific information with respect to each of the Company's multi-family properties at December 31, 1998:

Multi-family Property	Location	Year Acquired	Ownership Interest	Units	% Occupied 12/31/98
Maryland					
Glen Oaks Apartments	Greenbelt	1998	Fee	463	100%
Marley Run Apartments	Pasadena	1998	Fee	336	96%
Missouri					
Gate House, Holiday House, Tiger Village	Columbia	1998	Fee	592	90%
Colony Apartments	Columbia	1998	Fee	282	98%
North Carolina					

Village Apartments	Winston Salem	1998	Fee	600	87%
				----	---
		Totals		2,273	92%
				=====	====

ITEM 3 LEGAL PROCEEDINGS

On November 20, 1995, Jack Wertheimer, the former President of the Company, filed a complaint against the Company, its Trustees, including the Former Principal Shareholder, and the Company's former in-house General Counsel and former Chief Financial Officer in the United States District Court for the Middle District of Pennsylvania. The complaint, which was filed in connection with the termination of Mr. Wertheimer's employment, included many of the allegations raised in a state court proceeding commenced by Mr. Wertheimer in November 1994. The Federal court complaint also included a civil RICO action in which Mr. Wertheimer alleged that the Board of Trustees of the Company conspired with Mr. Slomowitz to terminate Mr. Wertheimer's employment as part of Mr. Slomowitz's breach of his duty of good faith and fair dealing. Further, Mr. Wertheimer alleged that the above defendants engaged in securities fraud in connection with the initial public offering and that Mr. Slomowitz defrauded or overcharged the Company in corporate transactions. The Federal complaint sought treble damages under RICO, as well as damages arising from Mr. Wertheimer's alleged termination of employment, invasion of privacy, intentional infliction of emotional distress, fraud and misrepresentation. The Company and all defendants filed motions to dismiss the RICO and tort claims which the court, on December 9, 1996, granted in part and denied in part. Specifically, the court dismissed Mr. Wertheimer's claims for wrongful discharge, fraud and negligence misrepresentation, but declined to dismiss the remainder of the claims at that time. On January 23, 1997, the defendants filed an answer to Mr. Wertheimer's complaint. In the answer, the defendants denied all allegations of wrongdoing, and also filed counterclaims against Mr. Wertheimer alleging Mr. Wertheimer made material misrepresentations in connection with his hiring and breached his employment contract and fiduciary duties to the Company.

On December 31, 1998, the Company and Mr. Wertheimer settled this litigation and entered into an agreement whereby the Company paid Mr. Wertheimer \$1.0 million on December 31, 1998 and agreed to pay him (i) \$900,000 on April 1, 1999 and (ii) five annual payments of \$200,000 commencing January 10, 2000. Pursuant to this agreement, the Company has established a \$1.0 million escrow fund, which will be released upon the Company obtaining a standby letter of credit, to collateralize these future payments.

The Company is involved in other various matters of litigation arising in the normal course of business. While the Company is unable to predict with certainty the amounts involved, the Company's management and counsel are of the opinion that, when such litigation is resolved, the Company's resulting liability, if any, will not have a significant effect on the Company's consolidated financial position.

ITEM 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matter was submitted to a vote of security holders through the solicitation of proxies or otherwise during the fourth quarter of 1998.

PART II

ITEM 5 MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED SHAREHOLDER MATTERS

(a) Market Information

The following table shows, for the period indicated, the high and low sales price for the Shares as reported on the New York Stock Exchange (the "NYSE"), and cash dividends paid during the two years ended December 31, 1998 and 1997.

Quarter Ended	High	Low	Dividend Per Share
-----	-----	----	-----
1998			
March 31, 1998	9 3/16	8 3/4	\$ --
June 30, 1998	8 7/8	7 7/16	--
September 30, 1998	7 5/8	5 3/16	--
December 31, 1998	6 1/4	4 15/16	--

1997

March 31, 1997	11 3/4	10 1/8	\$.36
June 30, 1997	10 7/8	8 7/8	.20
September 30, 1997	9 9/16	8 15/16	.20
December 31, 1997	9 7/16	8 3/4	--

At March 22, 1999, there were 197 holders of record of the Company's Common Shares.

(b) Dividends

The Company paid no dividends during the year ended December 31, 1998. On February 4, 1999, the Board of Trustees of the Company approved and declared a quarterly dividend for the quarter ended March 31, 1999 of \$0.12 per Common Share. The dividend is to be paid on April 15, 1999 to the shareholders of record as of March 31, 1999.

The Company's cash flow is affected by a number of factors, including the revenues received from rental properties, the operating expenses of the Company, the interest expense on its borrowings, the ability of lessees to meet their obligations to the Company and unanticipated capital expenditures. Future dividends paid by the Company will be at the discretion of the Trustees and will depend on the actual cash flows of the Company, its financial condition, capital requirements, the annual distribution requirements under the REIT provisions of the Code and such other factors as the Trustees deem relevant.

ITEM 6 SELECTED FINANCIAL DATA

The following table sets forth, on a historical basis, selected financial data for the Company. This information should be read in conjunction with the audited consolidated financial statements of the Company and Management's Discussion and Analysis of Financial Condition and Results of Operations appearing elsewhere in this Annual Report on Form 10-K.

	Years ended December 31,				
	1998 (1)	1997	1996	1995	1994
OPERATING DATA:					
Revenues	\$ 59,771	\$ 44,498	\$ 43,796	\$ 43,332	36,333
Operating expenses	28,485	17,055	17,868	16,374	14,797
Interest and other financing expense	18,302	15,444	12,733	10,598	5,763
Depreciation and amortization	15,795	13,768	13,398	11,820	9,066
Total	62,582	46,267	43,999	38,792	29,626
	(2,811)	(1,769)	(203)	4,540	6,707
Non-recurring charges (2)	(2,249)	-	-	-	-
Equity in earnings of unconsolidated partnerships	256	-	-	-	-
Adjustment of carrying value of property held for sale	(11,560)	-	(392)	-	-
(Loss) income before (loss) gain on sale, extraordinary items and minority interest	(16,364)	(1,769)	(595)	4,540	6,707
(Loss) gain on sale of property	(175)	(12)	21	93	305
Extraordinary items - loss on early extinguishment of debt	(707)	--	(190)	--	--
Minority interest	3,348	217	40	(833)	(1,222)
Net (loss) income	\$ (13,898)	\$ (1,564)	\$ (724)	\$ 3,800	\$ 5,790
Net (loss) income per Common Share - basic and diluted	\$ (0.91)	\$ (0.18)	\$ (0.08)	\$ 0.44	\$ 0.68
Weighted average number of Common Shares outstanding - basic	15,205,962	8,551,930	8,546,553	8,540,631	8,533,688
- diluted (3)	15,205,962	8,551,930	8,546,553	8,563,466	8,563,529
Funds from Operations (4)	\$ 14,720	\$ 10,827	\$ 12,372	\$ 15,281	\$ 14,831
Funds from Operations per share (5)	\$ 0.72	\$ 1.06	\$ 1.22	\$ 1.50	\$ 1.46

BALANCE SHEET DATA:

Real estate before accumulated depreciation	\$ 551,249	\$ 311,688	\$ 307,411	\$ 291,157	\$ 278,611
Total assets	528,512	254,500	258,517	249,515	242,483
Total mortgage indebtedness	277,561	183,943	172,823	151,828	124,410
Minority interest - Operating Partnership	79,344	9,244	10,752	13,228	14,827
Total equity	154,591	48,800	56,806	69,779	78,183

- (1) Activity for the year ended December 31, 1998 includes the operations of the properties acquired in the RDC Transaction from August 12, 1998 through December 31, 1998.
- (2) Non-recurring charges represent expenses incurred related to the RDC Transaction including payments made to certain officers and key employees pursuant to change in control provisions of employment contracts, severance paid to the Former Principal Shareholder, retention bonuses for certain employees and transaction-related consulting and professional fees.
- (3) Due to a net loss for the years ended December 31, 1998, 1997 and 1996, the weighted average number of shares outstanding on a diluted basis is not presented as the inclusion of additional shares is anti-dilutive.
- (4) The Company, along with most industry analysts, consider funds from operations ("FFO") as defined by the National Association of Real Estate Investment Trusts ("NAREIT") as an appropriate supplemental measure of operating performance. However, FFO does not represent cash generated from operations as defined by generally accepted accounting principles and is not indicative of cash available to fund cash needs. It should not be considered as an alternative to net income for the purpose of evaluating the Company's performance or to cash flows as a measure of liquidity. Generally, NAREIT defines FFO as net income (loss) before gains (losses) on sales of property, non-recurring charges and extraordinary items, adjusted for certain non-cash charges, primarily depreciation and amortization of capitalized leasing costs.
- (5) Includes weighted average OP Units as follows: 1998 - 5,252,815, 1997 and 1996 - 1,623,000, 1995 - 1,621,937 and 1994 - 1,621,000.

ITEM 7 MANagements DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the consolidated financial statements of the Company (including the related notes thereto) appearing elsewhere in this Form 10-K. Certain statements made in this report may constitute "forward-looking statements" within the meaning of the federal securities laws. Such statements are inherently subject to risk and uncertainties which may cause the actual results to differ materially from the future results implied by such forward-looking statements. Factors which might cause such differences include general economic conditions, adverse changes in the real estate markets in general and in the geographic regions in which the Company's properties are located, changes in interest rates, potential bankruptcy of tenants and environmental requirements.

RESULTS OF OPERATIONS

Comparison of the year ended December 31, 1998 ("1998") to the year ended December 31, 1997 ("1997")

The following comparison references the effect of the properties acquired on August 12, 1998 as a result of the RDC Transaction (the "RDC Properties").

Total revenues increased \$15.3 million, or 34%, to \$59.8 million in 1998 compared to \$44.5 million in 1997.

Minimum rents increased \$13.2 million, or 39%, to \$46.9 million for 1998 compared to \$33.7 million for 1997. \$12.6 million, or 95% of this increase was attributable to the RDC Properties. The remaining increase was primarily a result of increases at the Mark Plaza and Ledgewood Mall.

Percentage rents decreased \$532,000, or 17%, to \$2.7 million for 1998 compared to \$3.2 million for 1997 primarily as a result of the impact from the Company adopting the Emerging Issue Task Force ("EITF") Issue No. 98-9 "Accounting for Contingent Rent in Interim Financial Periods" as of April 1, 1998.

Expense reimbursements of \$8.6 million for 1998, which represent the pass-through of certain property expenses to the tenants, increased \$2.0

million, or 31%, from \$6.6 million for 1997 of which \$2.1 million of the increase was a result of the RDC Properties.

Other income increased \$511,000, or 50%, to \$1.5 million for 1998 compared to \$1.0 million for 1997. \$240,000 of this increase was attributable to third party management fees earned related to certain management contracts acquired in connection with the RDC Transaction. The remaining increase was primarily attributable to the RDC Properties and an increase in interest earning assets in 1998.

Total 1998 operating expenses increased \$15.7 million, or 51%, to \$46.5 million compared to \$30.8 million in 1997.

Property operating expenses increased \$5.2 million, or 57%, to \$14.2 million for 1998 from \$9.0 million for 1997. \$4.1 million, or 79% of this increase was attributable to the RDC Properties. The remaining increase was primarily due to (i) the recording of reserves of \$250,000 against unbilled rents receivable ("straight-line rent") for certain leases with Penn Traffic, which filed for Chapter 11 protection under bankruptcy law in March of 1999, (ii) an increase in estimated claims of \$450,000 related to the Company's property liability insurance policies offset by (iii) the reversal of a \$245,000 reserve for environmental remediation costs for the Cloud Springs Plaza in 1997 following notification from the Georgia Department of Natural Resources that contamination exceeding a reportable quantity had not occurred.

Real estate taxes increased \$1.8 million, or 32%, to \$7.5 million for 1998 from \$5.7 million for 1997 of which \$1.7 million of the increase was due to the RDC Properties.

Depreciation and amortization increased \$2.0 million, or 15%, to \$15.8 million for 1998 from \$13.8 million for 1997 of which \$1.9 million of the increase was attributable to the RDC Properties.

General and administrative expense increased \$2.0 million, or 88%, to \$4.4 million for 1998 from \$2.4 million for 1997 which was primarily attributable to additional staffing and administrative costs following the RDC Transaction.

Non-recurring charges of \$2.2 million in 1998 were related primarily to payments made to certain officers and key employees pursuant to change in control provisions of employment contracts, severance paid to the Former

Principal Shareholder, retention bonuses for certain employees and RDC Transaction-related consulting and professional fees.

Settlement of litigation of \$2.4 million in 1998 resulted from the agreement between the Company and its former President whereby the Company paid \$1.0 million in 1998 and recorded a liability of \$1.4 million based on future contractual payments to be made commencing April 1999 through January 2004.

Equity in earnings of unconsolidated partnerships in 1998 are a result of the 49% interest in the Crossroads Shopping Center acquired by the Company in the RDC Transaction.

The adjustment of carrying value of property held for sale represents a 1998 non-cash charge of \$11.6 million to write-down three properties to their estimated net realizable value pursuant to a disposition plan. One of these properties was sold in 1998 for which an additional loss of \$175,000 was recognized. A second property was sold in February 1999 and the Company has entered into a contract in March 1999 to sell the third property.

Interest expense increased \$2.9 million, or 19%, to \$18.3 million in 1998, compared to \$15.4 million in 1997 of which \$2.8 of the increase was attributable to the RDC Properties.

The \$707,000 extraordinary loss is a result of the write-off of deferred financing fees as a result of the repayment of the related mortgage debt.

Comparison of the year ended December 31, 1997 ("1997") to the year ended December 31, 1996 ("1996")

Total revenue increased \$702,000, or 2%, to \$44.5 million in 1997 compared

to \$43.8 million in 1996.

In total, minimum rents of \$33.7 million for 1997 were essentially unchanged from 1996. Increases in minimum rents of \$757,000 and \$102,000 were achieved in 1997 following the completion of the development of Phase I of the Union Plaza and completion of the initial lease-up of the Pittston Plaza following its construction in 1996, respectively. A \$680,000 increase in minimum rents was realized throughout the remaining portfolio, except at those properties as noted below, primarily from rents received following the installation of new tenants in excess of rents lost due to vacating tenants. These increases were, however, offset by declines in minimum rent for 1997 of

(i)\$1.1 million at the Ledgewood Mall and Auburn Plaza following the loss of two anchor tenants during 1996 as well as certain remaining tenants at these two centers paying percentage rent in lieu of minimum rent pursuant to anchor cotenancy requirements, (ii)\$338,000 at the Normandale Mall primarily as a result of the State of Alabama Department of Public Health vacating its leased space following the expiration of its leases in April 1997 and (iii)\$155,000 following the sale of the Newberry Plaza in March 1997.

Percentage rents increased \$388,000, or 14%, to \$3.2 million for 1997 compared to \$2.8 million for 1996 primarily as a result of tenants paying percentage rent in lieu of minimum rents at the Ledgewood Mall and Auburn Plaza as previously discussed.

Expense reimbursements of \$6.6 million for 1997, which represent the pass-through of certain property expenses to the tenants, were essentially unchanged from 1996. Increases relating to the pass-through of higher real estate taxes in 1997 were offset by a decline in expense reimbursements as a result of a decrease in other property operating expenses in 1997, and by a decrease in expense reimbursements following the loss of anchor tenants at the Ledgewood Mall and Auburn Plaza as previously discussed.

Other income increased \$267,000, or 36%, to \$1.0 million for 1997 compared to \$747,000 for 1996 primarily as a result of an increase in interest earned on mortgage escrows in connection with financings with Morgan Stanley Mortgage Capital, Inc. and Nomura Asset Capital Corporation.

Total 1997 operating expenses decreased \$443,000, or 1%, to \$30.8 million compared to \$31.3 million in 1996.

Property operating expenses decreased \$759,000, or 8%, to \$9.0 million for 1997 from \$9.8 million for 1996, primarily due to the establishment of a \$425,000 reserve in 1996 for estimated environmental remediation costs and related consulting fees related to two properties and a decrease in winter related costs due to the comparatively mild winter experienced in the Northeast during 1997.

Real estate taxes increased \$406,000, or 8%, to \$5.7 million for 1997 from \$5.3 million for 1996 primarily due to the expiration of a ten-year development abatement at the Greenridge Plaza and increases in assessed property values as a result of recent development and expansion activities.

Depreciation and amortization increased \$370,000, or 3%, to \$13.8 million for 1997 from \$13.4 million for 1996 primarily due to an increase in depreciation expense following the completion of the development of Phase I of the Union Plaza in October 1996.

General and administrative expense decreased \$460,000, or 16%, to \$2.4 million for 1997 from \$2.8 million for 1996 primarily due to the write-off during 1996 of non-recurring costs totaling \$492,000 as a result of the Company's decision to terminate certain acquisition and development activities.

Net interest expense increased \$2.7 million, or 21%, to \$15.4 million in 1997, compared to \$12.7 million in 1996 due to higher borrowing levels primarily associated with development and tenant replacement activities.

The loss before minority interest for 1997 was \$1.8 million, representing an increased loss of \$1.0 million compared to the loss before minority interest of \$764,000 for 1996 due to the above items, as well as a \$392,000 loss in 1996 on the reduction in the carrying value of certain property held for sale and

\$190,000 in extraordinary expense for 1996 related to certain 1996 refinancings.

LIQUIDITY AND CAPITAL RESOURCES

Acquisition of Properties and Related Transactions

On August 12, 1998 the Company completed the RDC Transaction. In connection with the RDC Transaction, the Operating Partnership acquired (i) fee title or all, or substantially all, of the ownership interests in twelve shopping centers, five multi-family properties and one redevelopment property, (ii) a 49% interest in one shopping center, (iii) certain third party management contracts, and (iv) certain promissory notes from real estate investment partnerships and related entities, which are not under common control, in which RDC serves as general partner or in another similar management capacity, for approximately 11.1 million OP Units and approximately 2.0 million Common Shares valued at \$97.2 million. In addition, the Company assumed mortgage debt aggregating \$154.2 million and incurred other capitalized transaction costs of \$5.8 million resulting in an aggregate purchase price of \$257.2 million.

As part of the RDC Transaction, the Company issued approximately 13.3 million Common Shares to the RDC Funds in exchange for \$100.0 million. The proceeds from the issuance of Common Shares were used as follows:

Repayment of mortgage notes payable	\$ 70.5
Repayment of note payable to Former Principal Shareholder	3.0
Transaction costs allocable to stock issuance	4.1
Transaction costs allocable to RDC properties, RDC management contracts and contributed notes	4.5
Payment of liabilities assumed in connection with acquisition of RDC properties, RDC management contracts and contributed notes	1.3
Prepayment and assumption fees on mortgage notes	0.4
Contractual payments to Company management personnel pursuant to severance and change in control obligations and other RDC Transaction expenses	2.2
Additions to working capital	14.0

	\$100.0
	=====

On February 24, 1999, the Company purchased a 154,000 square foot community shopping center in Dayton, Ohio for \$11.5 million. The center which is 97% leased is anchored by Babies `R Us, Office Depot and Pier One Imports. The Company assumed an existing mortgage of \$7.7 million and funded the remaining \$3.8 of the acquisition cost from working capital.

Financing and Debt

On January 28, 1998, the Company completed a closing on a construction loan with Royal Bank of Pennsylvania in the maximum amount of \$3.5 million. The loan, which was secured by one of the Company's properties, was retired on August 12, 1998 using the proceeds from the RDC Transaction.

On June 1, 1998, the Company closed on \$20.7 million in short-term financing with Credit Suisse First Boston Mortgage Capital LLC ("CS First Boston"). Approximately \$9.9 million was used to refinance existing debt and pay

for transaction costs, \$1.0 million was used to acquire the building and other improvements constituting the Blackman Plaza, \$326,000 was deposited in escrows, \$5.5 million was available for working capital, and the remaining \$4.0 million was unfunded. At closing, the Company paid \$1.5 million from this available working capital to Pharmhouse Corp., a tenant at the Ledgewood Mall which had obtained an injunction against the installation of Walmart at the mall based on certain exclusive use provisions contained in Pharmhouse Corp.'s lease. As a result of this settlement, the Company proceeded with the installation of Walmart in approximately 120,000 square feet at the property. Proceeds from the RDC Transaction were used to repay this loan in full on August 12, 1998.

In connection with the properties acquired in the RDC Transaction, the

Company assumed \$154.2 million of mortgage debt, of which \$48.6 million was retired using a portion of the proceeds from the issuance of Common Shares. Mortgage debt totaling \$21.9 million, which was outstanding prior to the RDC Transaction, was also retired using a portion of the proceeds from the issuance of Common Shares.

As of December 31, 1998, the Company had an aggregate \$52.5 million of borrowings from Sun America Life Insurance Company which was assumed in connection with the RDC Transaction. Approximately \$43.8 million of these loans are cross-collateralized by five of the Company's properties, bear interest at a fixed rate of 7.75%, require monthly payments of interest and principal amortized over 25 years and mature in January 2001. The remaining loan in the amount of \$8.7 million is collateralized by one of the Company's properties, bears interest at 7.75%, matures June 1999 and requires principal amortization payments over a 25 year period. Each of the loans contain yield maintenance provisions.

The Company had other fixed rate mortgage debt assumed in connection with the RDC Transaction with two separate lenders aggregating \$22.5 million as of December 31, 1998. These loans, which are secured by two of the Company's properties, bear interest ranging from 7.73% to 8.32%, require monthly payments of interest and principal amortized over 25 years and mature between December 1999 and March 2004.

As of December 31, 1998, the Company also had variable rate mortgage debt assumed in connection with the RDC Transaction with three separate lenders

aggregating \$30.0 million. These loans, which are secured by three of the Company's properties, require monthly payment of interest based on LIBOR plus spreads ranging from 1.25% to 1.78% or the lender's commercial paper rate plus 2.75% and mature between January 2002 and December 2002. At December 31, 1998, the all-in rates ranged from 6.88% to 8.02%.

As of December 31, 1998 interest on the Company's mortgage indebtedness ranged from 6.9% to 9.1% with maturities that ranged from June 1999 to March 2022. Of the total outstanding debt, \$247.5 million, or 89%, was carried at fixed interest rates with a weighted average of 8.4% and \$30.1 million, or 11%, was carried at variable rates with a weighted average of 7.3%. Of the total outstanding debt, \$108.0 million will become due by 2000, with scheduled maturities of \$13.1 million at a weighted average interest rate of 7.7% in 1999 and \$94.9 million with a weighted average interest rate of 8.5% in 2000. As the Company does not anticipate having sufficient cash on hand to repay such indebtedness, it will need to refinance this indebtedness or select other alternatives based on market conditions at that time.

Property Development and Expansion

In connection with the RDC Transaction, the Company acquired a 39,744 square foot retail and residential building located in Greenwich, Connecticut. The building, which is currently vacant, is being completely refurbished, and when fully completed (anticipated for late 1999) will consist of approximately 17,000 square feet of retail space and 21 apartments (approximately 15,000 square feet). Approximately 12,300 square feet of retail space has been pre-leased to a national tenant who is expected to commence paying rent in the second quarter of 1999. As of December 31, 1998 costs incurred to date were \$12.1 million. The Company expects that an additional \$3.4 million will be required to complete this project.

The Company has substantially completed the redevelopment and expansion of a 100,252 square foot retail center located in Rocky Hill, Connecticut. The center, which was also acquired in the RDC Transaction, is anchored by a 41,665 square foot Waldbaum's (A&P) Supermarket that expanded to 64,665 square feet in 1999 and an adjacent 92,500 square foot Walmart (formerly Caldors) which is not owned by the Company. The renovation also included a new parking lot and exterior facade. The Company expects that \$2.1 million will be required to complete this project.

The Company completed the installation of Walmart and Circuit City in approximately 121,000 and 33,000 square feet, respectively, in the LedgeWood Mall in LedgeWood, New Jersey. Both tenants commenced paying rent during the first quarter of 1999. Remaining costs estimated to be paid for these projects total \$4.0 million.

For the remaining portfolio, the Company currently estimates that capital outlays of approximately \$5.1 million will be required in 1999 for tenant improvements, related renovations and other property improvements related to executed leases.

Sources of capital for funding property development, property expansion and renovation and future property acquisitions are expected to be obtained from additional debt financings, additional equity offerings and from sales of existing properties. As of December 31, 1998, the Company also had cash available of \$15.2 million as well as 12 properties which are currently unencumbered and therefore available as potential collateral for future borrowings.

The Company has generated additional working capital to fund the foregoing activities from the sale of the Normandale Mall in Montgomery, Alabama in December 1998 and the Searstown Mall in Titusville, Florida in February of 1999 for total net proceeds of \$4.9 million after the related selling costs.

The Company anticipates that cash flow from operating activities will continue to provide adequate capital for all debt service payments, recurring capital expenditures and REIT distribution requirements.

The Company, along with most industry analysts, consider funds from operations ("FFO") as defined by the National Association of Real Estate Investment Trusts ("NAREIT") as an appropriate supplemental measure of operating performance. However, FFO does not represent cash generated from operations as defined by generally accepted accounting principles and is not indicative of cash available to fund cash needs. It should not be considered as an alternative to net income for the purpose of evaluating the Company's performance or to cash flows as a measure of liquidity. Generally, NAREIT defines FFO as net income (loss) before gains (losses) on sales of property, non-recurring charges and extraordinary items, adjusted for certain non-cash charges, primarily depreciation, amortization of capitalized leasing costs and equity income (loss) from joint ventures, and the addition of the proportionate share of FFO of unconsolidated joint ventures determined on a consistent basis.

ACADIA REALTY TRUST AND SUBSIDIARIES
FUNDS FROM OPERATIONS

For the Years Ended December 31, 1998 and 1997
(In thousands except per share data)

	For the year ended December 31,	
	1998	1997
Revenue		
Minimum rents (a)	\$47,156	\$33,360
Percentage rents	2,651	3,183
Expense reimbursements	8,967	6,632
Other	1,557	1,014
	-----	-----
Total revenue	60,331	44,189
	-----	-----
Expenses		
Property operating (b)	13,775	9,113
Real estate taxes	7,758	5,691
General and administrative	4,398	2,339
	-----	-----
Total operating expenses	25,931	17,143
	-----	-----
Operating income	34,400	27,046
Interest expense	18,803	15,444
Amortization of deferred financing costs	674	567
Depreciation of non-real estate assets	203	208
	-----	-----
Funds from operations	\$14,720	\$10,827
	=====	=====
Funds from operations per share (c)	\$ 0.72	\$ 1.06

	=====	=====
Reconciliation of funds from operations to net loss		
Funds from operations above	\$ 14,720	\$ 10,827
Depreciation of real estate and amortization of leasing costs	(15,156)	(12,993)
Straight-line rents and related write-offs (net)	353	176
Loss on sale of property	(175)	(12)
Adjustment of carrying value of property held for sale	(11,560)	--
Non-recurring RDC Transaction related charges	(2,249)	--
Settlement of litigation	(2,358)	--
Adjustment (reserve) for environmental remediation costs	(88)	245
Extraordinary item, write-off of deferred financing costs	(707)	--
Minority interest	3,348	217
Other non-cash adjustments	(26)	(24)
	-----	-----
Net loss	\$ (13,898)	\$ (1,564)
	=====	=====
Net loss per share - basic and diluted (d)	\$ (0.91)	\$ (0.18)
	=====	=====

- (a) Excludes income from straight-lining of rents.
- (b) Represents all expenses other than depreciation, amortization, write-off of unbilled rent receivables recognized on a straight-line basis, the non-cash charge for compensation expense related to the Company's restricted share plan and certain non-recurring expenses.
- (c) Assumes full conversion of 11,184,143 and 1,623,000 OP Units into Common Shares of the Company for the years ended December 31, 1998 and 1997, respectively, for a total weighted average of Common Shares and OP Units of 20,458,777 and 10,174,930, respectively.
- (d) Net loss per share (basic and diluted) is computed based on the weighted average number of shares outstanding for the years ended December 31, 1998 and 1997 of 15,205,962 and 8,551,930, respectively.

HISTORICAL CASH FLOW

The following discussion of historical cash flow compares the Company's cash flow for the year ended December 31, 1998 ("1998") with the Company's cash flow for the year ended December 31, 1997 ("1997").

Net cash provided by operating activities decreased from \$13.2 million for 1997 to \$12.2 million for 1998. This variance was primarily attributable to the payment of non-recurring expenses in connection with the RDC Transaction offset by changes in operating assets and liabilities.

Investing activities used \$24.8 million during 1998, representing a \$14.3 million increase from \$10.5 million of cash used during 1997, which was primarily a result of increased expenditures for real estate and improvements associated primarily with the Company's retenanting, expansion and development activities.

Net cash provided by financing activities of \$26.5 million increased \$31.9 million compared to \$5.4 million used during 1997. The increase resulted primarily from \$95.9 million of net proceeds from the issuance of Common Shares and a \$9.6 million reduction in dividends and distributions paid in 1998. This was partially offset primarily by additional cash of \$65.7 million used in 1998

for the repayment of debt and a \$6.0 million decrease in cash provided by additional borrowings.

INFLATION

The Company's long-term leases contain provisions designed to mitigate the adverse impact of inflation on the Company's net income. Such provisions include clauses enabling the Company to receive percentage rents based on tenants' gross sales, which generally increase as prices rise, and/or, in certain cases, escalation clauses, which generally increase rental rates during the terms of the leases. Such escalation clauses are often related to increases in the consumer price index or similar inflation indexes. In addition, many of the Company's leases are for terms of less than ten years, which permits the Company to seek to increase rents upon re-rental at market rates if rents are below the then existing market rates. Most of the Company's leases require the tenants to pay their share of operating expenses, including common area maintenance, real estate taxes, insurance and utilities, thereby reducing the Company's exposure to increases in costs and operating expenses resulting from inflation.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board issued Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities" (the "Statement"), which is required to be adopted in years beginning after June 15, 1999. The Statement permits early adoption as of the beginning of any fiscal quarter after its issuance. The Company expects to adopt the Statement effective January 1, 2000. The Statement will require the Company to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If a derivative is a hedge, depending on the nature of the hedge, changes in the fair value of the derivative will either be offset against the change in fair value of the hedged asset, liability, or firm commitment through earnings, or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value will be immediately recognized in earnings. The Company does not anticipate that the adoption of this Statement will have a significant effect on its results of operations or financial position.

YEAR 2000 COMPLIANCE

The year 2000 ("Y2K") problem refers to computer applications using only the last two digits to refer to a year rather than all four digits. As a result, these applications could fail or create erroneous results if they recognize "00" as the year 1900 rather than year 2000. The Company has taken Y2K initiatives in three general areas which represent the areas that could have an impact on the Company: information technology systems, non-information technology systems and third party issues. The following is a summary of these initiatives:

Information technology and related costs: The Company's information technology systems generally consist of file servers, workstations, operating systems and applications which are all purchased systems. The Company's assessment and testing of these systems has revealed that they are Y2K compliant. Furthermore, during 1998, the Company completed the installation of additional hardware and software (purchased systems) related to its accounting systems which are Y2K compliant as well. These hardware and accounting software upgrade and conversions are being executed under maintenance and support agreements with vendors. The total cost of the accounting conversion was approximately \$200,000.

Non-information technology and related costs: Non-information technology consists mainly of facilities management systems such as telephone, utility and security systems for its properties. The Company is in the process of identifying date sensitive systems and equipment including HVAC units, telephones, security systems and alarms, fire and flood warning systems and general office systems at its properties. Assessment and testing of these systems is approximately 50% complete and is expected to be completed by no later than the second quarter of 1999. The identification and remediation of systems at the properties is being accomplished by Company personnel with the assistance of consultants, for which both costs are being recorded as normal

operating expense. Based on preliminary assessment the cost of any upgrades or replacement is not expected to be significant.

Third parties and related costs: The Company has begun assessment of major third parties' Y2K readiness including tenants, contractors and key suppliers of outsourced services including, property maintenance, stock transfer, debt servicing, banking collection and disbursement, payroll and benefits. Some of these third parties are publicly traded corporations subject to disclosure requirements for which the Company currently monitors Y2K disclosures in SEC filings. The majority of the Company's private vendors are small suppliers that the Company believes can manually execute their business and are readily replaceable. Management also believes there is no material risk of being unable to procure necessary supplies and services. The Company has requested all significant vendors and tenants to complete Y2K questionnaires and to date has not received any response from such third parties indicating that they have a significant Y2K problem. Third party assessment is approximately 50% complete and expected to be completed by the second quarter of 1999. The assessment of third party readiness is being conducted by Company personnel whose costs are recorded as normal operating expenses. The Company is not yet in a position to estimate the cost of third party compliance issues to the Company, but has no reason to believe that such costs will be material.

Risks: The principal risk to the Company relating to the implementation of its accounting system hardware and software upgrades is failure to correctly bill tenants by December 31, 1999 and pay invoices when due. Management believes it has adequate resources, or could obtain the needed resources, to manually bill tenants and pay bills until the systems become operational.

The principal risks to the Company relating to non-information systems at the properties are failure to identify time-sensitive systems and inability to find an appropriate replacement system. The Company believes that adequate replacement components or new systems are available at reasonable prices and are in good supply. The Company also believes that adequate time and resources are available to remediate these areas as needed.

The principal risks to the Company in its relationship with third parties are failure of third party systems used to conduct business such as: disruption of tenant operations at the properties; banks being unable to process receipts and disbursements; vendors being unable to supply needed materials and services to the Company's properties; and processing of outsourced employee payroll. Based on Y2K compliance work done to date, the Company has no reason to believe that key tenants, banks and suppliers will not be Y2K compliant in all material respects or cannot be replaced within an acceptable timeframe.

Contingency plans: The Company intends to deal with contingency planning during the second quarter of 1999 after the results of the above assessments and related remediation are known.

The Company's description of its Y2K compliance issue is based upon information obtained by management through evaluations of internal business systems and tenant and vendor compliance efforts. No assurance can be given that the Company will be able to address the Y2K issues for all its systems in a timely manner or that it will not encounter unexpected difficulties or significant expenses relating to adequately addressing the Y2K issue. If the Company or the major tenants or vendors with whom the Company does business fail to address their major issues, the Company's operating results or financial position could be materially adversely affected.

ITEM 7A QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's primary market risk exposure is to changes in interest rates related to the Company's mortgage debt. See the consolidated financial statements and notes thereto included in Item 8 of this Annual Report on Form 10-K for certain quantitative details related to the Company's mortgage debt.

Currently, the Company manages its exposure to fluctuations in interest rates primarily through the use of fixed-rate debt. As of December 31, 1998, the Company had total mortgage debt of \$277.6 million of which \$247.5, or 89%, is fixed-rate and \$30.1 million, or 11%, is variable-rate based upon either LIBOR or the lender's commercial paper rate, plus certain spreads. The Company may

seek variable-rate financing if and when pricing and other commercial and financial terms warrant. As such, the Company would consider hedging against the interest rate risk related to such variable-rate debt through interest rate swaps and protection agreements, or other means.

ITEM 8 FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements and supplementary data listed in items 14(a)(1) and 14(a)(2) hereof are incorporated herein by reference.

ITEM 9 CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

PART III

ITEM 10 DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY

This item is incorporated by reference from the definitive proxy statement for the Annual Meeting of Shareholders presently scheduled to be held on June 16, 1999, to be filed pursuant to Regulation 14A.

ITEM 11 EXECUTIVE COMPENSATION

This item is incorporated by reference from the definitive proxy statement for the Annual Meeting of Shareholders presently scheduled to be held on June 16 1999, to be filed pursuant to Regulation 14A.

ITEM 12 SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

This item is incorporated by reference from the definitive proxy statement for the Annual Meeting of Shareholders presently scheduled to be held on June 16, 1999, to be filed pursuant to Regulation 14A.

ITEM 13 CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

This item is incorporated by reference from the definitive proxy statement for the Annual Meeting of Shareholders presently scheduled to be held on June 16, 1999, to be filed pursuant to Regulation 14A.

PART IV

ITEM 14 EXHIBITS, FINANCIAL STATEMENTS, SCHEDULES AND REPORTS ON FORM 8-K

(a) 1. Financial Statements - Form 10-K
The following consolidated financial information is included as a separate Report Page
section of this annual report on
Form 10-K

ACADIA REALTY TRUST	
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2. Financial Statement Schedules	
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All other schedules are omitted since the required information is not present

or is not present in amounts sufficient to require submission of the schedule.

3. Exhibits

Exhibit No.

3.1(a)	Declaration of Trust of the Company, as amended	Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form 10-K filed for the fiscal Year ended December 31, 1994
3.2	By-Laws of the Company	Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form S-11 (File No.33-60008) ("Form S-11")
3.1(b)	Fourth Amendment to Declaration of Trust	Incorporated by reference to the copy thereof filed as an Exhibit to Company's Form 10-Q filed for the quarter ended September 30, 1998
10.1(a)	Agreement of Limited Partnership of the Operating Partnership	Incorporated by reference to the copy thereof filed as an exhibit to Amendment No. 3 to the Company's Form S-11
10.1(b)	First, Second and Third Amendments to the Agreement of Limited Partnership of the Operating Partnership	Filed herewith
10.2	Loan Agreement between the Company and Metropolitan Life Insurance Company	Incorporated by reference to the copy thereof filed as exhibit to Amendment No. 3 to the Company's Form S-11
10.3(a)	Loan Agreement between the Company and Fleet Bank of Massachusetts, N.A.	Incorporated by reference to the copy thereof filed as an exhibit to Amendment No. 3 to the Company's Form S-11
10.3(b)	First Amended and Restated Loan Agreement between the Company and Fleet National Bank dated May 30, 1995	Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form 10-K filed for the fiscal year ended December 31, 1995
10.3(c)	Amendment Number One to the First Amended and Restated Assumption, Extension and Loan Agreement between the Company and Fleet National Bank dated December 6, 1995	Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form 10-K filed for the fiscal year ended December 31, 1995
10.3(d)	Amendment Number Two To the First Amended and Restated Assumption, Extension and Loan	Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form 10-Q filed for the quarter

	Agreement between the Company and Fleet National Bank	ended September 30, 1996
10.3(e)	Amendment Number Three to the First Amended and Restated Assumption, Extension and Loan Agreement between the Company and Fleet National Bank	Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form 10-Q filed for the quarter ended June 30, 1997
10.3(f)	Second Amended and Restated Assumption Extension and Loan Agreement between the Company and Fleet National Bank	Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form 10-Q filed for the quarter ended March 31, 1998
10.4	Acquisition Option Agreement between the Company and Marvin L. Slomowitz	Incorporated by reference to the copy thereof filed as an exhibit to Amendment No. 3 to the Company's Form S-11
10.5(a)	Option Agreement between the Company and the Former Principal Shareholder allowing the Company to acquire certain properties from the Former Principal Shareholder	Incorporated by reference to the copy thereof filed as an exhibit to Amendment No. 3 to the Company's Form S-11
10.5(b)	Amendment to the Option Agreement between the Company and the Former Principal Shareholder	Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form 10-K filed for the fiscal year ended December 31, 1993
10.5(c)	Agreement of Sale and Purchase (Hudson, New York) between the Company and Marvin L. Slomowitz dated February 27, 1996	Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form 10-K filed for the fiscal year ended December 31, 1995
10.5(d)	Agreement of Sale and Purchase (New Castle, Pennsylvania) between the Company and Marvin L. Slomowitz dated February 19, 1996	Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form 10-K filed for the fiscal year ended December 31, 1995
10.5(e)	Termination of Option Agreements between the Company and the Principal Shareholder to acquire certain properties	Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form 10-Q filed for the quarter ended June 30, 1996
10.5(f)	Option Agreement between the Company and Former Principal Shareholder allowing the Company to acquire a certain property from the Former Principal Shareholder	Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form 10-Q filed for the quarter ended June 30, 1996
10.5(g)	First Amendment to Agreement of Sale and Purchase (Hudson, NY) between the Company and Former Principal	Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form 10-Q filed for the quarter ended June 30, 1996

Shareholder

10.5(h)	Option Purchase Agreement between the Company and the Former Principal Shareholder Allowing the Company to Acquire a certain property from the Former Principal Shareholder	Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form 10-K filed for the fiscal year ended December 31, 1997
10.5(i)	Termination of Option to Purchase (Lewisburg) between the Company and the Former Principal Shareholder	Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form 10-K filed for the fiscal year ended December 31, 1997
*10.6(a)	Share Option Plan	Incorporated by reference to the copy thereof filed as an exhibit to Amendment No. 3 to the Company's Form S-11
*10.6(b)	Mark Centers Trust 1994 Share Option Plan	Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form S-8 filed August 17, 1995
*10.6(c)	Mark Centers Trust 1994 Non-Employee Trustees' Share Option Plan	Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form S-8 filed August 17, 1995
*10.7	Restricted Share Plan	Incorporated by reference to the copy thereof filed as an exhibit to Amendment No. 3 to the Company's Form S-8 filed June 15, 1994
*10.8	Noncompetition Agreement between Marvin L. Slomowitz and the Company	Incorporated by reference to the copy thereof filed as an exhibit to Amendment No. 3 to the Company's Form S-11
*10.9	Form of Severance Agreement between the Company and certain executive officers	Incorporated by reference to the copy thereof filed as an exhibit to Amendment No. 3 to the Company's Form S-11
10.10	Form of Lock-Up Agreement between the Company and its Trustees and executive officers	Incorporated by reference to the copy thereof filed as an exhibit to Amendment No. 3 to the Company's Form S-11
10.11	Form of Agreement of Purchase and Sale for the properties	Incorporated by reference to the copy thereof filed as an exhibit to Amendment No. 3 to the Company's Form S-11
10.12	Form of Lease for headquarters	Incorporated by reference to the copy thereof filed as an exhibit to Amendment No. 3

to the Company's Form S-11

10.13(a)	Management Agreements	Incorporated by reference to the copy thereof filed as an exhibit to Amendment No. 3 to the Company's Form S-11
10.13(b)	Termination of Management Agreements	Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form 10-Q filed for the quarter ended June 30, 1996
10.14	Form of Registration Rights Agreement	Incorporated by reference to the copy thereof filed as an exhibit to Amendment No. 4 to the Company's Form S-11
10.15	Agreement of Purchase and Sale between the Operating Partnership and Manahawkin Route 72 L.P. dated November 23, 1993	Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form 8-K filed on December 30, 1993
10.16	Agreement of Purchase and Sale between the Operating Partnership And Twenty-Fifth Street Associates, L.P. dated November 23, 1993	Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form 8-K filed on December 30, 1993
10.17(a)	Loan Agreement between the Company and Mellon Bank, N.A.	Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form 10-K filed for the fiscal year ended December 31, 1994
10.17(b)	First Amendment to Revolving Credit Loan Agreement between the Company and Mellon Bank, N.A. dated November 15, 1995	Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form 10-K filed for the fiscal year ended December 31, 1995
10.17(c)	Second Amendment to Revolving Credit Loan Agreement between the Company and Mellon Bank, N.A. dated February 29, 1996	Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form 10-K filed for the fiscal year ended December 31, 1995
10.17(d)	Third Amendment To Revolving Credit Loan Agreement between the Company and Mellon Bank, N.A.	Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form 10-Q filed for the quarter ended September 30, 1996
10.17(e)	Fourth Amendment to Revolving Credit Loan Agreement between the Company and Mellon Bank, N.A.	Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form 10-Q filed for the quarter ended June 30, 1997
10.17(f)	Fifth Amendment to Revolving Credit Loan Agreement between the Company and Mellon Bank, N.A.	Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form 10-K filed for the fiscal year ended December 31, 1997

10.17 (g)	Sixth Amendment to Revolving Credit Loan Agreement between the Company and Mellon Bank, N.A.	Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form 10-Q filed for the quarter ended June 30, 1998
10.18	Form of Loan Agreement together with Form of First Mortgage and Security Agreement between the Company and John Hancock Mutual Life Insurance Company dated March 15, 1995	Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form 10-K filed for the fiscal year ended December 31, 1995
10.19	Construction Loan Agreement between the Company and Mellon Bank, N.A. dated November 15, 1995	Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form 10-K filed for the fiscal year ended December 31, 1995
10.20 (a)	Loan Agreement between the Company and Firstrust Bank dated December 21, 1995	Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form 10-K filed for the fiscal year ended December 31, 1995
10.20 (b)	Amendment to Mortgage and Assignments of Rents and Leases between the Company and Firstrust Bank	Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form 10-Q filed for the quarter ended June 30, 1996
10.20 (c)	Construction and/or Development Loan Agreement between the Company and Firstrust Bank	Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form 10-Q filed for the quarter ended September 30, 1997
10.20 (d)	Open End Fee and Leasehold Mortgage between the Company and Firstrust Bank	Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form 10-Q for the quarter ended September 30, 1997
10.21 (a)	Promissory Note Agreement between the Company and First Federal Savings Bank of New Smyrna	Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form 10-Q filed for the quarter ended June 30, 1996
10.21 (b)	Mortgage Deed and Security Agreement between the Company and First Federal Savings Bank of New Smyrna	Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form 10-Q filed for the quarter ended June 30, 1996
10.22 (a)	Indenture of Mortgage, Deed of Trust, Security Agreement, Financing Statement, Fixture Filing and Assignment of Leases, Rents and Security Deposits between the Company and Morgan Stanley Mortgage Capital, Inc.	Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form 10-Q filed for the quarter ended September 30, 1996

10.22(b)	Mortgage Note between the Company and Morgan Stanley Mortgage Capital, Inc.	Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form 10-Q for the quarter ended September 30, 1996
10.22(c)	First Amendment to the Indenture of Mortgage, Deed of Trust, Security Agreement, Financing Statement, Fixture Filing and Assignment of Lease, Rents and Security Deposits Between the Company and GMAC Commercial Mortgage Corporation	Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form 10-Q filed for the quarter ended September 30, 1998
10.23(a)	Construction Loan Agreement between the Company and First Western Bank	Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form 10-Q filed for the quarter ended September 30, 1996
10.23(b)	Mortgage Note between the Company and First Western Bank	Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form 10-Q filed for the quarter ended September 30, 1996
10.24(a)	Open-End Mortgage, Security Agreement, Future Filing, Financing Statement and Assignment of Leases and Rents between the Company and Anchor National Life Insurance Company	Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form 10-K filed for the fiscal year ended December 31, 1996
10.24(b)	Promissory Note between the Company and Anchor National Life Insurance Company	Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form 10-K filed for the fiscal year ended December 31, 1996
10.25	Agreement of Sale of Newberry Plaza between the Operating Partnership and Ronnie W. Cromer, William B. Rush, Earl H. Berger, Jr. Rodney S. Griffin and William W. Reiser, Jr.	Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form 10-K filed for the fiscal year ended December 31, 1996
10.26(a)	Loan Agreement dated March 4, 1997 by and between Mark Northwood Associates, Limited Partnership, a Florida limited partnership, and Nomura Asset Capital Corporation	Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form 10-K filed for the fiscal year ended December 31, 1996
10.26(b)	Promissory Note dated March 4, 1997 between Mark Northwood Associates, Limited Partnership, a Florida limited partnership, and Nomura Asset Capital	Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form 10-K filed for the fiscal year ended December 31, 1996

Corporation

10.26(c)	Leasehold Mortgage, Assignment of Rents, Security Agreement and Fixture Filing by Mark Northwood Associates, Limited Partnership, a Florida limited partnership, to Nomura Asset Capital Corporation dated March 4, 1997	Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form 10-K filed for the fiscal year ended December 31, 1996
10.27(a)	Mortgage and Security Agreement between the Company and Royal Bank of Pennsylvania	Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form 10-K filed for the fiscal year ended December 31, 198
10.27(b)	Promissory Note between the Company and Royal Bank of Pennsylvania	Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form 10-K filed for the fiscal year ended December 31, 1998
10.28(a)	Loan agreement between the Company and Credit Suisse First Boston Mortgage Capital, LLC	Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form 10-Q filed for the quarter ended June 30, 1998
10.28(b)	Mortgage note between the Company and Credit Suisse First Boston Mortgage Capital, LLC	Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form 10-Q filed for the Quarter ended June 30, 1998
10.29	Mortgage note between the Company and Credit Suisse First Boston Mortgage Capital, LLC	Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form 10-Q filed for the Quarter ended June 30, 1998
10.30	Contribution and Share Purchase Agreement with RD Capital, Inc.	Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form 8-K filed on April 20, 1998
10.31	Severance and Consulting Agreement For Marvin L. Slomowitz	Filed herewith
10.32	Settlement agreement between the Company and Jack Wertheimer	Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form 8-K filed on January 5, 1999
*10.33	Employment agreement between the Company and Ross Dworman	Filed herewith
*10.34	Employment agreement between the Company	Filed herewith

and Kenneth F. Bernstein

21	List of Subsidiaries of Acadia Realty Trust	Filed herewith
23	Consent of Independent Auditors to Form S-3 and Form S-8	Filed herewith
27	Financial Data Schedule (EDGAR filing only)	Filed herewith

* Constitutes a compensatory plan or arrangement required to be filed as an exhibit to this Form.

(b) Reports on Form 8-K filed during the quarter ended December 31, 1998

Date of Report (Date of Earliest Event Reported)	Item Reported	Date Filed
-----	-----	-----
August 12, 1998	The consummation and closing of the RDC Transaction	October 20, 1998 (Amended)
December 31, 1998	Settlement agreement between the Company and Jack Wertheimer	January 5, 1999

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereto duly authorized.

ACADIA REALTY TRUST
(Registrant)

By: /s/ Ross Dworman

Chairman and
Chief Executive Officer

Dated: March 30, 1999

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
-----	-----	-----
/s/Ross Dworman ----- (Ross Dworman)	Chairman, Chief Executive Officer and Trustee (Principal Executive Officer)	March 30, 1999
/s/Kenneth F. Bernstein ----- (Kenneth F. Bernstein)	President and Trustee	March 30, 1999
/s/Perry S. Kamerman ----- (Perry S. Kamerman)	Senior Vice President of Finance (Principal Financial and Accounting Officer)	March 30, 1999
/s/Martin L. Edelman ----- (Martin L. Edelman, Esq.)	Trustee	March 30, 1999

/s/Gregory A. White ----- (Gregory A. white)	Trustee	March 30, 1999
/s/Marvin J. Levine ----- (Marvin J. Levine, Esq)	Trustee	March 30, 1999
/s/Lawrence J. Longua ----- (Lawrence J. Longua)	Trustee	March 30, 1999
/s/Marvin L. Slomowitz ----- (Marvin L. Slomowitz)	Trustee	March 30, 1999

EXHIBIT INDEX

The following is an index to all exhibits filed with the Annual Report on Form 10-K other than those incorporated by reference herein:

Exhibit Number	Description	Page
10.1a	First, Second and Third Amendments to the Agreement of Limited Partnership of the Operating Partnership	
10.31	Severance and Consulting Agreement For Marvin L. Slomowitz	
10.33	Employment agreement between the Company and Ross Dworman	
10.34	Employment agreement between the Company and Kenneth F. Bernstein	
21	List of Subsidiaries of Acadia Realty Trust	
23	Consent of Independent Auditors to Form S-3 and Form S-8	
27	Financial Data Schedule (EDGAR filing only)	

ACADIA REALTY TRUST AND SUBSIDIARIES
INDEX TO FINANCIAL STATEMENTS

I.	ACADIA REALTY TRUST	
	Report of Independent Auditors	F-2
	Consolidated Balance Sheets as of December 31, 1998 and 1997	F-3

Consolidated Statements of Operations for the years ended December 31, 1998, 1997 and 1996	F-4
Consolidated Statements of Shareholders' Equity for the years ended December 31, 1998, 1997 and 1996	F-5
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REPORT OF INDEPENDENT AUDITORS

To the Shareholders and Trustees of
Acadia Realty Trust

We have audited the accompanying consolidated balance sheets of Acadia Realty Trust (a Maryland Trust) and subsidiaries (the "Company") as of December 31, 1998 and 1997, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended December 31, 1998. Our audits also included the financial statement schedule listed in the Index at Item 14(a). These financial statements and the schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Acadia Realty Trust and subsidiaries as of December 31, 1998 and 1997, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1998 in conformity with generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ ERNST & YOUNG LLP

New York, New York
March 15, 1999

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Part I. Financial Information
Item 1. Financial Statements

ACADIA REALTY TRUST AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except per share amounts)

	December 31,	
	1998	1997
ASSETS		
Real estate		
Land	\$ 76,136	\$ 30,855
Buildings and improvements	452,300	274,165
Properties under development	22,813	6,668
	-----	-----
	551,249	311,688
Less: accumulated depreciation	87,202	83,326
	-----	-----
Net real estate	464,047	228,362
Property held for sale	7,073	--

Cash and cash equivalents	15,183	1,287
Cash in escrow	12,650	7,906
Investments in unconsolidated partnerships	7,516	--
Rents receivable, net	6,006	4,802
Prepaid expenses	2,797	1,241
Due from related parties	--	177
Deferred charges, net	11,461	9,710
Other assets	1,779	1,015
	-----	-----
	\$528,512	\$254,500
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Mortgage notes payable	\$277,561	\$183,943
Accounts payable and accrued expenses	10,673	7,553
Due to related parties	176	--
Note payable to Former Principal Shareholder	--	3,050
Other liabilities	3,817	1,910
	-----	-----
Total liabilities	292,227	196,456
	-----	-----
Minority interest in Operating Partnership	79,344	9,244
Minority interests in majority owned partnerships	2,350	--
	-----	-----
Total minority interests	81,694	9,244
	-----	-----
Shareholders' equity:		
Common shares, \$.001 par value, authorized 100,000,000 and 50,000,000 shares, respectively, issued and outstanding 25,419,215 and 8,554,177 shares, respectively	25	9
Additional paid-in capital	170,746	51,073
Deficit	(16,180)	(2,282)
	-----	-----
Total shareholders' equity	154,591	48,800
	-----	-----
	\$528,512	\$254,500
	=====	=====

See accompanying notes

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ACADIA REALTY TRUST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)

	Year ended December 31,		
	1998	1997	1996
	----	----	----
Revenues			
Minimum rents	\$ 46,940	\$ 33,669	\$ 33,695
Percentage rents	2,651	3,183	2,795
Expense reimbursements	8,655	6,632	6,559
Other	1,525	1,014	747
	-----	-----	-----
Total revenues	59,771	44,498	43,796
	-----	-----	-----
Operating Expenses			
Property operating	14,182	9,013	9,772
Real estate taxes	7,536	5,691	5,285
Depreciation and amortization	15,795	13,768	13,398
General and administrative	4,409	2,351	2,811
Non-recurring charges	2,249	--	--
Settlement of litigation	2,358	--	--
	-----	-----	-----
Total operating expenses	46,529	30,823	31,266
	-----	-----	-----
Operating income	13,242	13,675	12,530
Equity in earnings of un- consolidated partnerships	256	--	--
(Loss) gain on sale of property	(175)	(12)	21

Adjustment of carrying value of property held for sale	(11,560)	--	(392)
Interest expense	(18,302)	(15,444)	(12,733)
	-----	-----	-----
Loss before extraordinary item and minority interest	(16,539)	(1,781)	(574)
Extraordinary item - loss on early extinguishment of debt	(707)	--	(190)
Minority interest in Operating Partnership	3,348	217	40
	-----	-----	-----
Net loss	\$ (13,898)	\$ (1,564)	\$ (724)
	=====	=====	=====
Net loss per Common Share:			
Loss before extraordinary item	\$ (.86)	\$ (.18)	\$ (.06)
Extraordinary item	(.05)	--	(.02)
	-----	-----	-----
Net loss per Common Share	\$ (.91)	\$ (.18)	\$ (.08)
	=====	=====	=====

See accompanying notes

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ACADIA REALTY TRUST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In thousands, except per share amounts)

	Common Shares		Additional Paid-in Capital	Retained Deficit	Total Shareholders' Equity
	Shares	Amount			
Balance, December 31, 1995	8,543,452	\$ 9	\$ 69,770	\$ -	\$ 69,779
Issuance of shares pursuant to the Company's restricted share plan	5,365	-	57	-	57
Loss before minority interest	-	-	-	(764)	(764)
Distributions paid or declared to limited partners of the Operating Partnership	-	-	(2,435)	-	(2,435)
Dividends paid or declared in excess of accumulated earnings (\$1.44 per share)	-	-	(12,306)	-	(12,306)
Minority interest's equity	-	-	2,435	40	2,475
	-----	-----	-----	-----	-----
Balance, December 31, 1996	8,548,817	9	57,521	(724)	56,806
Issuance of shares pursuant to the Company's restricted share plan	5,360	-	52	-	52
Adjustment to minority interest	-	-	-	6	6
Loss before minority interest	-	-	-	(1,781)	(1,781)
Distributions paid to limited partners of the Operating Partnership	-	-	(1,285)	-	(1,285)
Dividends paid in excess of accumulated earnings (\$0.76 per share)	-	-	(6,500)	-	(6,500)
Minority interest's equity	-	-	1,285	217	1,502
	-----	-----	-----	-----	-----
Balance, December 31, 1997	8,554,177	9	51,073	(2,282)	48,800
Issuance of shares pursuant to the Company's restricted share plan	3,800	-	29	-	29
Conversion of 800,000 OP Units by limited partner of the Operating Partnership	800,000	1	4,367	-	4,368
Issuance of 13,333,333 Common Shares in connection with the RDC Transaction, net of issuance costs	13,333,333	13	95,909	-	95,922
Issuance of 1,989,048 Common Shares in connection with the RDC Transaction	1,989,048	1	13,965	-	13,966
Conversion of 738,857 OP Units by limited partners of the Operating Partnership in connection with the RDC Transaction	738,857	1	5,403	-	5,404
Loss before minority interest	-	-	-	(17,246)	(17,246)
Minority interest's equity	-	-	-	3,348	3,348
	-----	-----	-----	-----	-----
Balance, December 31, 1998	25,419,215	\$25	\$170,746	\$ (16,180)	\$154,591
	=====	=====	=====	=====	=====

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ACADIA REALTY TRUST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands, except per share amounts)

	Year ended December 31,		
	1998	1997	1996
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	\$ (13,898)	\$ (1,564)	\$ (724)
Adjustments to reconcile net loss			
to net cash provided by operating activities:			
Depreciation and amortization	15,795	13,768	13,398
Extraordinary item - loss on early extinguishment of debt	707	--	190
Minority interest	(3,348)	(217)	(40)
Equity in income of unconsolidated partnerships	(256)	--	--
Provision for bad debts	1,275	833	972
Loss (gain) on sale of property	175	12	(21)
Adjustment of carrying value of property held for sale	11,560	--	392
Other	29	52	57
Changes in assets and liabilities:			
Rents receivable	(2,495)	(679)	(580)
Prepaid expenses	(1,556)	180	(69)
Due to/from related parties	163	26	31
Other assets	(975)	(290)	641
Accounts payable and accrued expenses	3,120	1,233	(756)
Other liabilities	1,907	(117)	561
	-----	-----	-----
Net cash provided by operating activities	12,203	13,237	14,052
	-----	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:			
Expenditures for real estate and improvements	(23,253)	(10,558)	(16,642)
Investments in unconsolidated partnerships	(861)	--	--
Net proceeds from sale of property	2,193	1,288	22
Payment of deferred leasing costs	(2,901)	(1,205)	(3,399)
	-----	-----	-----
Net cash used in investing activities	(24,822)	(10,475)	(20,019)
	-----	-----	-----

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ACADIA REALTY TRUST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands, except per share amounts)

	Year ended December 31,		
	1998	1997	1996
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net proceeds from issuance of Common Shares	\$ 95,923	\$ --	\$ --
Principal payments on mortgages	(80,493)	(14,835)	(40,622)
Proceeds received on mortgage notes	19,877	25,955	61,617
Payment of note payable to Former Principal Shareholder	(3,050)	--	--
Net funding of escrows	(4,744)	(4,303)	(688)
Payment of deferred financing and other costs	(967)	(757)	(2,415)
Dividends paid	--	(9,577)	(9,229)
Distributions to minority interests	(31)	(1,870)	(1,852)
	-----	-----	-----
Net cash provided by (used in) financing activities	26,515	(5,387)	6,811
	-----	-----	-----
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	13,896	(2,625)	844
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,287	3,912	3,068
	-----	-----	-----
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 15,183	\$ 1,287	\$ 3,912
	=====	=====	=====
Supplemental Disclosures of Cash Flow Information:			
Cash paid during the year for interest, net of amounts capitalized of \$857, \$569, and \$897, respectively	\$ 17,650	\$ 15,502	\$ 12,950
	=====	=====	=====
Supplemental Disclosures of Non-Cash Investing and			

Financing Activities:	
The following activity was recorded in connection with the RDC Transaction (Note 1).	
Real estate and investment in partnerships acquired	\$(253,801)
Mortgage notes payable assumed	154,234
Operating partnership units issued	83,250
Common Shares issued	13,967
Minority interests in acquired properties	2,350

Net Cash	\$ --
	=====

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ACADIA REALTY TRUST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands, except per share amounts)

In connection with the exercise of the Company's options to acquire and develop certain properties and the subsequent transactions as a result of certain resolutions with the Former Principal Shareholder, the following assets and liabilities were recorded:

	Year Ended December 31, 1996
Contingent liability due to Former Principal Shareholder	
	\$ (6,155)
Establishment of note payable to Former Principal Shareholder	3,030

Net decrease in cost of property acquired	\$ (3,125)
	=====

See accompanying notes

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ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except per share amounts)

1. Organization, Basis of Presentation and Summary of Significant Accounting Policies

Acadia Realty Trust (the "Company"), formerly known as Mark Centers Trust, is a fully integrated and self-managed real estate investment trust ("REIT") focused primarily on the ownership, acquisition, redevelopment and management of neighborhood and community shopping centers, and multi-family properties.

All of the Company's assets are held by, and all of its operations are conducted through, Acadia Realty Limited Partnership (the "Operating Partnership"), formerly known as Mark Centers Limited Partnership, and its majority owned subsidiaries. As of December 31, 1998, the Company controlled 69% of the Operating Partnership as the sole general partner.

As of December 31, 1998, the Company operated fifty-seven properties, which it owned or had an ownership interest in, consisting of forty-seven neighborhood and community shopping centers (two of which were held for sale as of December 31, 1998), three enclosed malls, one mixed use (retail/office) properties, five multi-family properties and one redevelopment property located in the Eastern and Midwestern regions of the United States.

Principles of Consolidation

The consolidated financial statements include the consolidated accounts of the Company and its majority owned subsidiaries, including the Operating Partnership. Non-controlling investments in partnerships are accounted for under

the equity method of accounting as the Company exercises significant influence.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

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ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except per share amounts)

Acquisition of Properties and Related Transactions

On August 12, 1998 the Company completed the transactions contemplated by the Contribution and Share Purchase Agreement dated April 15, 1998 (the "RDC Transaction") involving affiliates of RDC Capital, Inc. ("RDC"). In connection with the RDC Transaction, the Operating Partnership acquired (i) fee title to or all, or substantially all, of the ownership interests in twelve shopping centers, five multi-family properties and one redevelopment property, (ii) a 49% interest in one shopping center, (iii) certain third party management contracts, and (iv) certain promissory notes from real estate investment partnerships and related entities, which are not under common control, in which RDC serves as general partner or in another similar management capacity, for approximately 11.1 million Operating Partnership units ("OP Units") and approximately 2.0 million common shares of beneficial interest ("Common Shares") valued at \$97,217. In addition, the Company assumed mortgage debt aggregating \$154,234 and incurred other capitalized transaction costs of \$5,757 resulting in an aggregate purchase price of \$257,208. Pursuant to the terms of the RDC Transaction, the recipients of the OP Units and Common Shares are restricted, subject to certain limited exceptions, from selling or otherwise transferring such OP Units or Common Shares prior to the first anniversary of the closing of the RDC Transaction.

As part of the RDC Transaction, the Company issued approximately 13.3 million Common Shares to three real estate investment limited partnerships (collectively "RDC Funds"), in which affiliates of RDC serve as general partner, in exchange for \$100,000. The proceeds from the issuance of Common Shares were used as follows:

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ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except per share amounts)

Acquisition of Properties and Related Transactions, continued

Repayment of mortgage notes payable	\$ 70,509
Repayment of notes payable to Former Principal Shareholder	3,030
Transaction costs allocable to stock issuance	4,077
Transaction costs allocable to RDC properties, RDC management contracts and contributed notes	4,474
Payment of liabilities assumed in connection with acquisition of RDC properties, RDC management contracts and contributed notes	1,283
Prepayment and assumption fees on mortgage notes	371
Contractual payments to Company management personnel pursuant to severance and change in control obligations and other RDC Transaction expenses	2,249
Additions to working capital	14,007

\$100,000
=====

As a result of the RDC Transaction, the RDC Funds owned 63% of the Common Shares in the Company. Each of the RDC Funds has appointed each of its partners as such RDC Funds' proxy with respect to the Common Shares to which such partner would be entitled upon a dissolution of such RDC Fund and a distribution of such Common Shares among the partners. Other real estate investment partnerships and related entities in which RDC or its affiliates serve as general partner or in another similar management capacity, owned 93% of the minority interest in the Operating Partnership as limited partners. Collectively, after giving effect to the conversion of their OP Units, which are generally exchangeable for Common Shares on a one-for-one basis, these entities and the RDC Funds beneficially owned 72% of the Common Shares as of the closing of the RDC Transaction.

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ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except per share amounts)

The Company has accounted for the RDC Transaction as (i) a purchase of properties and other related assets in exchange for OP Units and Common Shares and the assumption of certain mortgage debt and other liabilities using the purchase method of accounting and (ii) an issuance of Common Shares for cash. Accordingly, the accompanying consolidated financial statements include the operations of the properties acquired in the RDC Transaction from August 12, 1998 through December 31, 1998 (note 18).

The Operating Partnership is also obligated to acquire from an RDC affiliate its 25% ownership interest in a shopping center currently under construction. Upon completion of construction and attainment of certain occupancy levels, the Operating Partnership will issue OP Units valued at \$5,500. In addition, the Operating Partnership is obligated to issue additional OP Units valued at \$2,750 upon the completion of certain improvements and the commencement of rental payments from a designated tenant at one of the properties acquired in the RDC Transaction.

Concurrent with the closing of the RDC Transaction, the Company appointed Ross Dworman and Kenneth F. Bernstein, the Chief Executive Officer and Chief Operating Officer, respectively, of RDC, as the Chairman and Chief Executive Officer, and President, respectively, of the Company. Messrs. Dworman and Bernstein, together with two designees of RDC, were appointed to the Board of Trustees.

Following the completion of the RDC Transaction, the Company changed its name from Mark Centers Trust to Acadia Realty Trust and the name of the Operating Partnership was changed from Mark Centers Limited Partnership to Acadia Realty Limited Partnership.

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ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except per share amounts)

Properties

Real estate assets are stated at cost less accumulated depreciation. Such carrying amounts are adjusted, if necessary, to reflect any impairment in the value of the assets. Expenditures for acquisition, development construction and improvement of properties, as well as significant renovations are capitalized. Interest costs are capitalized until construction is substantially complete. Depreciation is computed on the straight-line method over estimated useful lives of thirty to forty years for buildings and the shorter of the useful life or lease term of improvements, furniture, fixtures and equipment. Expenditures for maintenance and repairs are charged to operations as incurred.

Adjustment to Carrying Value of Property

Following the RDC Transaction, management adopted a plan to dispose of three under-performing properties (the Normandale Mall, Searstown Mall and Auburn Plaza). As a result, the Company recorded a non-cash charge of \$11,560 to write-down these properties to their estimated net realizable value as the anticipated sales proceeds (net of selling costs) were expected to be insufficient to recover the associated carrying values. On December 30, 1998, the Company completed the sale of the Normandale Mall for \$2,350 as part of this plan. As of December 31, 1998 two properties were listed with independent brokers and were being actively marketed for sale. One of these properties was sold in 1999 (note 19).

Deferred Costs

Fees and costs incurred in the successful negotiation of leases have been deferred and are being amortized on a straight-line basis over the terms of the respective leases. Fees and costs incurred in connection with obtaining financing have been deferred and are being amortized over the term of the related debt obligation.

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ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except per share amounts)

Revenue Recognition

Leases with tenants are accounted for as operating leases. Minimum rents are recognized on a straight-line basis over the term of the respective leases. As of December 31, 1998 and 1997, unbilled rents receivable relating to straight-lining of rents were \$2,163 and \$1,652, respectively.

Percentage rents are recognized in accordance with the Emerging Issue Task Force ("EITF") of the Financial Accounting Standards Board Issue No. 98-9 "Accounting for Contingent Rent in Interim Financial Periods" which requires the lessor to defer income recognition for contingent rents in interim periods until the specified target, or in the case of percentage rent, the tenant sales breakpoint, is met. The Company adopted this EITF consensus on a prospective basis during the quarter ended June 30, 1998. Prior to this, the Company had accrued percentage rents in interim periods based on historical tenant sales.

Reimbursements from tenants for real estate taxes, insurance and other property operating expenses are recognized as revenue in the period the expenses are incurred.

An allowance for doubtful accounts has been provided against certain tenant accounts receivable which are estimated to be uncollectible. Rents receivable at December 31, 1998 and 1997 are shown net of an allowance for doubtful accounts of \$1,854 and \$972, respectively.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less when purchased to be cash and cash equivalents.

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ACADIA REALTY TRUST AND SUBSIDIARIES
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(In thousands, except per share amounts)

Cash in Escrow

Cash in escrow consists principally of cash held for real estate taxes, property maintenance, insurance, lease renewals, environmental remediation, and minimum occupancy and property operating income requirements at specific properties as required by certain loan agreements, as well as amounts funded for certain legal settlement amounts (note 15).

Minority Interest

Minority interest represents the limited partners' interest of 11,184,143 and 1,623,000 OP Units in the Operating Partnership at December 31, 1998 and 1997, respectively. In addition at December 31, 1998, minority interests also include an aggregate amount of \$2,350 representing interests held by third parties in four of the properties acquired in the RDC Transaction in which the Company has a majority ownership position.

Non-Recurring Charges

In connection with the RDC Transaction, the Company incurred non-recurring costs of \$2,249 related primarily to payments made to certain officers and key employees pursuant to change in control provisions of employment contracts, severance paid to the Former Principal Shareholder (note 6), retention bonuses for certain employees and transaction-related consulting and professional fees.

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ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except per share amounts)

Income Taxes

The Company has made an election to be taxed, and believes it qualifies as a real estate investment trust ("REIT") under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended. A REIT will generally not be subject to federal income taxation on that portion of its income that qualifies as REIT taxable income to the extent that it distributes at least 95% of its taxable income to its shareholders and complies with certain other requirements. Accordingly, no provision has been made for federal income taxes for the Company in the accompanying consolidated financial statements. The Company is subject to state income or franchise taxes in certain states in which some of its properties are located. These state taxes, which in total are not significant, are included in general and administrative expenses in the accompanying consolidated financial statements.

Earnings Per Common Share

For the years ended December 31, 1998, 1997 and 1996, basic earnings per share was determined by dividing the net applicable loss to common shareholders for the year by the weighted average number of Common Shares outstanding during each year consistent with the Financial Accounting Standards Board Statement No. 128. The weighted average number of shares outstanding for the years ended December 31, 1998, 1997 and 1996 were 15,205,962, 8,551,930 and 8,546,553, respectively.

Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue Common Shares were exercised or converted into Common Shares or resulted in the issuance of Common Shares that then shared in the earnings of the Company. For the years ended December 31, 1998, 1997 and 1996 no additional shares were reflected as the impact would be anti-dilutive due to the net loss in such years.

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ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except per share amounts)

Derivative Instruments

In June 1998, the Financial Accounting Standards Board issued Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities" (the "Statement"), which is required to be adopted in years beginning after June 15, 1999. The Statement permits early adoption as of the beginning of any fiscal quarter after its issuance. The Company expects to adopt the Statement effective January 1, 2000. The Statement will require the Company to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If a derivative is a hedge, depending on the nature of the hedge, changes in the fair value of the derivative will either be offset against the change in fair value of the hedged asset, liability, or firm commitment through earnings, or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value will be immediately recognized in earnings. The Company does not anticipate that the adoption of this Statement will have a significant effect on its results of operations or financial position.

Reclassifications

Certain 1997 and 1996 amounts were reclassified to conform with the 1998 presentation.

2. Segment Reporting

In June, 1997 the Financial Accounting Standards Board issued Statement No. 131 ("SFAS 131"), "Disclosure About Segments of an Enterprise and Related Information", which is effective for financial statements issued for periods beginning after December 15, 1997. SFAS 131 requires disclosures about segments of an enterprise and related information regarding the different types of business activities in which an enterprise engages and the different economic environments in which it operates

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The Company has two reportable segments: retail properties and multi-family properties. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Company evaluates property performance primarily based on net operating income before depreciation, amortization and certain nonrecurring items. The reportable segments are managed separately due to the differing nature of the leases and property operations associated with the retail versus residential tenants. All the multi-family units were acquired in 1998 as part of the RDC transaction. The following table sets forth certain segment information for the Company as of and for the years ended December 31, 1998, 1997 and 1996 (does not include unconsolidated partnerships):

	1998			
	Retail Properties	Multi-Family Properties	All Other	Total
	-----	-----	-----	-----
Revenues	\$ 53,507	\$ 5,644	\$ 620	\$ 59,771
Property operating expenses and real estate taxes	19,573	2,145	--	21,718
Net property income before depreciation, amortization and certain nonrecurring items	33,934	3,499	620	38,053
Depreciation and amortization	15,166	629	--	15,795
Interest expense	16,685	1,606	11	18,302
Real estate at cost	470,438	80,811	--	551,249
Total assets	439,280	81,716	7,516	528,512
Gross leasable area (multi-family - 2,273 units)	8,931	2,039	--	10,970
Expenditures for real estate and improvements	22,844	409	--	23,253
 Revenues				
Total revenues for reportable segments	\$ 60,204			
Elimination of intersegment ground rent and management fee income	(433)			

Total consolidated revenues	\$ 59,771			
	=====			
 Property operating expenses and real estate taxes				
Total property operating expenses and real estate taxes for reportable segments	\$ 22,151			
Elimination of intersegment ground rent and management fee expense	(433)			

Total consolidated expense	\$ 21,718			
	=====			

Reconciliation to loss before extraordinary

item and minority interest	
Net property income before depreciation, amortization and certain nonrecurring items	\$ 38,053
Depreciation and amortization	(15,795)
General and administrative	(4,409)
Non-recurring charges	(2,249)
Settlement of litigation	(2,358)
Equity in earnings of unconsolidated partnerships	256
(Loss) gain on sale of property	(175)
Adjustment of carrying value of property held for sale	(11,560)
Interest expense	(18,302)

Loss before extraordinary item and minority interest	\$ (16,539)
	=====

	1997			Total
	Retail Properties	Multi-Family Properties	All Other	
	-----	-----	-----	-----
Revenues	\$ 44,238	\$ --	\$ 260	\$ 44,498
Property operating expenses and real estate taxes	14,704	--	--	14,704
Net property income before depreciation, amortization and certain nonrecurring items	29,534	--	260	29,794
Depreciation and amortization	13,768	--	--	13,768
Interest expense	15,435	--	9	15,444
Real estate at cost	311,688	--	--	311,688
Total assets	254,500	--	--	254,500
Gross leasable area (multi-family - 2,273 units)	7,265	--	--	7,265
Expenditures for real estate and improvements	10,558	--	--	10,558
Revenues				
Total revenues for reportable segments	\$ 44,931			
Elimination of intersegment ground rent and management fee income	(433)			

Total consolidated revenues	\$ 44,498			
	=====			

Property operating expenses and real estate taxes	
Total property operating expenses and real estate taxes for reportable segments	\$ 15,137
Elimination of intersegment ground rent and management fee expense	(433)

Total consolidated expense	\$ 14,704
	=====

Reconciliation to loss before extraordinary item and minority interest	
Net property income before depreciation, amortization and certain nonrecurring items	\$ 29,794
Depreciation and amortization	(13,768)
General and administrative	(2,351)
Non-recurring charges	--
Settlement of litigation	--
Equity in earnings of unconsolidated partnerships	--
(Loss) gain on sale of property	(12)
Adjustment of carrying value of property held for sale	--
Interest expense	(15,444)

Loss before extraordinary item and minority interest	\$ (1,781)
	=====

	1996			Total
	Retail Properties	Multi-Family Properties	All Other	
	-----	-----	-----	-----
Revenues	\$ 43,582	\$ --	\$ 214	\$ 43,796
Property operating expenses and real estate taxes	15,057	--	--	15,057
Net property income before depreciation, amortization and certain nonrecurring items	28,525	--	214	28,739
Depreciation and amortization	13,398	--	--	13,398

Interest expense	12,722	--	11	12,733
Real estate at cost	307,411	--	--	307,411
Total assets	258,517	--	--	258,517
Gross leasable area (multi-family - 2,273 units)	7,191	--	--	7,191
Expenditures for real estate and improvements	16,642	--	--	16,642
Revenues				
Total revenues for reportable segments	\$ 43,903			
Elimination of intersegment ground rent and management fee income	(107)			

Total consolidated revenues	\$ 43,796			
	=====			
Property operating expenses and real estate taxes				
Total property operating expenses and real estate taxes for reportable segments	\$ 15,164			
Elimination of intersegment ground rent and management fee expense	(107)			

Total consolidated expense	\$ 15,057			
	=====			
Reconciliation to loss before extraordinary item and minority interest				
Net property income before depreciation, amortization and certain nonrecurring items	\$ 28,739			
Depreciation and amortization	(13,398)			
General and administrative	(2,811)			
Non-recurring charges	--			
Settlement of litigation	--			
Equity in earnings of unconsolidated partnerships	--			
(Loss) gain on sale of property	21			
Adjustment of carrying value of property held for sale	(392)			
Interest expense	(12,733)			

Loss before extraordinary item and minority interest	\$ (574)			
	=====			

ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except per share amounts)

3. Deferred Charges

Deferred charges consist of the following as of December 31, 1998 and 1997:

	1998	1997
	-----	-----
Deferred financing costs	\$ 6,624	\$ 6,382
Deferred leasing and other costs	10,882	8,054
	-----	-----
Accumulated amortization	17,506 (6,045)	14,436 (4,726)
	-----	-----
	\$11,461	\$ 9,710
	=====	=====

4. Mortgage Loans

Mortgage Notes Payable

At December 31, 1998, mortgage notes payable aggregated \$277,561 and were collateralized by 43 properties and related tenant leases. Interest rates ranged from 6.88% to 9.11%. Mortgage payments are due in monthly installments of principal and/or interest and mature on various dates through 2022. The loan agreements contain customary representations, covenants and events of default. Certain loan agreements require the Company to comply with certain affirmative and negative covenants, including the maintenance of certain debt service coverage and leverage ratios. Additionally, the Former Principal Shareholder has personally guaranteed the repayment of mortgage loans with an aggregate balance of \$41,000 at December 31, 1998 without consideration from the Company.

In connection with the properties acquired in the RDC Transaction, the Company assumed \$154,234 of mortgage debt, of which \$48,615 was retired using a portion of the proceeds from the issuance of Common Shares. Mortgage debt totaling \$21,894, which was outstanding prior to the RDC Transaction, was also retired using a portion of the proceeds from the issuance of Common Shares.

ACADIA REALTY TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands)

4. Mortgage Loans, continued

The following table summarizes the Company's mortgage indebtedness as of December 31, 1998 and 1997:

	December 31, 1998	December 31, 1997	Interest Rate
	-----	-----	-----
Construction loans - Variable-rate			
Firsttrust Savings Bank	\$ --	\$ 2,954	
First Western Bank, N.A.	--	4,000	
Mortgage notes payable - variable-rate			
General Electric Capital Corp.	6,989	--	8.02% (Commercial paper rate +2.75%)
Fleet Bank, N.A.	8,268	--	7.34% (LIBOR + 1.78%)
KBC Bank	14,760	--	6.88% (LIBOR + 1.25%)
Mellon Bank	--	2,759	
Total variable-rate debt	30,017	9,713	
	-----	-----	
Mortgage notes payable - fixed rate			
Sun America Life Insurance Company	8,717	--	7.75%
The Manufacturers Life Insurance Company (USA)	4,372	--	7.73%
John Hancock Mutual Life Insurance Company	54,445	54,922	9.11%
Metropolitan Life Insurance Company	41,000	41,000	7.75%
Sun America Life Insurance Company	43,832	--	7.75%
Anchor National Life Insurance Company	3,950	4,028	7.93%
Lehman Brothers Holdings, Inc.	18,140	--	8.32%
Northern Life Insurance Company	3,409	3,627	7.70%
Bankers Security Life	2,351	2,501	7.70%
Morgan Stanley Mortgage Capital	44,729	45,312	8.84%
Nomura Asset Capital Corporation	22,599	22,840	9.02%
Total fixed-rate debt	247,544	174,230	
	-----	-----	
	\$277,561	\$183,943	
	=====	=====	

	Maturity	Properties Encumbered	Payment Terms
	-----	-----	-----
Construction loans - Variable-rate			
Firsttrust Savings Bank			
First Western Bank, N.A.			
Mortgage notes payable - variable-rate			
General Electric Capital Corp.	01/01/02	(1)	(15)
Fleet Bank, N.A.	05/31/02	(2)	(15)
KBC Bank	12/31/02	(3)	(15)
Mellon Bank			
Total variable-rate debt			
Mortgage notes payable - fixed rate			
Sun America Life Insurance Company	06/24/99	(4)	\$74 (15)
The Manufacturers Life Insurance Company (USA)	12/10/99	(5)	\$34 (15)
John Hancock Mutual Life Insurance Company	04/01/00	(6)	\$455 (15)
Metropolitan Life Insurance Company	06/01/00	(7)	(14)
Sun America Life Insurance Company	01/01/01	(8)	\$346 (15)
Anchor National Life Insurance Company	01/01/04	(9)	\$33 (15)
Lehman Brothers Holdings, Inc.	03/01/04	(10)	\$139 (15)
Northern Life Insurance Company	12/01/08	(11)	\$41 (15)
Bankers Security Life	12/01/08	(11)	\$28 (15)
Morgan Stanley Mortgage Capital	11/01/21	(12)	\$380 (15)
Nomura Asset Capital Corporation	03/11/22	(13)	\$193 (15)
Total fixed-rate debt			

(In thousands)

4. Mortgage Loans, continued

Notes:

(1) Soundview Marketplace	(7) Valmont Plaza	(12) Midway Plaza
(2) Village Commons	Luzerne Street Plaza	Northside Mall
(3) Marley Run Apartments	Green Ridge Plaza	New Smyrna Beach
	Crescent Plaza	Cloud Springs Plaza
	East End Centre	Troy Plaza
(4) Village Apartments	(8) Bloomfield Town Square	Martintown Plaza
(5) Hobson West Plaza	Atrium Mall	Kings Fairgrounds
	Walnut Hill Shopping Center	Shillington Plaza
	GHT Apartments	Dunmore Plaza
(6) New Loudon Centre	Colony Apartments	Kingston Plaza
Ledgewood Mall		Twenty Fifth Street Shopping Center
Plaza 422	(9) Pittston Plaza	Circle Plaza
Berlin Shopping Center		Mountainville Plaza
Route 6 Mall	(10) Glen Oaks Apartments	Plaza 15
Tioga West		Birney Plaza
Bradford Towne Centre	(11) Manahawkin Shopping Center	Monroe Plaza
		Ames Plaza
		(13) Northwood Centre
		(14) Interest only monthly
		(15) Monthly principal and interest

ACADIA REALTY TRUST AND SUBSIDIARIES
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(In thousands, except per share amounts)

4. Mortgage Loans, continued

The scheduled principal repayments of all mortgage indebtedness as of December 31, 1998 are as follows:

1999	\$ 16,406
2000	97,930
2001	44,545
2002	30,564
2003	2,174
Thereafter	85,942

	\$277,561
	=====

5. Investment in Partnerships

In connection with the RDC Transaction, the Company acquired a 49% interest in each of the Crossroads Joint Venture and Crossroads II Joint Venture (collectively "Crossroads") which collectively own a 311,000 square foot shopping center in Greenburgh, New York. The Company accounts for its investment in Crossroads using the equity method. Summary financial information of the Crossroads and the Company's investment in and share of income from Crossroads follows:

	December 31, 1998

Balance Sheet	
Assets:	
Rental property, net	\$ 9,161
Other assets	4,308

Total assets	\$13,469
	=====
Liabilities and partners' equity	
Mortgage note payable	\$35,526
Other liabilities	502
Partners' equity	(22,559)

Total liabilities and partners' equity	\$13,469

Company's investment in partnerships	\$ 7,516
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ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except per share amounts)

Statement of Operations	
Total revenue	\$ 2,680
Operating and other expenses	643
Interest expense	1,022
Depreciation and amortization	192

Net income	\$ 823
	=====
Company's share of net income	\$ 403
Amortization of excess investment (See below)	147

Income from Partnerships	\$ 256
	=====

The unamortized excess of the Company's investment over its share of the net equity in Crossroads at the date of acquisition was \$19,580. The portion of this excess attributable to buildings and improvements is being amortized over the life of the related property.

6. Related Party Transactions

On July 2, 1998, Marvin Slomowitz, the Former Principal Shareholder, converted 800,000 OP Units to 800,000 Common Shares. The Company entered into the following transactions with Mr. Slomowitz in connection with the RDC Transaction: (i) repaid a \$3,030 note related to the Company's 1996 purchase of the Union Plaza, (ii) paid \$600 in severance pay, (iii) paid \$100 on the closing of the RDC Transaction and agreed to pay \$100 on each of the following two anniversary dates of the closing of the RDC Transaction for his agreement not to compete with the Company and for certain consulting services, (iv) granted ten year options to purchase 300,000 Common Shares at an exercise price of \$9.00 per Common Share, (v) cancelled formerly issued options to purchase 200,000 Common Shares at \$12.00 per Common Share and (vi) agreed to pay a brokerage commission of 2% of the sales price of nine designated properties currently comprising a portion of the Company's portfolio, provided such commissions will not exceed \$600 in the aggregate.

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ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except per share amounts)

In connection with the RDC Transaction, the Company acquired certain property management contracts for three properties in which certain current shareholders of the Company or their affiliates have ownership interests. Management fees earned by the Company under these contracts are at rates of 3.25% and 3.5% of collections, or in one case, a fixed annual fee of \$110. Such fees aggregated \$225 for the year ended December 31, 1998. Management fees earned under management contracts on properties owned by the Former Principal Shareholder aggregated \$8 and \$19 for the years ended December 31, 1998 and 1997, respectively.

On June 1, 1998, the Company purchased for \$1,372 the building and other improvements constituting the Blackman Plaza from Blackman Plaza Partners in which the Former Principal Shareholder is the sole general partner (owning a one percent economic interest). The Company was already the owner of the land. Payment for the building and other improvements was made with the proceeds from a financing with CS First Boston (this debt was subsequently retired following the RDC Transaction) and the application of ground rent in arrears totaling \$496 due the Company.

As of December 31, 1998 and 1997 amounts due (to) from related parties consisted

of the following:

	December 31,	
	1998	1997
	----	----
Accrued ground rent and management fees due from Blackman Plaza Partners	\$ --	\$202
Other net amounts due to shareholder or affiliates	(176)	(25)
	-----	-----
	\$ (176)	\$177
	=====	=====

The Company leases office space from the Former Principal Shareholder under the terms of a noncancellable ten year operating triple net lease expiring in June 2003 and which currently provides for annual rent of \$117 with annual escalations based on increases in the consumer price index. Rent expense was \$112, \$104 and \$104 for the years ended December 31, 1998, 1997 and 1996, respectively.

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ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except per share amounts)

7. Tenant Leases

Space in the shopping centers and other retail properties is leased to various tenants under operating leases which usually grant tenants renewal options and generally provide for additional rents based on certain operating expenses as well as tenants' sales volume.

Minimum future rentals to be received under noncancelable leases for shopping centers and other retail properties as of December 31, 1998 are summarized as follows:

1999	\$ 45,824
2000	42,868
2001	39,103
2002	35,824
2003	33,339
Thereafter	202,273

	\$399,231
	=====

Minimum future rentals above include a total of \$19,924 for four tenants which have filed for bankruptcy protection. None of these leases have been rejected nor affirmed.

During the year ended December 31, 1998, no single tenant collectively accounted for more than 10% of the Company's total revenues. During the years ended December 31, 1997 and 1996, rental income representing 10% or more of total revenues was earned from various governmental agencies of the State of Florida. Leases with these Florida agencies contain customary conditions, required under Florida Law, permitting state agency tenants to cancel their leases upon six months' notice in the event that state-owned facilities in the same county become available. As such, minimum rents from these Florida agencies are not included in the above table of minimum future rentals. Rentals earned under these leases during the years ended December 31, 1997 and 1996 were \$4,890 and \$4,735, respectively.

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ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except per share amounts)

8. Lease Obligations

The Company leases land at eight of its shopping centers which are accounted for as operating leases and generally provide the Company with renewal options. One of the leases terminates in 2088, with no renewal options and a purchase option

for \$1,600, that expires in 1999. Seven of the leases terminate during the years 2006 to 2033 and provide the Company with options to renew the leases for additional terms aggregating from 20 to 60 years. The Company leases space for its New York City corporate office for a term expiring in 2002. Additionally, the Company leases office space from the Former Principal Shareholder under a non-cancelable lease agreement for a term of ten years, which expires in June 2003. Future minimum rental payments required for leases having remaining non-cancelable lease terms in excess of one year are as follows:

1999	\$ 926
2000	939
2001	940
2002	894
2003	799
Thereafter	32,235

	\$36,733
	=====

9. Share Option Plan

The Company currently has incentive and nonqualified share option plans authorizing the issuance of 500,000 share options to employees and 100,000 share options to non-employee trustees, respectively. With the exception of the 300,000 share options which were issued to the Former Principal Shareholder as a result of the RDC Transaction (note 6), the Company has terminated all other outstanding options as of December 31, 1998 as provided for in the share option plan as a result of the RDC transaction.

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ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except per share amounts)

The Company accounts for stock-based compensation pursuant to Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"), and related interpretations. Under APB 25, no compensation expense has been recognized in the accompanying financial statements because the exercise price of the Company's employee stock options equaled or exceeded the market price of the underlying stock on the date of grant. The alternative fair value accounting provided for under Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"), has not been elected by the Company.

Accordingly, proforma information regarding net income and earnings per share as required by SFAS 123 has been determined as if the Company had accounted for its employee stock options under the fair value method. The fair value for these options was estimated at the date of the grant using the Black-Scholes option pricing model with the following weighted-average assumptions: risk free interest rate of 5.2%, expected dividend yield of 9.4%, volatility factor of the expected market price of the Company's Common Shares based on historical results of .377; and an expected life of 9.7 years. The Company has elected not to present proforma information because the impact on the reported net loss per share is immaterial. Changes in the number of shares under all option arrangements are summarized as follows:

	Year ended December 31,		
	1998	1997	1996
	----	----	----
Outstanding at beginning of period	329,500	217,000	234,500
Granted	305,000	152,500	5,000
Option price per share granted	\$8.88-\$9.00	\$10.13-\$11.19	\$11.38
Cancelled	334,500	40,000	22,500
Exercisable at end of period	300,000	181,100	127,200
Exercised	--	--	--
Expired	--	--	--
Outstanding at end of period	300,000	329,500	217,000
Option prices per			

share outstanding	\$9.00	\$10.13-\$12.75	\$11.38-\$12.75
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ACADIA REALTY TRUST AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (In thousands, except per share amounts)

Share Option Plan, continued

As of December 31, 1998 the outstanding options had a weighted average remaining contractual life of approximately 9.7 years.

10. Restricted Share Plan

The Company had established a restricted share plan which originally granted to employees 47,722 restricted Common Shares. The restricted shares which were granted were scheduled to vest and be issued 20% per year over a five year period which began June 1, 1994. All such shares other than those which had been forfeited prior to vesting were issued as of December 31, 1998. Each plan participant was entitled to receive additional compensation on a quarterly basis equal to the dividend declared on their respective restricted shares granted under the plan until such plan participants' restricted shares were vested. For the years ended December 31, 1998, 1997 and 1996 total compensation expense related to such restricted shares vested in such periods amounted to \$29, \$76 and \$103, respectively.

11. Employee 401(k) Plan

The Company maintains a 401(k) plan for employees under which the Company currently matches 50% of a plan participant's contribution up to 6% of the employee's annual salary. A plan participant may contribute up to a maximum of 15% of their compensation but not in excess of \$10 for the year ended December 31, 1998. The Company contributed \$77, \$67 and \$67 for the years ended December 31, 1998, 1997 and 1996, respectively.

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ACADIA REALTY TRUST AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (In thousands, except per share amounts)

12. Distributions

The Company has determined that the cash distributed to the shareholders is characterized as follows for federal income tax purposes:

	1998	1997	1996
Ordinary income	n/a	34%	35%
Return of capital	n/a	66%	65%
	---	----	----
	n/a	100%	100%
	===	====	====

13. Fair Value of Financial Instruments

Statement of Financial Accounting Standards No. 107 "Disclosures About Fair Value of Financial Instruments", requires disclosure on the fair value of financial instruments. Certain of the Company's assets and liabilities are considered financial instruments. Fair value estimates, methods and assumptions are set forth below.

Cash and Cash Equivalents, Accounts Receivable, Accounts Payable and Accrued Expenses The carrying amount of these assets and liabilities approximates fair value due to the short-term nature of such accounts.

Mortgage Notes Payable

As of December 31, 1998 and 1997, the Company has determined the estimated fair value of its mortgage notes payable are approximately \$292,854 and \$206,491, respectively, by discounting future cash payments utilizing a discount rate equivalent to the rate at which similar mortgage notes payable would be originated under conditions then existing.

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ACADIA REALTY TRUST AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (In thousands, except per share amounts)

14. Summary of Quarterly Financial Information (unaudited)

The separate results of operations of the Company for the years ended December 31, 1998, 1997 and 1996 are as follows:

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	March 31, 1998	June 30, 1998	September 30, 1998	December 31, 1998	Total for Year
Revenue	\$10,951	\$10,749	\$16,150	\$21,921	\$59,771
Loss before extraordinary item and minority interest	(\$621)	(\$1,568)	(\$12,920)	(\$1,430)	(\$16,539)
Net loss	(\$533)	(\$1,561)	(\$10,800)	(\$1,004)	(\$13,898)
Net loss per share - basic and diluted	(\$0.06)	(\$0.15)	(\$0.58)	(\$0.04)	(\$0.86)
Loss before extraordinary item	(\$0.06)	(\$0.18)	(\$0.60)	(\$0.04)	(\$0.91)
Net loss	(\$0.06)	(\$0.18)	(\$0.60)	(\$0.04)	(\$0.91)
Cash dividends paid per share	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Weighted average shares outstanding - basic and diluted	8,544,177	8,555,346	18,078,215	25,419,215	15,205,962
	March 31, 1997	June 30, 1997	September 30, 1997	December 31, 1997	Total for Year
Revenue	\$11,124	\$11,128	\$10,874	\$11,372	\$44,498
Loss before minority interest	\$ (487)	\$ (260)	\$ (544)	\$ (490)	\$ (1,781)
Net loss	\$ (416)	\$ (242)	\$ (472)	\$ (434)	\$ (1,564)
Net loss per share - basic and diluted	\$ (0.05)	\$ (0.03)	\$ (0.06)	\$ (0.04)	\$ (0.18)
Cash dividends paid per share	\$ 0.36	\$ 0.20	\$ 0.20	\$ -	\$ 0.76
Weighted average shares outstanding - basic and diluted	8,548,817	8,550,466	8,554,177	8,554,177	8,551,930

ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except per share amounts)

15. Legal Proceedings

On November 20, 1995, Jack Wertheimer, the former President of the Company, filed a complaint against the Company, its Trustees, including the Former Principal Shareholder, and the Company's former in-house General Counsel and former Chief Financial Officer in the United States District Court for the Middle District of Pennsylvania. The complaint, which was filed in connection with the termination of Mr. Wertheimer's employment, included many of the allegations raised in a state court proceeding commenced by Mr. Wertheimer in November 1994. The Federal court complaint also included a civil RICO action in which Mr. Wertheimer alleged that the Board of Trustees of the Company conspired with the Former Principal Shareholder to terminate Mr. Wertheimer's employment as part of the Former Principal Shareholder's breach of his duty of good faith and fair dealing. Further, Mr. Wertheimer alleged that the above defendants engaged in securities fraud in connection with the initial public offering and that the Former Principal Shareholder defrauded or overcharged the Company in corporate transactions. The Federal complaint sought treble damages under RICO, as well as damages arising from Mr. Wertheimer's alleged termination of employment, invasion of privacy, intentional infliction of emotional distress, fraud and misrepresentation. The Company and all defendants filed motions to dismiss the RICO and tort claims which the court, on December 9, 1996, granted in part and denied in part. Specifically, the court dismissed Mr. Wertheimer's claims for wrongful discharge, fraud and negligence misrepresentation, but declined to dismiss the remainder of the claims at that time. On January 23, 1997, the defendants filed an answer to Mr. Wertheimer's complaint. In the answer, the defendants denied all allegations of wrongdoing, and also filed counterclaims against Mr. Wertheimer alleging Mr. Wertheimer made material misrepresentations in connection with his hiring and breached his employment contract and fiduciary duties to the Company.

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ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except per share amounts)

On December 31, 1998, the Company and Mr. Wertheimer settled this litigation and entered into an agreement whereby the Company paid Mr. Wertheimer \$1,000 on December 31, 1998 and agreed to pay him (i) \$900 on April 1, 1999 and (ii) five annual payments of \$200 commencing January 10, 2000. Pursuant to this agreement, the Company has established a \$1,000 escrow fund, which will be released upon the Company obtaining a standby letter of credit, to collateralize these future payments.

The Company is involved in other various matters of litigation arising in the normal course of business. While the Company is unable to predict with certainty the amounts involved, the Company's management and counsel are of the opinion that, when such litigation is resolved, the Company's resulting liability, if any, will not have a significant effect on the Company's consolidated financial position.

16. Contingencies

Upon conducting environmental site inspections in connection with obtaining the Morgan Stanley financing during October 1996, certain environmental contamination was identified at the Troy Plaza in Troy, New York. The Company has entered into a voluntary remedial agreement with the State of New York for the remediation of the property. Environmental consultants estimate that the remaining cost of such remediation will be approximately \$50 for which the Company has recorded a reserve as of December 31, 1998 and for which Morgan Stanley holds \$228 in escrow to be released upon final environmental remediation at this property.

Management is not aware of any other environmental liability that they believe would have a material adverse impact on the Company's financial position or results of operations. Management is unaware of any instances in which it would incur significant environmental costs if any or all properties were sold, disposed of or abandoned.

ACADIA REALTY TRUST AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (In thousands, except per share amounts)

17. Extraordinary Item - Loss on Early Extinguishment of Debt

The consolidated statement of operations for the years ended December 31, 1998 and 1996 include the write-off of \$707 and \$190, respectively, in net deferred financing fees as a result of the repayment of the related mortgage debts.

18. Pro Forma Information

The following unaudited pro forma condensed consolidated information for the years ended December 31, 1998 and 1997 is presented as if the RDC Transaction had occurred on January 1, 1997.

	1998	1997
Revenue	\$84,053 =====	\$82,220 =====
(Loss) income before extraordinary item	\$ (5,886) =====	\$ 5,170 =====
Net (loss) income	\$ (6,067) =====	\$ 4,731 =====
Net (loss) income per share- basic and diluted	\$ (0.24) =====	\$ 0.19 =====
Weighted average number of Common Shares outstanding	24,677,928 =====	24,676,558 =====
Weighted average number of Common Shares outstanding- assuming dilution	24,677,928 =====	24,680,356 =====

ACADIA REALTY TRUST AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (In thousands, except per share amounts)

19. Subsequent Events

On February 1, 1999, the Company sold the Searstown Mall for \$3,300 pursuant to its continuing plan to dispose of certain under-performing properties.

On February 4, 1999, the Board of Trustees of the Company approved and declared a quarterly dividend for the quarter ended March 31, 1999 of \$0.12 per Common Share. The dividend is to be paid on April 15, 1999 to the shareholders of record as of March 31, 1999.

On February 24, 1999, the Company acquired the Mad River Station, a 154,000 square foot shopping center located in Dayton, Ohio, for \$11,500. The Company assumed \$7,661 in mortgage debt and funded the remaining purchase price from working capital.

On March 3, 1999, the Company entered into an agreement to sell the Auburn Plaza for \$3,500. Pursuant to the contract, which contains certain customary provisions, the Company has received a \$250 earnest money deposit.

Description	Encumbrances	Costs			Buildings &			Total	Accumulated Depreciation	Date of Acquisition (a) Construction (c)
		Land	Buildings & Improvements	Capitalized Subsequent to Acquisition	Land	Improvements	Improvements			
Shopping Centers										
Circle Plaza Shamokin Dam, PA	(1)	\$ -	\$ 3,435	\$ 13	\$ 2	\$ 3,446	\$ 3,448	\$ 1,293	1978 (c)	
Martintown Plaza North Augusta, SC	(1)	-	4,625	1,406	-	6,031	6,031	2,193	1985 (a)	
Midway Plaza Opelika, AL	(1)	196	1,647	3,064	195	4,712	4,907	1,908	1984 (a)	
Northside Mall Dothan, AL	(1)	1,604	7,080	2,213	1,604	9,293	10,897	3,654	1986 (a)	
New Smyrna Beach Shopping Center New Smyrna Beach FL	(1)	246	2,219	3,257	246	5,476	5,722	2,364	1983 (a)	
Wesmark Plaza Sumter, SC	-	380	3,419	2,249	370	5,678	6,048	2,022	1986 (a)	
King's Fairground Danville, VA	(1)	-	1,426	242	-	1,668	1,668	377	1992 (a)	
Cloud Springs Plaza Ft Ogelthorpe, GA	(1)	159	2,712	1,163	159	3,875	4,034	1,470	1985 (a)	
Crescent Plaza Brockton, MA	12,000	1,147	7,425	481	1,147	7,906	9,053	2,729	1984 (a)	
New Loudon Centre Latham, NY	(2)	505	4,161	9,623	505	13,784	14,289	3,769	1982 (a)	
Ledgewood Mall Ledgewood, NJ	(2)	619	5,434	25,438	619	30,872	31,491	12,375	1983 (a)	
Troy Plaza Troy, NY	(1)	479	1,976	811	479	2,787	3,266	1,431	1982 (a)	
Birney Plaza Moosic, PA	(1)	210	2,979	719	210	3,698	3,908	3,121	1968 (c)	
Dunmore Plaza Dunmore, PA	(1)	100	506	137	100	643	743	277	1975 (a)	
Mark Plaza Edwardsville, PA	-	-	4,268	3,831	-	8,099	8,099	3,491	1968 (c)	
Kingston Plaza Kingston, PA	(1)	305	1,745	390	305	2,135	2,440	1,203	1982 (c)	
Luzerne Street Plaza Scranton, PA	2,000	35	315	1,208	35	1,523	1,558	751	1983 (a)	
Blackman Plaza Wilkes-Barre, PA	-	120	-	1,291	120	1,291	1,411	25	1968 (c)	
East End Centre Wilkes-Barre, PA	14,200	1,086	8,661	3,488	1,086	12,149	13,235	4,779	1986 (c)	
Greenridge Plaza Scranton, PA	6,700	1,335	6,314	595	1,335	6,909	8,244	2,647	1986 (c)	
Plaza 15 Lewisburg, PA	(1)	171	81	1,481	171	1,562	1,733	405	1976 (c)	

ACADIA REALTY TRUST
SCHEDULE III-REAL ESTATE AND ACCUMULATED DEPRECIATION
December 31, 1998

Description	Encumbrances	Costs			Buildings &			Total	Accumulated Depreciation	Date of Acquisition (a) Construction (c)
		Land	Buildings & Improvements	Capitalized Subsequent to Acquisition	Land	Improvements	Improvements			
Shopping Centers (cont.)										
Plaza 422 Lebanon, PA	(2)	\$ 190	\$ 3,004	\$ 414	\$ 190	\$ 3,418	\$ 3,608	\$ 1,957	1972 (c)	
Tioga West Tunkhannock, PA	(2)	48	1,238	3,144	48	4,382	4,430	1,809	1965 (c)	
Mountainville Plaza Allentown, PA	(1)	420	2,390	486	420	2,876	3,296	1,435	1983 (a)	
Monroe Plaza Stroudsburg, PA	(1)	70	2,083	67	70	2,150	2,220	979	1964 (c)	
Ames Plaza Shamokin, PA	(1)	57	1,958	182	57	2,140	2,197	1,633	1966 (c)	
Route 6 Mall Honesdale, PA	(2)	-	-	12,696	1,664	11,032	12,696	1,556	1995 (c)	
Pittston Mall Pittston, PA	3,950	1,500	-	5,695	1,521	5,674	7,195	626	1995 (c)	
Valmont Plaza West Hazelton, PA	6,100	522	5,591	1,006	522	6,597	7,119	2,708	1985 (a)	
Manahawkin Stafford Township, NJ	5,760	2,400	9,396	4,918	3,105	13,609	16,714	1,362	1993 (a)	
Twenty Fifth Street Easton, PA	(1)	2,280	9,276	196	2,280	9,472	11,752	1,668	1993 (a)	
Berlin Shopping Centre Berlin, NJ	(2)	1,331	5,351	205	1,332	5,555	6,887	892	1994 (a)	
Shillington Plaza Reading, PA	(1)	809	3,268	32	809	3,300	4,109	474	1994 (a)	
Union Plaza New Castle, PA	-	-	-	20,241	5,426	14,815	20,241	999	1996 (c)	
Bradford Towne Centre Towanda, PA	(2)	-	-	16,100	817	15,283	16,100	2,367	1994 (c)	
Atrium Mall Abington, PA	11,041	2,772	11,088	20	2,772	11,108	13,880	104	1998 (a)	
Bloomfield Town Square Bloomfield Hills, MI	10,951	3,443	13,774	-	3,443	13,774	17,217	129	1998 (a)	
Walnut Hill Plaza Woonsocket, RI	9,455	3,122	12,488	292	3,122	12,780	15,902	132	1998 (a)	

Elmwood Park Plaza Elmwood Park, NJ	-	3,248	12,992	40	3,248	13,032	16,280	122	1998 (a)
Merrillville Plaza Hobart, IN	-	4,288	17,152	319	4,288	17,471	21,759	161	1998 (a)
Soundview Marketplace Port Washington, NY	6,989	2,428	9,711	62	2,428	9,773	12,201	91	1998 (a)
Marketplace of Absecon Absecon, NJ	-	2,573	10,294	220	2,573	10,514	13,087	101	1998 (a)

ACADIA REALTY TRUST
SCHEDULE III-REAL ESTATE AND ACCUMULATED DEPRECIATION
December 31, 1998

Description	Encumbrances	Land	Buildings & Improvements	Costs Capitalized Subsequent to Acquisition	Land	Buildings & Improvements	Total	Accumulated Depreciation	Date of Acquisition (a) Construction (c)
Shopping Centers (cont.)									
Hobson West Plaza Naperville, IL	\$ 4,372	\$ 1,793	\$ 7,172	\$ 79	\$ 1,793	\$ 7,251	\$ 9,044	\$ 67	1998 (a)
Smithtown Shopping Center Smithtown, NY	8,268	3,229	12,917	862	3,229	13,779	17,008	141	1998 (a)
Town Line Plaza Rocky Hill, CT	-	878	3,510	-	878	3,510	4,388	33	1998 (a)
Branch Shopping Center Village of the Branch, NY	-	3,156	12,623	-	3,156	12,623	15,779	118	1998 (a)
Methuen Shopping Center Methuen, MA	-	956	3,826	-	956	3,826	4,782	36	1998 (a)
Residential Properties									
Gate House, Holiday House, Tiger Village Columbia, MO	8,425	2,312	9,247	53	2,312	9,300	11,612	87	1998 (a)
Village Apartments Winston Salem, NC	8,717	3,429	13,716	43	3,429	13,759	17,188	130	1998 (a)
Glen Oaks Apartments Greenbelt, MD	18,140	5,045	20,180	90	5,045	20,270	25,315	190	1998 (a)
Colony Apartments Columbia, MO	3,960	1,118	4,470	41	1,118	4,511	5,629	43	1998 (a)
Marley Run Apartments Baltimore, MD	14,760	4,209	16,835	24	4,209	16,859	21,068	159	1998 (a)
Mixed Use Properties									
Northwood Centre Tallahassee, FL	22,599	1,209	6,204	18,095	1,188	24,320	25,508	12,609	1985 (a)
Construction in Progress (5)	-	-	12,879	9,934	-	22,813	22,813	-	
	\$277,561	\$67,532	\$325,061	\$158,656	\$76,136	\$475,113	\$551,249	\$87,202	

Acadia Realty Trust
Notes To Schedule III
December 31, 1998

- These seventeen properties serve as collateral for the financing with Morgan Stanley (Note 4).
- These seven properties serve as collateral for the financing with John Hancock Life Insurance (Note 4).
- Depreciation and investments in buildings and improvements reflected in the statements of operations is calculated over the estimated useful life of the assets as follows:

Buildings	30 to 40 years
Improvements	Shorter of lease term or useful life
- The aggregate gross cost of property included above for Federal income tax purposes was \$571,824 as of December 31, 1998.
- Construction in Progress includes approximately \$12,149 for the Greenwich, Connecticut property.
- (a) Reconciliation of Real Estate Properties:

The following table reconciles the real estate properties from January 1, 1996 to December 31, 1998:

	for the year ended December 31,		
	1998	1997	1996
	----	----	----
Balance at beginning of period	\$311,688	\$307,411	\$291,157
Acquisitions and adjustments related to development options and establishment of note payable to the Former Principal Shareholder	-	-	(3,125)
Other improvements	16,647	7,480	19,380
Properties acquired	254,164	-	-
Adjustment of carrying value of property held for sale	(11,560)	-	-
Property held for sale	(11,991)	-	-
Fully depreciated assets written off	(3,350)	(998)	-
Sale of property	(4,349)	(2,205)	(1)
	-----	-----	-----
Balance at end of period	\$551,249	\$311,688	\$307,411
	=====	=====	=====

(b) Reconciliation of accumulated Depreciation:

The following table reconciles accumulated depreciation from January 1, 1996 to December 31, 1998:

	for the year ended December 31,		
	1998	1997	1996
	----	----	----
Balance at beginning of period	\$ 83,326	\$ 72,956	\$ 61,269
Sale of property	(2,035)	(905)	-
Property held for sale	(4,918)	-	-
Fully depreciated assets written off	(3,350)	(998)	-
Depreciation related to real estate	14,179	12,273	11,687
	-----	-----	-----
Balance at end of period	\$ 87,202	\$ 83,326	\$ 72,956
	=====	=====	=====

Amendment No. 1 to MARK CENTERS LIMITED PARTNERSHIP AGREEMENT, dated as of the 3rd day of June 6, 1996 ("Agreement") by and among Mark Centers Trust and Marvin L. Slomowitz.

WHEREAS, pursuant to Section 3.2C of the Agreement and a Subscription Agreement, dated July 14, 1995, L&J Realty Company has subscribed for 2000 OP Units;

WHEREAS, pursuant to Section 12C of the Agreement the General Partner desires to amend the Agreement to admit L&J Realty Company as a Limited Partner.

NOW, THEREFORE, the Agreement is amended as follows:

1. Any capitalized terms herein which are not otherwise defined herein shall have the same meaning as set forth in the Agreement.

2. L & J Realty Company is hereby admitted as a Limited Partner of the Partnership.

3. Effective as of July 14, 1995 the total number of all OP units outstanding is 9,553,000 and each Partner is deemed to hold OP Units as follows:

	OP UNITS -----	PERCENTAGE INTEREST -----
Company	7,751,000	81.14%
Limited Partner		
Marvin L. Slomowitz	1,800,000	18.84%
Limited Partner		
L & J Realty Company	2,000	.02%

4. Schedule A to the Partnership Agreement shall be deleted in its entirety and shall be replaced with a new Schedule A which is annexed hereto.

5. The effective date of this Amendment No. 1 shall be July 14, 1995.

6. Except as amended by this Amendment No. 1, the Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the Company has executed this Amendment No. 1 as of the 14th day of July, 1995.

GENERAL PARTNER:
MARK CENTERS TRUST, a Maryland Real Estate Investment Trust

By: /s/ David S. Zook

Name: David S. Zook
Title: Executive Vice President

SCHEDULE A
PERCENTAGE INTEREST

General Partner	81.14%
Marvin L. Slomowitz	18.84%
L&J Realty	.02%

EXHIBIT J

SECOND AMENDMENT TO LIMITED PARTNERSHIP AGREEMENT

THIS SECOND AMENDMENT, dated as of August 12, 1998, to that Limited Partnership Agreement, dated as of June 3, 1994, and as amended by the First Amendment to the Partnership Agreement dated as of June 6, 1996 (the

"Partnership Agreement"), of MARK CENTERS LIMITED PARTNERSHIP, a Delaware limited partnership (the "Partnership"). Capitalized terms used herein but not defined herein shall have the meanings given such terms in the Partnership Agreement.

BACKGROUND

The Partnership is a party to a certain Contribution and Share Purchase Agreement dated as of April 15, 1998 (the "Contribution Agreement") pursuant to which, among other things, the Partnership has agreed to acquire partnership interests in certain unaffiliated partnerships and real and personal property owned by such partnerships and affiliates of such partnerships in consideration for, among other things, Partnership Interests in the Partnership. Pursuant to Section 3.2(B) of the Partnership Agreement, the General Partner of the Partnership has the power and authority to issue additional Partnership Interests to Persons in exchange for additional Capital Contributions. The General Partner, pursuant to the exercise of such authority and in accordance with Section 12(C) of the Partnership Agreement, has determined to execute this Second Amendment to the Partnership Agreement to evidence: (i) the issuance of additional Partnership Interests and the admission of the other signatories hereto as Limited Partners of the Partnership and (ii) certain other amendments to the Partnership Agreement.

NOW, THEREFORE, the parties hereto, for good and sufficient consideration and intending to be legally bound, hereby amend the Partnership Agreement as follows:

1. The Partnership Agreement is hereby amended to reflect the admission as Limited Partners on the date hereof of those Persons whose names are set forth on Annex "A" attached hereto and made a part hereof and whose authorized signatures appear on the signature page hereto, each of whom shall have such number of Partnership Interests as shall be set forth opposite such signatory's name on Annex "A".

2. The Partnership Interests issued hereby shall have the same rights, preferences, privileges and designations as the Limited Partner Partnership Interests which have heretofore been issued by the Partnership, including, but not limited to, the right to convert such Partnership Interests into Common Shares of Beneficial Interest, par value, \$.01 per share, of the General Partner pursuant to Section 3.2(C) of the Partnership Agreement, as amended hereby.

3. The second sentence of Section 3.2(B) of the Partnership Agreement is hereby amended by adding the following underscored language as follows:

"The number of OP Units issued to the Contributing Party under clause (i) of this Section 3.2(B) shall be equal to either (a) such amount as may be fixed by agreement between the General Partner, in the General Partner's sole discretion, and the Contributing Party or (b) the quotient (rounded to the nearest whole number arrived at by dividing..."

4. Section 3.2(C) of the Partnership Agreement is hereby amended by adding to the end thereof the following sentence:

"If the Company is unable to issue Common Shares in accordance with this Section 3.2(C) it shall redeem the requested OP Units for cash for an amount equal to the Market Price (as defined in Section 3.2(B)) calculated as if one OP Unit equaled one Common Share (subject to the anti-dilution protections set forth in this Section 3.2(C))."

5. Section 5 of the Partnership Agreement is hereby amended by adding the following new paragraphs (D) through (G) at the end thereof:

"D. The General Partner may not, without the consent of all of the Limited Partners affected thereby, change its policy of holding its assets and conducting its business solely through the Partnership, nor may any transactions described in Section 5(E) or 5(F), without the consent of all the Limited Partners affected thereby, be structured in a manner which will change the General Partner's policy of holding its assets and conducting its business through the Partnership (or the Surviving Partnership (defined below), if applicable)), if the result of such transaction is the recognition of gain for federal income tax purposes by such Limited Partners.

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E. Whether or not Section 5(D) hereof is applicable, the General Partner shall not, unless Section 5(F) is applicable, engage in any merger, consolidation or other combination with or into another person, sale of all or substantially all of its assets or any reclassification, recapitalization or similar transaction (each a "Termination Transaction"), unless such Termination Transaction is one in connection with which each Limited Partner either will receive, or will have the right to elect to receive, for each OP Unit held by such Limited Partner, an amount of cash, securities, or other property equal to the product of the number of Common Shares into which such OP Unit is convertible and the greatest amount of cash, securities or other property paid to a holder of one Common Share in consideration of one Common Share pursuant to the terms of the Termination Transaction; provided that; if, in connection with the Termination Transaction, a purchase, tender or exchange offer shall have been made to and accepted by the holders of the outstanding Common Shares, each holder of OP Units shall receive, or shall have the right to elect to receive, the greatest amount of cash, securities, or other property which such holder would have received had it exercised its exchange right (as set forth in Section 3.2(C)) and received Common Shares in exchange for its OP Units immediately prior to the expiration of such purchase, tender or exchange offer and had thereupon accepted such purchase, tender or exchange offer and then such Termination Transaction shall have been consummated.

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F. Whether or not Section 5(D) hereof is applicable, the General Partner may merge, or otherwise combine its assets, with another entity without satisfying the requirements of Section 5(E) hereof if: (i) immediately after such merger or other combination, substantially all of the assets directly or indirectly owned by the surviving entity, other than OP Units held by such General Partner, are owned directly or indirectly by the Partnership or another limited partnership or limited liability company which is the survivor of a merger, consolidation or

combination of assets with the Partnership (in each case, the "Surviving Partnership"); (ii) the Limited Partners own a percentage interest of the Surviving Partnership based on the relative fair market value of the net assets of the Partnership (as determined pursuant to Section 5(G)) and the relative fair market value of the other net assets of the Surviving Partnership (as determined pursuant to Section 5(G)) immediately prior to the consummation of such transaction; (iii) the rights, preferences and privileges of the Limited Partners in the Surviving Partnership are at least as favorable as those in effect immediately prior to the consummation of such transaction and as those applicable to any other limited partners or non-managing members of the Surviving Partnership; and (iv) such rights of the Limited Partners include the right to exchange their interests in the Surviving Partnership for at least one of: (A) the consideration available to such Limited Partners pursuant to Section 5(E), or (B) if the ultimate controlling person of the Surviving Partnership has publicly traded common equal securities, such common equity securities, with an exchange ratio based on the relative fair market value of such securities (as determined pursuant to Section 5(G)) and the Common Shares.

G. In connection with any transaction permitted by Section 5(E) or 5(F), the relative fair market values shall be reasonably determined by the General Partner in good faith as of the time of such transaction and, to the extent applicable, shall be no less favorable to the Limited Partners than the relative values reflected in the terms of such transactions."

6. Section 7.6(A) of the Partnership Agreement is hereby amended to change the reference to "Prop. Reg. ? 1.704-3(b)(1)" to "Regulations Section

7. The first sentence of Section 12(B)(i) of the Partnership Agreement is hereby amended and restated as follows:

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"(i) No Limited Partner or substituted Limited Partner shall, without the prior written consent of the General Partner (which consent may be given or withheld in the sole discretion of the General Partner), sell, assign, distribute or otherwise transfer (a "Transfer") all or any part of his interest in the Partnership except by operation of law, gift (outright or in trust) or by sale, in each case to or for the benefit of a Permitted Transferee (as defined below), except for (a) pledges or other collateral transfers effected by a Limited Partner to secure the repayment of a loan and (b) the exchange of OP Units for shares of Common Stock of the Company, pursuant to Section 3.2(C) above. For purposes of this Section 12(B)(i), the term "Permitted Transferee" means (i) any partner or other equity owner of a Limited Partner; (ii) an equity owner of any partner or other equity owner of a Limited Partner; (iii) members of the Immediate Family (as defined below) of any equity owner of a Limited Partner (or any equity owner thereof) and trusts for the benefit of one or more members of the Immediate Family of the Limited Partner (or any

equity owner thereof) created for a state and/or gift tax purposes and/or (iv) any public charity, public foundation or charitable institution as defined in Section 501(C)(3) of the Code. For purposes of this Section 12(B)(i), the term "Immediate Family" means, with respect to any natural person, such natural person's spouse, parents, parents-in-law, descendants, nephews, nieces, brothers, sisters, brothers-in-law, sisters-in-law and children-in-law."

8. Section 16(A)(ii) of the Partnership Agreement is hereby amended and restated as follows:

"(ii) except (x) as otherwise provided for in this Agreement, (y) as required by law or (z) in the case of technical modifications which do not have a material adverse impact on any Partner, to modify the allocation of Profits and Losses or distributions among the Partners as provided for in Sections 7 and 8 above, respectively; or"

9. Section 16(A)(iii) of the Partnership Agreement is hereby amended to include reference to Sections 5(D) through (G).

10. By execution of this Second Amendment to the Partnership Agreement, each of the signatories hereto agrees to be bound by each and every term of the Partnership Agreement as amended hereby from and after the date hereof.

11. Except as expressly set forth in this Second Amendment, the Partnership Agreement is hereby ratified and confirmed in each and every respect.

IN WITNESS WHEREOF, this Second Amendment to the Limited Partnership Agreement is executed and delivered as of the date first written above.

MARK CENTERS TRUST,
General Partner

By: /s/ Joshua Kane

Joshua Kane

Title: Senior Vice President

Limited Partners:

THIRD AMENDMENT TO LIMITED PARTNERSHIP AGREEMENT

THIS THIRD AMENDMENT, dated as of December 17, 1998, to that Limited Partnership Agreement, dated as of June 3, 1994, and as amended by the

First Amendment to the Partnership Agreement dated as of June 6, 1996 and as amended by the Second Amendment to the Partnership Agreement dated as of August 12, 1998 (the "Partnership Agreement"), of ACADIA REALTY LIMITED PARTNERSHIP, a Delaware limited partnership (the "Partnership"). Capitalized terms used herein but not defined herein shall have the meanings given such terms in the Partnership Agreement.

BACKGROUND

The General Partner, pursuant to the exercise of such authority and in accordance with Section 12(C) of the Partnership Agreement, has determined to execute this Third Amendment to the Partnership Agreement to evidence the assignment of certain Partnership Interests and the admission of the other signatories hereto as Limited Partners of the Partnership.

NOW, THEREFORE, the parties hereto, for good and sufficient consideration and intending to be legally bound, hereby amend the Partnership Agreement as follows:

1. The Partnership Agreement is hereby amended to reflect (i) the withdrawal of RD G.O. Properties, L.P. as a limited partner and (ii) the admission as Limited Partners of those Persons whose names are set forth on Annex "A" attached hereto and made a part hereof and whose authorized signatures appear on the signature page hereto, each of whom shall have such number of Partnership Interests as shall be set forth opposite such signatory's name on Annex "A".

2. The Partnership Interests issued hereby shall have the same rights, preferences, privileges and designations as the Limited Partner Partnership Interests which have heretofore been issued by the Partnership, including, but not limited to, the right to convert such Partnership Interests into Common Shares of Beneficial Interest, par value, \$.01 per share, of the General Partner pursuant to Section 3.2(C) of the Partnership Agreement, as amended hereby.

3. By execution of this Third Amendment to the Partnership Agreement, each of the signatories hereto agrees to be bound by each and every term of the Partnership Agreement as amended hereby from and after the date hereof.

4. Except as expressly set forth in this Third Amendment, the Partnership Agreement is hereby ratified and confirmed in each and every respect.

5. This Third Amendment may be executed in any number of counterparts, each of which shall be deemed to be an original as against any party whose signature appears thereon, and all of which shall together constitute one and the same instrument. This Third Amendment shall become binding when one or more counterparts hereof, individually taken together, shall bear the signatures of all of the parties reflected hereon as the signatories.

IN WITNESS WHEREOF, this Third Amendment to the Limited Partnership Agreement is executed and delivered as of the date first written above.

ACADIA REALTY TRUST,
General Partner

By: /s/ Kenneth F. Bernstein

Kenneth F. Bernstein

Title: President

Substituted Limited Partners:

EVAN FRAZIER REALTY LLC

By: /s/ Kenneth F. Bernstein

Name: Kenneth F. Bernstein
Title: Member

RD GREENBELT, INC.

By: /s/ Kenneth F. Bernstein

Name: Kenneth F. Bernstein
Title: President

KAL PARTNERS L.P.

By: /s/ Gregory Manocherian

Name: Gregory Manocherian
Title: General Partner

/s/ Michael A. Young

MICHAEL A. YOUNG

/s/ Mindy White

MINDY WHITE

S & J ROTH REVOCABLE TRUST

By: /s/ Stephen Roth

Name: Stephen Roth
Title: Trustee

RABINOWITZ FAMILY 1991 TRUST

By: /s/ Martin J. Rabinowitz

Name: Martin J. Rabinowitz
Title: Trustee

RABINOWITZ FAMILY 1986 TRUST

By: /s/ Steven M. Rabinowitz

Name: Steven M. Rabinowitz, Esq.
Title: Trustee

Withdrawing Limited Partner:

RD G.O. PROPERTIES, L.P.

By: RD Greenbelt, Inc., its general
partner

By: /s/ Kenneth F. Bernstein

Name: Kenneth F. Bernstein
Title: President

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ANNEX "A"

Name of Limited Partner -----	Number of Partnership Interests -----
Evan Frazier Realty LLC 20 Soundview Marketplace Port Washington, NY 11050 Taxpayer ID#: 11-3363230	294,434
RD Greenbelt, Inc. 20 Soundview Marketplace Port Washington, NY 11050	55,011
KAL Partners L.P. 3 New York Plaza 18th Floor New York, NY 10004 Taxpayer ID: 13-3928884	102,068
Michael A. Young 304 East 65th Street Apt. 36B New York, NY 10021 Soc. Sec. #: 149-58-0883	34,005
Mindy White 44 Garden Road Scarsdale, NY 10583 Soc. Sec. #: 079-44-9112	17,029
S & J Roth Revocable Trust c/o Stephen Roth, Trustee 301 Weyyakin Drive P.O. Box 6120 Ketchum, ID 83340 Taxpayer ID #: 543-68-6067	25,517

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Name of Limited Partner -----	Number of Partnership Interests -----
Rabinowitz Family 1991 Trust c/o Martin J. Rabinowitz, Trustee 1500 Broadway Suite 1020 New York, NY 10036 Taxpayer ID#: 136-98-1341	21,247
Rabinowitz Family 1986 Trust c/o Martin J. Rabinowitz, 1500 Broadway Suite 1020 New York, NY 10036 Taxpayer ID#: 13-6950556	21,247

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SEVERANCE AND CONSULTING AGREEMENT

THIS AGREEMENT dated this 15th day of April, 1998, is between MARK CENTERS TRUST, a Maryland real estate investment trust (the "Company"), MARK CENTERS LIMITED PARTNERSHIP (the "Partnership") and MARVIN SLOWOWITZ ("Slomowitz").

BACKGROUND

Slomowitz has been employed by the Company and the Partnership since their inception, most recently as its chief executive officer and as a director of the Company. There are no employment or severance agreements currently in existence between the Company, the Partnership and Slomowitz other than that certain Non-Competition Agreement between the Company and Slomowitz dated as of June 3, 1993 (the "Non-Competition Agreement").

The Company and Slomowitz have agreed that in connection with the reorganization of the Company as a result of the transactions (the "Transactions") contemplated by that certain Contribution and Share Purchase Agreement dated as of April 15, 1998 among the Company and certain other parties ("Contribution Agreement"), Slomowitz will resign as chief executive officer effective as of the closing of the Transactions (the "Effective Date"). In this regard, the Company has agreed to compensate Slomowitz in connection with his resignation, his agreement to modify the terms of the Non-Competition Agreement, his past assistance in ensuring a smooth transition and his agreement to continue to assist the Company during the transition period.

NOW, THEREFORE, in consideration of the foregoing and the mutual premises and covenants set forth herein, and intending to be legally bound hereby, the Company, the Partnership and Slomowitz agree as follows:

1. Consulting and Real Estate Brokerage Services.

For a period of three (3) years from the Effective Date, Slomowitz, upon request by the Company, shall provide the following services:

a. Consulting Services. Slomowitz shall provide consulting services to the Company and its management on matters relating to, among other matters, (i) assistance in implementing the terms of the Transaction; (ii) facilitating the smooth transition in management; and (iii) other matters regarding the future operations of the Company.

Slomowitz shall perform such consulting services as called for hereunder at such time or times and to such extent as he shall reasonably determine is reasonably necessary to perform the services requested by the Company pursuant to this Agreement. The services shall be of a nature consistent with those performed by the chief executive officer and shall be performed in such manner and place, including his office, as he reasonably determines to be necessary or advisable.

b. Brokerage Services. Slomowitz shall provide non-exclusive real estate brokerage services in connection with the sale of the Contributed Properties (defined below) set forth on Schedule B.

Slomowitz shall perform such real estate brokerage services as called for hereunder at such time or times and to such extent as he shall reasonably determine is reasonably necessary to perform the services requested by the Company pursuant to this Agreement. Notwithstanding the foregoing, it is understood that the Company shall have the right to determine whether or not to enter into, to proceed with or consummate the conveyance of a property.

2. Compensation.

1. In consideration for his resignation as an officer of the Company and the services previously provided to the Company, the Company shall pay to Slomowitz on the Effective Date cash in the sum of Six Hundred Thousand Dollars (\$600,000).

2. In consideration of the sum of (i) Two Hundred Thousand

Dollars (\$200,000) for agreeing to enter into the Restated Non-Competition Agreement (defined below) and (ii) One Hundred Thousand Dollars (\$100,000) for providing the consulting services to be provided hereunder, the Company shall pay to Slomowitz cash in the aggregate sum of Three Hundred Thousand Dollars (\$300,000) payable as follows: \$100,000 on the Effective Date; \$100,000 on the first anniversary of the Effective Date and \$100,000 on the second anniversary of the Effective Date.

3. In consideration for the real estate brokerage services to be provided hereunder, the Company shall pay to Slomowitz 2.0% of the gross sale price of each property on Schedule B up to a maximum aggregate commission of Six Hundred Thousand Dollars (\$600,000) (the "Maximum Commission"). Slomowitz shall be entitled to such commission whether or not he is the broker of record with respect to the sale of such properties. Such commission or any part thereof shall not be considered earned and shall not be due and payable unless and until the full purchase price as agreed upon is paid to the Company and title actually passes to the buyer, all in accordance with any contract of sale entered into between the Company and the buyer. Slomowitz agrees that the proceeds of the sale of each such property shall be the sole source of payment of the commission. Slomowitz agrees that he shall be responsible for all out-of-pocket and overhead costs (other than as set forth in Section 5 hereof) incurred in connection with the real estate brokerage services provided by him pursuant to this Agreement, it being acknowledged and agreed that the Maximum Commission shall be the exclusive fee earned by Slomowitz for his real estate brokerage services provided hereunder.

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3. Health Benefits.

The Company shall continue the payment of all premiums on health insurance coverage for Slomowitz and his wife under the Company's group medical plan, as the same may be with respect to all executive employees amended from time to time, for a period of five (5) years from the Effective Date.

4. Share Options.

1. As of the Effective Date, the Company shall grant to Slomowitz options to purchase 300,000 of its common shares of beneficial interest ("Common Shares") at a price of \$9.00 per Common Share which shall vest as follows: 100,000 options on the Effective Date; 100,000 options on the first anniversary of the Effective Date and 100,000 options on the second anniversary of the Effective Date. The options shall expire ten (10) years from the Effective Date. The terms of the options shall otherwise be subject to the Company's 1994 Share Option Plan, as it may be amended from time to time. Such options and the underlying Common Shares shall be subject to such restrictions against transfer and with such registration rights as shall apply on the date of exercise to the most senior of the Company's officers.

2. As of the Effective Date, all existing options for Common Shares held by Slomowitz (i.e. options to purchase 200,000 Common Shares at \$12.00 per Common Share) shall be canceled.

5. Support Services and Expenses.

The Company shall, at its sole cost and expense, continue to provide Slomowitz with the use of his and his bookkeeper's current office space at its offices in Kingston, Pennsylvania for use by himself and his bookkeeper. In the event the Company relocates its offices from the Kingston building in which Slomowitz's offices are located, the Company no longer shall have any obligation to provide office space to Slomowitz or his bookkeeper.

6. Maintenance of Auto Lease Payments.

For the period from the Effective Date through and including October 1, 1999, the Company shall continue to make the scheduled monthly lease payments pursuant to the automobile lease, dated as of November 1, 1995, by and between Slomowitz, as the lessee, and Ertley Motors, as the lessor.

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7. Independent Contractor and Indemnification.

In the performance of this Agreement, it is mutually understood and agreed that Slomowitz is at all times acting and performing as an independent contractor, and not an employee of the Company, and nothing contained herein shall be construed as appointing Slomowitz as agent of the Company, or authorizing him to represent the Company in any matter. Except as otherwise set forth herein, the Company shall neither have nor exercise any control or direction over the specific methods by which Slomowitz shall perform services hereunder. Slomowitz understands and agrees that the Company will not withhold from payments provided hereunder any funds for income tax, unemployment insurance, social security or any other withholding pursuant to any law or requirement of any governmental body and all of such payments that may be required by law are the sole responsibility of Slomowitz.

Further, Slomowitz shall indemnify the Company for the amount (including any penalties and legal fees relating thereto) which the Company may be required to pay as a result of a determination that Slomowitz is an employee to the extent that the Company would have had to withhold funds from payments made by the Company hereunder if Slomowitz had been employed by the Company from the Effective Date.

8. Services for Others.

Nothing in this Agreement shall preclude Slomowitz from engaging in any activity, including such as may now or hereafter be engaged in by Company, except as expressly provided by the amended and restated Non-Competition Agreement set forth on Exhibit A, which Slomowitz shall execute and deliver to the Company on the Effective Date (the "Restated Non-Competition Agreement")

9. Mutual Releases.

For and in consideration of the transactions contemplated in this Agreement and the execution of the Restated Non-Competition Agreement, the receipt and sufficiency of which is hereby acknowledged, the parties hereby grant the following mutual releases:

1. Company/Partnership Release

The Company and the Partnership (collectively, the "Company Releasers") hereby release and forever discharge Slomowitz, his agents, servants, employees, heirs and assigns, and all other persons, firms and corporations with whom and which he is, was, or in the future may be, related or affiliated, both directly and indirectly (collectively, the "Slomowitz Releasees"), from any and all claims, demands, actions and causes of action, and all liability whatsoever (collectively "Losses,") on account of or in any manner arising or to arise out of actions or inactions by the Slomowitz Releasees at any time before the date hereof, whether released or indemnified against under this Agreement, the by-laws of the Company, the Partnership's Limited Partnership Agreement or the Contribution Agreement; excluding, however, (i) the enforceability of the covenants, representations and warranties under the terms of this Agreement; (ii) the enforceability of the Restated Non-Competition Agreement; (iii) the willful misconduct or gross negligence of the Slomowitz Releasees, which is injurious to the Company and/or the Partnership; (iv) the Slomowitz Releasees conviction of, or plea of guilty to, a felony; (v) actions which are ultra vires or otherwise outside the scope of Slomowitz's authority as chief executive officer and/or director of the Company; and (vi) acts of dishonesty or fraud by the Slomowitz Releasees with respect to the Company and/or the Partnership; provided, however, that the foregoing exclusions (i) through (vi) shall not apply to those activities, transactions and matters by, between and among the Company Releasers and the Slomowitz Releasees ("Activities") which prior to the Effective Date have been disclosed by the Slomowitz Releasees to the Company Releasers other than new facts with respect to such Activities which were not disclosed to the Company Releasers prior to the date hereof.

The execution of this instrument by the Company Releasers releases the Slomowitz Releasees of and from all Losses, known or unknown at the time of the execution of this instrument, which have resulted or may hereafter result, or which may hereafter be discovered, and which relate in any way to the

subject matter of this Section 9.a.

2. Slomowitz Release

Slomowitz, his agents, servants, employees, heirs and assigns, and all other persons, firms and corporations with whom and which he is, was, or in the future may be, related or affiliated, both directly and indirectly (collectively the "Slomowitz Releasors"), hereby release and forever discharge the Company, the Partnership, their respective officers, directors, trustees and employees and other persons, firms and corporations with whom and which they are, were, or in the future may be, related or affiliated, both directly and indirectly (collectively, the "Company Releasees") from any and all Losses on account of or in any manner arising or to arise out of actions or inactions by the Company Releasees at any time before the date hereof, whether indemnified against under the Contribution Agreement or this Agreement; excluding, however, (i) the enforceability of the covenants, representations and warranties made by the Company Releasees under the terms of this Agreement or the Contribution Agreement, and (ii) the indemnification provisions contained in this Agreement, the by-laws of the Company and the Limited Partnership Agreement of the Partnership.

The execution of this instrument by the Slomowitz Releasees releases the Company Releasees of and from all Losses, known or unknown at the time of the execution of this instrument, which have resulted or may hereafter result, or which may hereafter be discovered, and which relate in any way to the subject matter of this Section 9.b.

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10. Indemnification.

1. (i) Those provisions of the by-laws of the Company and of the Agreement of Limited Partnership of the Partnership with respect to indemnification, advancement of expenses and limitation on liability for the benefit of the trustees, officers, employees and consultants set forth therein, shall not be amended, repealed, or otherwise modified for a period of six (6) years after the Effective Date in any manner that would adversely affect the rights thereunder of individuals who at any time prior to the Effective Date were trustees or officers of the Company in respect of actions or omissions occurring at or prior to the Effective Date (including, without limitation, the transactions contemplated by this Agreement), unless such modification is required by law.

(ii) From and after the Effective Time, the Company and the Partnership shall indemnify, defend and hold harmless Slomowitz to the same extent as any other present and former officers and trustees of the Company (collectively with Slomowitz, the "Indemnified Parties") against all losses, expenses, claims, damages or liabilities, or amounts that are paid in settlement of, or otherwise in connection with, any claim, action, suit, proceeding or investigation (a "Claim"), based in whole or in part on the fact that such person is or was a trustee, officer, employee or agent of the Company or any Subsidiary thereof (including the Partnership) and arising out of actions or omissions occurring at or prior to the Effective Date, in each case to the full extent permitted under Maryland law as it pertains to the Company and under Delaware law as it pertains to the Partnership (and shall pay in advance of the final disposition of any action or proceeding to each Indemnified party to the fullest extent permitted by Maryland law and Delaware law, as the case may be, upon receipt from the Indemnified Party to whom expenses are advanced of an undertaking to repay such advances in the event that it shall be finally judicially determined that indemnification and the payment of such advances is not permissible under applicable law).

(iii) Without limiting the foregoing, in the event any Claim is brought against any Indemnified Party (whether arising before or after the Effective Date) after the Effective Date: (A) the Indemnified Parties may retain the Company's regularly engaged independent legal counsel, or other independent legal counsel satisfactory to them provided that such other counsel shall be reasonably acceptable to the Company; (B) the Company shall pay all reasonable fees and expenses of such counsel for the Indemnified Parties promptly as statements therefor are received; and (C) the Company will use their reasonable best efforts to assist in the vigorous defense of any such matter, provided that the Company shall not be liable for any settlement of any Claim effected without its written consent, which consent shall not be unreasonably

withheld. Any Indemnified Party wishing to claim indemnification under this Section 10.a, upon learning of any such Claim, shall notify the Company (although the failure so to notify the Company shall not relieve the Company from any liability which the Company may have under this Section 10.a except to the extent such failure prejudices the Company, and shall deliver to the Company and to the Partnership the undertaking contemplated by the Maryland law and the Delaware law, respectively). The Indemnified Parties as a group may retain one law firm (in addition to local counsel) to represent them with respect to each such matter unless there is, under applicable standards of professional conduct (as reasonably determined by counsel to the Indemnified Parties), a conflict on any significant issue between the positions of any two or more Indemnified Parties in which event, such additional counsel as may be required may be retained by the Indemnified Parties.

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(iv) The Company shall cause to be maintained in effect for not less than six (6) years after the Effective Date the current policies of trustees' and officers' liability insurance maintained by the Company with respect to matters occurring prior to the Effective Date; provided, however, that the Company may substitute therefor policies of substantially similar coverage containing substantially similar terms and conditions to the extent reasonably available and the Company shall not be required to pay an annual premium for such insurance in excess of 200% of the last annual premium paid prior to the date of this Agreement, but in such case shall purchase as much coverage as possible for such amount.

(v) This Section 10.a is intended to be for the benefit of, and shall be enforceable by, the Indemnified Parties, their heirs and personal representatives, shall be binding on the Company and its and their respective successors and assigns, and shall not be amended or modified to adversely affect any such party without the prior written consent of such party.

2. Supplementing and in addition to Slomowitz's right to indemnification for Losses under and pursuant to the indemnification provisions contained in Section 10.a hereof or the Company's by-laws and the Partnership's Limited Partnership Agreement, the Company and the Partnership agree that (i) with respect to Losses for which Slomowitz is entitled to indemnification they will not settle or otherwise resolve any Claim asserted or imposed against them, or either of them, and Slomowitz, jointly or severally, without simultaneously settling or otherwise resolving the Claim asserted or imposed against Slomowitz; and (ii) such indemnification provisions shall apply to any Activities which prior to the Effective Date have been disclosed by the Slomowitz Releasees to the Company Releasees, provided Slomowitz's Losses are not related to new facts with respect to such Activities which were not disclosed to the Company Releasees prior to the date hereof.

11. Voting Arrangements; Consents. Slomowitz hereby agrees (a) as a shareholder of the Company, to vote any Common Shares which he directly or indirectly owns or controls in favor of the Transactions; (b) as a limited partner of the Partnership, (i) to execute any amendment to the Partnership's Agreement of Limited Partnership required pursuant to the Contribution Agreement (the "Amendment") and (ii) that by execution of this Agreement Slomowitz hereby consents to the Amendment.

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12. Agreements Respecting Properties Previously Owned by Slomowitz.

1. Guaranty or Indemnity. Slomowitz has previously contributed to the Partnership the properties set forth on Schedule A (the "Contributed Properties"). At the Effective Date, or at any time subsequent thereto in accordance with the terms hereof, the Company and the Partnership and its respective subsidiaries will permit the Slomowitz to guarantee, or indemnify the Company, the Partnership and their respective subsidiaries for, the "bottom" portion (i.e., the least risky portion) of indebtedness of the Partnership. In the event that other partners of the Partnership or any subsidiary (including future contributors) similarly require a guarantee or indemnity of indebtedness of the Company, the Partnership and/or their respective subsidiaries, and such guarantee of indemnity of indebtedness is the "bottom" portion of the

indebtedness of the Partnership, then all such partners (including Slomowitz) shall share pari passu in the "bottom" portion of such indebtedness. Notwithstanding the previous sentence, the Company and the Partnership agree to maintain (or make available for the benefit of Slomowitz) (i) during the Restricted Period (as defined below) an amount of indebtedness equal to \$55,000,000, and (ii) after the Restricted Period any debt encumbering the Contributed Properties, solely for Slomowitz to guarantee (or indemnify the Company, the Partnership or their respective subsidiaries for such indebtedness). In the event that during the Restricted Period Slomowitz guarantees or indemnifies the Company, the Partnership, or their respective subsidiaries with respect to indebtedness encumbering any property of the Company, the Partnership or any subsidiary, such indebtedness shall not exceed sixty (60%) percent of the fair market value of such property, as determined by a majority of the disinterested trustees of the Company. The Company and the Partnership agree, and shall cause their respective subsidiaries to agree, to take any and all action reasonably designed so that the execution of each guarantee or indemnity by Slomowitz results in tax basis for Slomowitz for federal income tax purposes.

2. No Property Disposition. Except as set forth in Section 12.d, the Company and the Partnership covenant that they shall not sell, transfer, distribute or otherwise dispose, nor permit any of their respective subsidiaries to sell, transfer, distribute or otherwise dispose, of the Contributed Properties (including, but not limited to, the stock of any corporations) (or the properties, if any, that are substituted or exchanged for the Contributed Properties), prior to the fifth anniversary of the Effective Date (the "Restricted Period") other than an exchange or other disposition which does not cause Slomowitz to recognize gain for federal income tax purposes (including, without limitation, a transaction pursuant to Section 1031 of the Code or any successor provision which would not cause such recognition of gain). Before the end of the Restricted Period, the Company, the Partnership or any of their respective subsidiaries shall have the right to dispose of or distribute any of the Contributed Properties in a taxable transaction provided the Company, the Partnership and/or such subsidiary pays to Slomowitz the Tax Payment (as defined below). Nothing contained in this Section 12.b shall be deemed to be construed to limit the rights of any lender or other secured party to foreclose on, or otherwise dispose of, the Contributed Properties, or, of the Partnership to dispose of the Contributed Properties; provided, however, the Company, the Partnership and/or such subsidiary shall pay to Slomowitz the Tax Payment, if any, triggered by any taxable disposition of the Contributed Properties (other than as a result of a foreclosure) prior to the expiration of the Restricted Period. The term "Tax Payment" as used herein means an amount equal to the sum of (i) the federal, state, and local income Taxes actually payable by Slomowitz resulting from the recognition of gain and (ii) an additional payment in an amount equal to the amount such that, after payment by Slomowitz of all Taxes (including interest and penalties) on amounts received under clause (i) and this clause (ii), Slomowitz retains an amount equal to the amount described in clause (i).

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3. Right of Redemption.

1. Except as set forth in Section 12.d, in the event that after the end of the Restricted Period and prior to the second (2nd) anniversary of the termination of the Restricted Period, the Company, the Partnership or any of their respective subsidiaries desires to sell or otherwise desire to dispose of (through foreclosure or otherwise), or receive an unsolicited offer to purchase any Contributed Property after the Restricted Period, which offer the Company, the Partnership or such subsidiary wishes to accept, and provided that Slomowitz has given notice to the Company in December of the calendar year immediately preceding the calendar year in which occurs such proposed sale or disposition to the effect that Slomowitz desires to receive any Offering Notice (as described below) required to be sent during the next calendar year; the Company, the Partnership or such subsidiary shall give notice (the "Offering Notice") thereof to Slomowitz. The Offering Notice shall specify the nature of the sale and the consideration and other terms upon which it intends to undertake such sale, and shall specify that the failure of Slomowitz to respond within the time period set forth below shall be deemed an election by Slomowitz not to purchase the Contributed Property. Within thirty (30) days from the date of the Offering Notice, Slomowitz may elect, by written notice to the Company, to purchase the Contributed Property. If Slomowitz elects to so purchase the Contributed Property as aforesaid, then such purchase shall be consummated on

the terms and conditions set forth in the Offering Notice; provided, however, to the extent that the Contributed Property is then subject to separately allocated debt and the lender thereof consents to Slomowitz assuming such debt at no cost, expense or liability to the Company, the Partnership or any subsidiary, the Company shall cause the Contributed Property to be conveyed to Slomowitz subject to such debt.

2. Slomowitz may use units of limited partnership in the Partnership ("OP Units") as currency, in whole or in part, in connection with the purchase of the Contributed Property from the Company, Partnership or any subsidiary pursuant to an election made in accordance with Section 12.c.i. In addition, as part of a transfer of the Contributed Property pursuant to a foreclosure proceeding with respect to any debt secured by the Contributed Property, if Slomowitz can cause the third party which is otherwise to obtain title to the Property to accept OP Units in whole or in part, in lieu of obtaining title to the Contributed Property (and without modifying any other terms in the agreement of sale or transfer which has been executed in respect of such Contributed Property), Slomowitz shall have the right to do so provided that such third party agrees in writing for the benefit of the Partnership to be bound by all of the terms and conditions of the Agreement of Limited Partnership of the Partnership and, in accordance therewith, compliance with all requirements pertaining to a transfer of OP Units (other than the need to obtain the consent of the general partner of the Partnership, which consent is deemed to be given pursuant to the terms of this Section 12.c; in such event, title to the Property shall be transferred to Slomowitz in redemption of the OP Units described above.

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3. If within the thirty (30) day period during which Slomowitz has the right to elect to purchase the Contributed Property under the Offering Notice, Slomowitz does not make the election or fails to respond to the Offering Notice, the Company, the Partnership or their subsidiary may undertake to sell the Contributed Property on such terms and conditions as it shall elect; provided, however, that the sale of the Contributed Property to which the Offering Notice pertains shall not be consummated at less than ninety percent (90%) of the price as specified in the Offering Notice unless the Company, the Partnership or the subsidiary again offers the Contributed Property to Slomowitz upon such more favorable terms and conditions. If Slomowitz notifies the Company of his intention not to purchase the Contributed Property as set forth in the revised Offering Notice, or if Slomowitz does not respond to the revised Offering Notice within the prescribed thirty (30) day period, then the Company, the Partnership or the subsidiary may consummate the sale at any time thereafter. In such event, Slomowitz shall have no further right of redemption as against the party to whom the Company, the Partnership or the subsidiary transferred title to the Contributed Property; provided, however, that Slomowitz's right of redemption hereunder shall apply to any real property received by the Company, the Partnership or a subsidiary and in an exchange for the Contributed Property, whether said property represents all or only a part of the consideration for the transfer of the Contributed Property.

4. In the event that Slomowitz elects to purchase the Contributed Property pursuant to this Section 12.c, the Company agrees to cooperate with Slomowitz at no cost, expense or liability to the Company to cause debt to be placed on the Contributed Property immediately prior to the closing of the conveyance of the Contributed Property; provided that: (1) Slomowitz arranges for such debt at his sole cost and expense; (2) Slomowitz is unconditionally and irrevocably prepared to close such conveyance immediately after said closing of the loan; and (3) Slomowitz agrees to assume the debt and thereafter assumes the same at the closing and the Company, the Partnership and all of their respective subsidiaries are released of all liability thereunder immediately following the closing of the conveyance of the Contributed Property.

5. Notwithstanding anything herein to the contrary, the provisions of Section 12.b. and c. shall not apply to those properties set forth on Schedule C, which the Company, the Partnership or their subsidiary may sell or otherwise transfer without restriction. The provisions of Section 12.a. shall not apply to any Contributed Properties sold pursuant to this Agreement.

13. Entire Agreement. This Agreement contains the entire agreement of the parties with respect to the subject matter hereof and shall not be modified or changed in any respect except in writing duly signed by the parties hereto.

14. Term; Termination.

1. This Agreement shall terminate five (5) years after the Effective Date.

2. This Agreement may be terminated at any time prior to its expiration as set forth in Section 14(a) hereof (i) by mutual agreement of the parties hereto, (ii) by Slomowitz voluntarily upon thirty (30) days written notice to the Company, or (iii) by the Company for cause upon written notice to Slomowitz.

3. The Company shall be entitled, at its discretion, to terminate this Agreement for cause whenever: (i) Slomowitz shall be convicted of a felony involving the Company's business, assets or employees; or (ii) after written notice specifying the nature and occurrence of the following misconduct or breach and a period of 30 days within which to correct, or if not correctable, then to cease, the continuation of such breach or misconduct, Slomowitz (1) commits a material breach of this Agreement, the Restated Non-Competition Agreement or any other agreement with the Company; (2) misappropriates confidential and proprietary information of the Company; (3) engages in willful misconduct with respect to the Company's business, assets or employees causing a disruption of the Company's business, or (4) engages in any other verifiable misconduct adversely affecting the business reputation of the Company in a material manner.

4. In the event this Agreement is terminated as set forth in Section 14(b) or 14(c) hereof or Slomowitz's death, Slomowitz shall no longer be entitled to, and the Company shall cease to provide or make available to Slomowitz, the compensation and other benefits set forth in Sections 2.b and c., 3, 4, and 6 hereof and any unvested options issued pursuant to Section 4 shall be canceled.

5. The provisions of Sections 7, 8, 9, 10 and 12 shall survive the expiration or earlier termination of this Agreement.

15. Governing Law.

This Agreement shall be governed by, and interpreted, construed and enforced in accordance with the laws of the State of Pennsylvania.

16. Captions.

Captions in this Agreement are solely for purposes of identification and shall not in any manner alter or vary the interpretation or construction of this Agreement.

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17. Notice Provisions.

Any notices or other communications required or permitted hereunder shall be sufficient if in writing and delivered by hand or sent by telecopy, or sent, postage prepaid, by U.S. Post Office express-mail, or by recognized overnight air courier service and shall be deemed given when so delivered by hand, or telecopied, or if mailed or sent by overnight courier service, on the scheduled delivery date, to the parties at the following addresses:

1. if to the Company, to:

805 Third Avenue
New York, New York 10022
Attention: Kenneth F. Bernstein
Telephone No.: (212) 421-8830
Facsimile No.: (212) 421-2290

with a copy to:

Battle Fowler LLP
75 East 55th Street
New York, New York 10022
Attention: Mark Schonberger
Telephone No.: (212) 856-6859
Facsimile No.: (212) 856-7820

2. if to Slomowitz, to:

Marvin Slomowitz
600 Third Avenue
Kingston, Pennsylvania 18704
Telephone No.: (717) 288-4581, (212) 737-4405
and (561) 479-0995
Facsimile No.: (717) 288-1028, (212) 570-5634
and (561) 479-0226

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with a copy to:

Rosenn, Jenkins & Greenwald, L.L.P.
15 South Franklin Street
Wilkes-Barre, Pennsylvania 18711
Attention: Eugene Roth, Esq.
Telephone No.: (717) 826-5636
Facsimile No.: (717) 821-4714

or to such other address as the addressee may have specified in a notice duly given to the sender as provided herein.

18. Successors and Assigns.

All terms and provisions of this Agreement shall be binding upon and shall inure to the benefit of the parties hereto, the successors and assigns of the Company, and in the event of the death or incapacity of Slomowitz, his heirs or personal representatives. Slomowitz shall not assign, sell or transfer this Agreement, his obligations hereunder or any interest herein.

19. Effectiveness.

This Agreement shall not be effective unless and until the closing of the Transactions under the Contribution Agreement has occurred.

20. Further Assurances. The parties agree to (a) furnish upon request to each other such further information, (b) execute and deliver to each other such other documents, and (c) do such other acts and things, all as the other party may reasonably request for the purpose of consummating the Transactions and carrying out the intent of this Agreement and the Contribution Agreement and the documents referred to in this Agreement and the Contribution Agreement.

[SIGNATURE PAGE FOLLOWS]

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IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement on the date first above written.

MARK CENTERS TRUST

By: /s/ Joshua Kane

Name:
Title:

MARK CENTERS LIMITED PARTNERSHIP

By: Mark Centers Trust, general partner

By: /s/ Joshua Kane

Name: Joshua Kane
Title: Senior Vice President

/s/ Marvin Slomowitz

Marvin Slomowitz

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Schedule A

25th Street
Blackman
Kingston Plaza
Ledgewood
Manahwakin
Mark Plaza
New Louden
Birney Plaza
Circle Plaza
Crescent Plaza
Dunmore
East End
Greenridge
Luzerne
Monroe
Mountainville
Northside
Northwood
Plaza 422
Route 6
Shillington
Troy Plaza
Union
Wesmark
Normandale
Ames Plaza
Plaza 15
New Smyrna
Searstown
Pittston
Berlin
Bradford
Tioga
Valmont
Auburne
Cloud Springs
Kings Fairground
Martintown
Midway
New Castle

Schedule B

Pittston
Berlin
Bradford
Auburne
Towanda
Tioga
Valmont
Cloud Springs
Kings Fairground

Schedule C

Pittston
Berlin
Bradford
Auburne
Towanda

EMPLOYMENT AGREEMENT

FOR

ROSS DWORMAN

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EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "Agreement") is entered into as of October 23, 1998, by and between Ross Dworman, an individual residing in the State of New York ("Executive"), and Acadia Realty Trust, a Maryland real estate investment trust with offices at 805 Third Avenue, New York, New York 10022 (the "Trust").

RECITALS

WHEREAS, Executive previously held the positions of President and Chief Executive Officer ("CEO") of RD Capital, Inc. ("RDC") and, through such service, acquired special and unique knowledge, abilities and expertise;

WHEREAS, in connection with RDC's acquisition of control of the Trust (the "RDC Acquisition") the Trust desires to employ Executive as Chairman and CEO and to have Executive serve as a member of the Board of Trustees of the Trust (the "Board") , and Executive desires to be employed by the Trust as Chairman and CEO and serve as a member of the Board pursuant to the terms of this Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements set forth herein, the parties hereby agree as follows:

1. Employment.

The Trust hereby agrees to employ Executive, and Executive hereby agrees to accept such employment during the period and upon the terms and conditions set forth in this Agreement.

2. Employment Period.

(a) Except as otherwise provided in this Agreement to the contrary, the terms and conditions of this Agreement shall be and remain in effect during the period of employment (the "Employment Period") established under this Paragraph 2. The Employment Period shall be for a minimum term commencing on the date of this Agreement and ending on the third anniversary of the date of this Agreement (the "Initial Employment Term"). Following the expiration of the Initial Employment Term, the Employment Period shall automatically be renewed and extended from day to day until either (i) terminated by the Trust pursuant to a written notice given to the Executive in accordance with Paragraph 19 at least six (6) months prior to the effective date of such termination (the "Six Month Notice of Non-Renewal"), or (ii) the Executive's employment otherwise terminates hereunder; it being understood, however, that in no event shall any Six Month Notice of Non-Renewal be effective prior to the final day of the Initial Employment Term.

(b) Notwithstanding anything contained herein to the contrary:

(i) Executive's employment with the Trust may be terminated by the Trust or Executive at any time during the Employment Period other than as provided in subparagraph 2(a) hereof, subject to the terms and conditions of this Agreement; and (ii) nothing in this Agreement shall mandate or prohibit a continuation of Executive's employment following the expiration of the Employment Period upon such terms and conditions as the Board and Executive may mutually agree.

(c) If Executive's employment with the Trust is terminated, for purposes of this Agreement the term "Unexpired Employment Period" shall mean the period commencing on the date of such termination and ending, (i) in the case of termination pursuant to a Six Month Notice of Non-Renewal given and made effective in accordance with subparagraph 2(a) hereof, on the effective date of termination set forth therein, or (ii) in all other circumstances of termination, the later of (A) the final day of the Initial Employment Term or (B) six (6) months after the giving of notice by the terminating party or the occurrence of such other event that automatically results in termination.

3. Services/Place of Employment.

(a) Services. During the Employment Period, Executive shall hold the position of Chairman and CEO of the Trust and shall serve as a member of the Board. Executive shall devote his best efforts and such business time, skill and attention to the business of the Trust (other than absences due to vacation, illness, disability or approved leave of absence) as in the reasonable business judgment of the Executive is necessary to perform such duties as are customarily performed by similar executive officers and as may be more specifically enumerated from time to time by the Board or Executive Committee of the Board; provided, however, that the foregoing is not intended to (x) preclude Executive from (i) owning and managing personal investments, including real estate investments, subject to the restrictions set forth in Paragraph 13 hereof or (ii) engaging in charitable activities and community affairs, or (y) restrict or otherwise limit Executive from conducting real estate development, acquisition or management activities with respect to those properties described in Schedule A, attached hereto (the "Excluded Properties"), provided that the performance of the activities referred to in the preceding clauses (x) and (y) does not, in the reasonable business judgment of the Executive, prevent Executive from devoting sufficient business time to the Trust to carry out Executive's duties as Chairman and CEO.

(b) Place of Employment. The principal place of employment of Executive shall be at the Trust's executive offices in New York, New York and Port Washington, New York.

4. Compensation and Benefits.

(a) Salary. During the Employment Period, the Trust shall pay Executive a minimum annual base salary in the amount of \$287,000 (the "Annual Base Salary") payable in accordance with the Trust's regular payroll practices. Executive's Annual Base Salary shall be reviewed annually in accordance with the policy of the Trust from time to time and may be subject to upward adjustment based upon, among other things, Executive's performance, as determined in the sole discretion of the Compensation Committee of the Board (the "Compensation Committee"). In no event shall Executive's Annual Base Salary in effect at a particular time be reduced without his prior written consent.

(b) Incentive Compensation/Bonuses. Following the end of each calendar year during the Employment Period commencing with the calendar ending December 31, 1999 (each such calendar year being referred to herein as an "Incentive Bonus Period"), Executive shall be considered for an incentive bonus (the "Cash Incentive Bonus") based upon Executive's performance and the financial and operating results of the Trust for such Incentive Bonus Period, which bonus shall be payable in such amount and at such time as the Compensation Committee shall determine, it being understood, however, that the Compensation Committee shall be guided by, and make commercially reasonable efforts to use, the following formula in determining the amount, if any, of such Cash Incentive Bonus:

- (i) 5% of the Executive's Annual Base Salary for each 1% increase (or portion of each 1% increase if increase is in excess of 1%) in funds from operations ("FFO") per share of beneficial interest, par value \$0.01 per share, of the Trust (the "Common Shares") during the Incentive Bonus Period (the "Comparative FFO") over the FFO per Common Share for the calendar year immediately preceding such Incentive Bonus Period (the "Base FFO", except that for purposes of determining the amount of the Cash Incentive Bonus for the Incentive Bonus Period ending December 31, 1999, the Base FFO shall be the FFO for the fourth quarter of calendar year 1998, annualized) up to a 10% increase in the Comparative FFO over the Base

FFO, and, thereafter,

- (ii) 10% of the Executive's Annual Base Salary for each additional 1% increase (or portion of each 1% increase if such increase is in excess of 1%) in the Comparative FFO over the Base FFO up to a maximum incentive compensation equal to 100% of the Executive's Annual Base Salary.

Executive shall also be eligible, from time to time during the Employment Period, to receive such bonuses and options to purchase Common Shares as the Board, the Share Option Plan Committee or the Compensation Committee, as the case may be, shall approve, in its sole discretion, including, without limitation, options and bonuses contingent upon Executive's performance and the achievement of specified financial and operating objectives for FFO per Common Share. Any such options shall be issued at the then fair market value of the Common Shares and on such other terms as the Compensation Committee shall determine.

(c) Taxes and withholding. The Trust shall have the right to deduct and withhold from all compensation all social security and other federal, state and local taxes and charges which currently are or which hereafter may be required by law to be so deducted and withheld.

(d) Additional Benefits. In addition to the compensation specified above and other benefits provided pursuant to this Paragraph 4, Executive shall be entitled to the following benefits:

- (i) participation in the Option Plan, the Trust 401(k) Savings and Retirement Plan (subject to statutory rules and maximum contributions and non-discrimination requirements applicable to 401(k) plans) and such other benefit plans and programs, including but not limited to restricted stock, phantom stock and/or unit awards, loan programs and any other incentive compensation plans or programs (whether or not employee benefit plans or programs) , as maintained by the Trust from time to time and made generally available to executives of the Trust with such participation to be consistent with reasonable Trust guidelines;
- (ii) participation in any health insurance, disability insurance, paid vacation, group life insurance or other welfare benefit program made generally available to executives of the Trust;
- (iii) reimbursement for reasonable business expenses incurred by Executive in furtherance of the interests of the Trust;
- (iv) an annual car allowance of \$12,000 plus insurance costs;
- (v) as further consideration for Executive agreeing to serve as an officer and entering into this Agreement upon the terms set forth herein, including, without limitation, the terms relating to non-competition set forth in Paragraph 13 below, the Trust is issuing to Executive on the date hereof options to purchase an aggregate of 1,000,000 Common Shares at a purchase price equal to \$7.50 per Common Share ("Options") . Executive's Options shall be evidenced by the Option Agreement dated _____, 1998 which shall include, but not be limited to, the following provision: vesting over a three year period with one third (1/3) of the Options vesting on each of the first, second and third anniversaries of the closing date of the RDC Acquisition, to wit, August 12, 1998.

5. Termination of Employment and Change in Control.

- (a) Executive's employment hereunder may be terminated during

the Employment Period under the following circumstances:

- (i) Cause. The Trust shall have the right to terminate Executive's employment for Cause upon Executive's:
 - (A) willful and continued failure to use best efforts to substantially perform his duties hereunder (other than any such failure resulting from Executive's incapacity due to physical or mental illness) which failure continues for a period of thirty (30) days after written demand for substantial performance is delivered by the Trust specifically identifying the manner in which the Trust believes Executive has not substantially performed his duties; (B) willful misconduct and/or willful violation of Paragraph 11 hereof, which is materially economically injurious to the Trust and the Partnership taken as a whole; (C) the willful violation of the provisions of Paragraph 13 hereof; or (D) conviction of, or plea of guilty to a felony. For purposes of this subparagraph 5(a), no act, or failure to act, on Executive's part shall be considered "willful" unless done, or omitted to be done, by him (i) not in good faith and (ii) without reasonable belief that his action or omission was in furtherance of the interests of the Trust.
- (ii) Death. Executive's employment hereunder shall terminate upon his death.
- (iii) Disability. The Trust shall have the right to terminate Executive's employment due to "Disability" in the event that there is a determination by the Trust, upon the advice of an independent qualified physician, reasonably acceptable to Executive, that Executive has become physically or mentally incapable of performing his duties under this Agreement and such disability has disabled Executive for a cumulative period of one hundred eighty (180) days within a twelve (12) month period.
- (iv) Good Reason. Executive shall have the right to terminate his employment for "Good Reason": (A) upon the occurrence of any material breach of this Agreement by the Trust which shall include but not be limited to: an assignment to Executive of duties materially and adversely inconsistent with Executive's status as CEO or a member of the Board or a material or adverse alteration in the nature of or diminution in Executive's duties and/or responsibilities, reporting obligations, titles or authority; (B) upon a reduction in Executive's Annual Base Salary or a material reduction in other benefits (except for bonuses or similar discretionary payments) as in effect at the time in question, a failure to pay such amounts when due or any other failure by the Trust to comply with Paragraph 4 hereof which is not cured by the Trust within ten (10) days written notice of such default by the Executive; (C) on or within three (3) months following a Change in Control (as hereinafter defined) in accordance with the provisions set forth in subparagraph 5(a)(vii) hereof; (D) any purported termination of Executive's employment for Cause which is not effected pursuant to the procedures of sub-paragraph 5(a)(1) (and for purposes of this Agreement, in the event of such failure to comply, no such purported termination shall be effective); (E) upon the relocation of the Trust's principal executive offices or Executive's own office location to a location more than thirty (30) miles away from New York, New York and Port Washington, New York without Executive's consent; or (F) failure to be appointed or reappointed as a member of the Board.

- (v) Without Cause The Trust shall have the right to terminate the Executive's employment hereunder without Cause subject to the terms and conditions of this Agreement.
- (vi) Without Good Reason. The Executive shall have the right to terminate his employment hereunder without Good Reason subject to the terms and conditions of this Agreement.
- (vii) Change in Control. Executive shall have the right to terminate his employment hereunder on or within three (3) months following a Change in Control. Such termination shall be deemed a termination for Good Reason hereunder. For purposes of this Agreement "Change in Control" shall mean that any of the following events has occurred: (A) any "person" or "group" of persons, as such terms are used in Sections 13 and 14 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), other than any employee benefit plan sponsored by the Trust, becomes the "beneficial owner", as such term is used in Section 13 of the Exchange Act (irrespective of any vesting or waiting periods) of (i) Common Shares or any class of stock convertible into Common Shares and/or (ii) Common OP Units or preferred units or any other class of units convertible into Common OP Units, in an amount equal to thirty (30%) percent or more of the sum total of the Common Shares and the Common OP Units (treating all classes of outstanding Common Shares, units or other securities convertible into Common Shares as if they were converted into Common Shares or Common OP Units, as the case may be, and then treating Common Shares and Common OP Units as if they were a single class) issued and outstanding immediately prior to such acquisition as if they were a single class and disregarding any equity raise in connection with the financing of such transaction; (B) the dissolution or liquidation of the Trust or the consummation of any merger or consolidation of the Trust or any sale or other disposition of all or substantially all of its assets, if the shareholders of the Trust and unitholders of the Partnership taken as a whole and considered as one class immediately before such transaction own, immediately after consummation of such transaction, equity securities and partnership units possessing less than fifty (50%) percent of the surviving or acquiring Trust and partnership taken as a whole; or (C) a turnover, during any two (2) year period, of the majority of the members of the Board, without the consent of the remaining members of the Board as to the appointment of the new Board members.

(b) Notice of Termination Any termination of Executive's employment by the Trust or any such termination by Executive (other than on account of death) shall be communicated by written Notice of Termination to the other party hereto. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive's employment under the provision so indicated. In the event of the termination of Executive's employment on account of death, written Notice of Termination shall be deemed to have been provided on the date of death.

6. Compensation Upon Termination of Employment By the Trust for Cause or By Executive without Good Reason.

In the event the Trust terminates Executive's employment for Cause or pursuant to a Six Month Notice of Non-Renewal given and made effective in accordance with subparagraph 2(a) hereof, or Executive terminates his employment without Good Reason, the Trust shall pay Executive any unpaid Annual Base Salary at the rate then in effect accrued through and including the date of termination ("Unpaid Accrued Salary"). In addition, in such event, Executive

shall be entitled to exercise any options which, as of the date of termination, have vested and are exercisable in accordance with the terms of the applicable option grant agreement or plan.

Except for any rights which Executive may have to Unpaid Accrued Salary through and including the date of termination, and vested options, the Trust shall have no further obligations hereunder following such termination. The aforesaid amounts shall be payable in full immediately upon such termination.

7. Compensation Upon Termination of Employment Upon Death or Disability.

In the event of termination of Executive's employment as a result of either Executive's death or Disability, the Trust shall pay to Executive, his estate or his personal representative the following:

(i) any Unpaid Accrued Salary through and including the date of termination; plus

(ii) an amount computed at an annualized rate equal to the Executive's Annual Base Salary at the rate then in effect pro-rated for the period commencing on the day following the date of termination and ending on the later of (A) one year from the date of termination or (B) the final day of the Unexpired Employment Period (the "Severance Salary"); plus

(iii) an additional amount computed at an annualized rate equal to the average of the Cash Incentive Bonuses awarded to the Executive for each of the last two (2) calendar years immediately preceding the year in which the Executive's employment is terminated, pro-rated for the period beginning on the first day of the calendar year in which the Executive is terminated and ending on the date of termination ("Unpaid Accrued Bonus"); plus

(iv) a further amount computed at an annualized rate equal to the average of the Cash Incentive Bonuses awarded to the Executive for each of the last two (2) calendar years immediately preceding the year in which the Executive's employment is terminated, pro-rated for the period commencing on the day following the date of termination and ending on the later of (A) one year from the date of termination or (B) the final day of the Unexpired Employment Period ("Severance Bonus"); plus

(v) reimbursement of expenses incurred prior to date of termination ("Expense Reimbursement").

The aforesaid amounts shall be payable in cash without discount for early payment, at the option of Executive, his estate or his personal representative, either in full immediately upon such termination or monthly over the Unexpired Employment Period (the "Payment Election"). Throughout the Employment Period, the Trust shall maintain insurance which shall insure, and be payable to the Trust upon, the Executive's death or Disability in amounts sufficient to pay the Trust's obligation to satisfy the amounts set forth above in clauses (i) through (v) of this Paragraph 7. In the event of termination of employment due to Disability, Executive shall also receive continuation of health coverage through the end of the Unexpired Employment Period on the same basis as health coverage is provided by the Trust for active employees and as may be amended from time to time ("Medical Continuation").

In addition, all (A) incentive compensation payments or programs of any nature whether stock based or otherwise that are subject to a vesting schedule including without limitation restricted stock, phantom stock, units and any loan forgiveness arrangements granted to Executive ("Incentive Compensation") shall immediately vest as of the date of such termination ("Vested Incentive Compensation") and (B) options granted to Executive shall immediately vest as of the date of such termination (the "Vested Options") and Executive shall be entitled at the option of Executive, his estate or his personal representative, within one (1) year of the date of such termination, to exercise any options which have vested (including, without limitation, by acceleration in accordance with the terms of this Agreement, the applicable option grant agreement or plan) and are exercisable in accordance with the terms of the applicable option grant agreement or plan and/or any other methods or procedures for exercise applicable to optionees or to require the Trust (upon written notice delivered within one hundred eighty (180) days following the date of Executive's termination) to repurchase all or any portion of Executive's vested options to

purchase shares of Common Shares at a price equal to the difference between the Repurchase Fair Market Value (as hereinafter defined) of the Common Shares for which the options to be repurchased are exercisable and the exercise price of such options as of the date of Executive's termination of employment (the "Vested Option Exercise Election"). In the event of a conflict between any option grant agreement or plan and this Agreement, the terms of this Agreement shall control.

Except for any rights which Executive may have to all of the above including Unpaid Accrued Salary and Bonus, Severance Salary and Bonus, , Vested Incentive Compensation, Vested Options, Expense Reimbursement, and in the event of a termination of employment due to Disability, Medical Continuation, the Trust shall have no further obligations hereunder following such termination.

For purposes of this Agreement, "Repurchase Fair Market Value" shall mean the average of the closing price on the New York Stock Exchange (or such other exchange on which the Common Shares are primarily traded) of the Common Shares on each of the trading days within the thirty (30) days immediately preceding the date of termination of Executive's employment.

8. Compensation Upon Termination of Employment By the Trust Without Cause or By Executive for Good Reason.

In the event the Trust terminates Executive's employment for any reason other than Cause or pursuant to a Six Month Notice of Non-Renewal given and made effective in accordance with subparagraph 2(a) hereof, or Executive terminates his employment for Good Reason, the Trust shall pay to Executive and Executive shall be entitled to receive the sum total of (A) Unpaid Accrued Salary and Bonus and (B) Severance Salary and Bonus, each determined in accordance with Paragraph 7 of this Agreement. The aforesaid amounts shall be payable in cash without discount for early payment, at the option of Executive, either in full immediately upon such termination or monthly over the Unexpired Employment Period.

In addition, the Executive shall be entitled to receive Vested Incentive Compensation, Vested Options exercisable pursuant to the Vested Option Exercise Election, Medical Continuation for the Unexpired Employment Period, and Expense Reimbursement. Executive understands that any options exercised more than ninety (90) days following the date of his termination of employment which were granted as incentive stock options shall automatically be converted into non-qualified options.

Except for Unpaid Accrued Salary and Bonus, Severance Salary and Bonus, any rights which Executive may have to Vested Incentive Compensation, Vested Options, Medical Continuation and Expense Reimbursement and the Excess Tax Gross Up (as defined below in sub-paragraph 9(d)), the Trust shall have no further obligations hereunder following such termination. The parties both agree that the agreement to make these payments was consideration and an inducement to obtain Executive's consent to enter into this Agreement. The payments are not a penalty and neither party will claim them to be a penalty. Rather, the payments represent a fair approximation of reasonable amounts due to Executive for the Employment Period.

9. Change in Control.

(a) Options. Any Incentive Compensation and options granted to Executive that have not vested as of the date of a Change in Control shall immediately vest upon the date of the Change in Control. Neither the occurrence of a Change in Control, nor the vesting in any options as a result thereof shall require Executive to exercise any options. In the event of a conflict between any Incentive Compensation grant agreement or program or any option grant agreement or plan and this Agreement, the terms of this Agreement shall control.

(b) Upon Termination. In the event Executive terminates his employment on or following a Change in Control as set forth in sub-paragraph 5(a)(vii), the Trust shall pay to Executive, and Executive shall be entitled to, all the payments and rights Executive would have had if Executive had terminated his employment with Good Reason as set forth in Paragraph 8. The aforesaid amounts shall be payable in accordance with Executive's Payment Election.

Except for Unpaid Accrued Salary and Bonus, Severance Salary and Bonus, any rights which Executive may have to Vested Incentive Compensation Vested Options (including, without limitation, by acceleration in accordance with sub-paragraph 9 (a)), Medical Continuation, Expense Reimbursement and the Excise

Tax Gross Up (as defined below in sub-paragraph 9(d))the Trust shall have no further obligations hereunder following such termination.

(c) Excise Tax Gross Up. In addition, if it is determined by the Trust's tax preparer that as a result of any payment in the nature of compensation made by the Trust to (or for the benefit of) Executive pursuant to this Agreement or otherwise, an excise tax may be imposed on Executive pursuant to Section 4999 of the Code (or any successor provisions) , the Trust shall pay Executive in cash an amount equal to "X" determined under the following formula: (the "Excise Tax Gross Up")

E x P

$$X = \frac{E \times P}{1 - [(Fix (1-SLI) + E+M)]}$$

where

- E = the rate at which the excise tax is assessed under Section 4999 of the Code (or any successor provisions)
- P = the amount with respect to which such excise tax is assessed, determined without regard to the Excise Tax Gross Up;
- FI = the highest effective marginal rate of income tax applicable to Executive under the Code for the taxable year in question (taking into account any phase-out or loss of deductions, personal exemptions or other similar adjustments); SLI = the sum of the highest effective marginal rates of income tax applicable to Executive under all applicable state and local laws for the taxable year in question (taking into account any phase- out or loss of deductions, personal exemptions and other similar adjustments); and
- M = the highest marginal rate of Medicare tax applicable to Executive under the Code for the taxable year in question.

With respect to any payment in the nature of compensation that is made to (or for the benefit of) Executive under the terms of this Agreement or otherwise and on which an excise tax under Section 4999 of the Code (or any successor provisions) may be assessed, the payment determined under this sub-paragraph 9(d) shall be paid to Executive at the time of the Change in Control but prior to the consummation of the transaction with any successor. It is the intention of the parties that the Trust provide Executive with a full tax gross-up under the provisions of this Paragraph, so that on a net after-tax basis, the result to Executive shall be the same as if the excise tax under Section 4999 of the Code (or any successor provisions) had not been imposed. The Excise Tax Gross Up may be adjusted if alternative minimum tax rules are applicable to Executive.

10. Mitigation/Effect on Employee Benefit Plans and Programs.

(a) Mitigation. Executive shall not be required to mitigate amounts payable under this Agreement by seeking other employment or otherwise, and there shall be no offset against amounts due Executive under this Agreement on account of subsequent employment. Amounts owed to Executive under this Agreement shall not be offset by any claims the Trust may have against Executive and such payment shall not be affected by any other circumstances, including, without limitation, any counterclaim, recoupment, defense, or other right which the Trust may have against Executive or others.

(b) Effect on Employee Benefit Programs. The termination of Executive's employment hereunder, whether by the Trust or Executive, shall have no effect on the rights and obligations of the parties hereto under the Trust's (i) welfare benefit plans including, without limitation, Medical Continuation as

provided for herein and health coverage thereafter but only to the extent required by law, and on the same basis applicable to other employees and (ii) 401(k) Plan but only to the extent required by law and pursuant to the terms of the 401(k) Plan.

11. Confidential Information.

(a) Executive understands and acknowledges that during his employment with the Trust, he will be exposed to Confidential Information (as defined below), all of which is proprietary and which will rightfully belong to the Trust. Executive shall hold in a fiduciary capacity for the benefit of the Trust such Confidential Information obtained by Executive during his employment with the Trust and shall not, directly or indirectly, at any time, either during or after his employment with the Trust, without the Trust's prior written consent, use any of such Confidential Information or disclose any of such Confidential Information to any individual or entity other than the Trust or its employees, attorneys, accountants, financial advisors, consultants, or investment bankers except as required in the performance of his duties for the Trust or as otherwise required by law. Executive shall take all reasonable steps to safeguard such Confidential Information and to protect such Confidential Information against disclosure, misuse, loss or theft.

(b) The term "Confidential Information" shall mean any information not generally known in the relevant trade or industry or otherwise not generally available to the public, which was obtained from the Trust or its predecessors or which was learned, discovered, developed, conceived, originated or prepared during or as a result of the performance of any services by Executive on behalf of the Trust or its predecessors. For purposes of this Paragraph 11, the Trust shall be deemed to include any entity which is controlled, directly or indirectly, by the Trust and any entity of which a majority of the economic interest is owned, directly or indirectly, by the Trust.

12. Return of Documents.

Except for such items, which are of a personal nature to Executive (e.g., daily business planner), all writings, records, and other documents and things containing any Confidential Information shall be the exclusive property of the Trust, shall not be copied, summarized, extracted from, or removed from the premises of the Trust, except in pursuit of the business of the Trust and at the direction of the Trust, and shall be delivered to the Trust, without retaining any copies, upon the termination of Executive's employment or at any time as requested by the Trust.

13. Non-compete.

(a) Executive agrees that without the prior written consent of a majority of the disinterested trustees of the Trust, obtained in accordance with the terms and procedures of the Declaration of Trust and Bylaws of the Trust and the Agreement of Limited Partnership of the Partnership and in accordance with applicable law, and except as provided in subparagraph 13 (b), Executive shall not at any time during the Noncompetition Period (as hereinafter defined) engage in any way, directly or indirectly, in the Competitive Real Estate Business (as hereinafter defined), except in his capacity as an employee, trustee or director, officer or shareholder of the Trust or the Partnership. For purposes of this Paragraph 13, the term Competitive Real Estate Business shall mean the acquisition, ownership, development, operation, management or leasing of shopping centers and residential multi-dwelling properties within the continental United States. The "Noncompetition Period" shall be the period commencing on August 12, 1998 and ending on the later to occur of (i) the date on which Executive is no longer an officer or trustee of the Company or the Partnership; and (ii) the date Executive beneficially owns less than ten percent (10%) of the Trust's Common Shares, calculated in accordance with Rule 13d-3 promulgated under the Securities Exchange Act of 1934, as amended, or any successor rule or regulation thereof.

(b) Nothing contained in this Paragraph 13 shall preclude Executive from:

- (i) acquiring, whether by gift or otherwise, any property in the Competitive Real Estate Business or any interest therein from another member of Executive's family or from any entity controlled

thereby, provided, that if the acquisition of such property or interest would violate the foregoing limitations of this Paragraph 13, Executive shall offer to sell such property or interest to the Trust at its fair market value (to be mutually agreed upon by the Trust, as approved by the disinterested trustees, and Executive); or

- (ii) engaging in business activities in the Competitive Real Estate Business, or otherwise, of a passive nature (i.e., with no participation in a capacity as a general partner, or as a control person of a general partner, or the functional equivalent thereof); or
- (iii) continuing to engage in those activities in which Executive currently is engaged with respect to the assets described in Schedule A attached hereto.

14. Remedies.

(a) The parties hereto agree that the Trust would suffer irreparable harm from a breach by Executive of any of the covenants or agreements contained in Paragraph 11, 12 or 13 of this Agreement. Therefore, in the event of the actual or threatened breach by Executive of any of the provisions of Paragraph 11, 12 or 13 of this Agreement, the Trust may, in addition and supplementary to other rights and remedies existing in its favor, apply to any court of law or equity of competent jurisdiction for specific performance and/or injunctive or other relief in order to enforce or prevent any violation of the provisions thereof.

(b) If the period of time, the area specified or the scope of activity restricted in Paragraph 13 above should be adjudged unreasonable in any proceeding, then the period of time shall be reduced by such number of months or the area shall be reduced by the elimination of such portion thereof or the scope of restricted activity shall be modified, or any or all of the foregoing so that such restrictions may be enforced in such area and for such time as is adjudged to be reasonable.

15. Indemnification/Legal Fees.

(a) Indemnification. In the event the Executive is made party or threatened to be made a party to any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "Proceeding"), by reason of Executive's employment with or serving as an officer or trustee of the Trust, whether or not the basis of such Proceeding is alleged action in an official capacity, the Trust shall indemnify, hold harmless and defend Executive to the fullest extent authorized by Maryland law, as the same exists and may hereafter be amended, against any and all claims, demands, suits, judgments, assessments and settlements including all expenses incurred or suffered by Executive in connection therewith (including, without limitation, all legal fees incurred using counsel reasonably acceptable to Executive) and such indemnification shall continue as to Executive even after Executive is no longer employed by the Trust and shall inure to the benefit of his heirs, executors, and administrators. Expenses incurred by Executive in connection with any Proceeding shall be paid by the Trust in advance upon request of Executive that the Trust pay such expenses; but only in the event that Executive shall have delivered in writing to the Trust an undertaking to reimburse the Trust for expenses with respect to which Executive is not entitled to indemnification. The provisions of this Paragraph shall remain in effect after this Agreement is terminated irrespective of the reasons for termination. The indemnification provisions of this Paragraph shall not supersede or reduce any indemnification provided to Executive under any separate agreement, or the by-laws of the Trust since it is intended that this Agreement shall expand and extend the Executive's rights to receive indemnity.

(b) Legal Fees. If any contest or dispute shall arise between the Trust and Executive regarding or as a result of any provision of this Agreement, the Trust shall reimburse Executive for all legal fees and expenses reasonably incurred by Executive in connection with such contest or dispute, but only if Executive is successful in respect of substantially all of Executive's claims pursued or defended in connection with such contest or dispute. Such

reimbursement shall be made as soon as practicable following the resolution of such contest or dispute (whether or not appealed).

16. Successors and Assigns.

(a) The Trust shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Trust, by agreement in form and substance satisfactory to Executive, to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Trust would be required to perform it if no such succession had taken place. Failure of the Trust to obtain any such agreement prior to the effectiveness of any such succession shall be a breach of this Agreement and shall entitle Executive to compensation from the Trust in the same amount and on the same terms as he would be entitled to hereunder if Executive terminated his employment hereunder within three (3) months of a Change in Control as set forth in Paragraph 9, except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the date of termination. In the event of such a breach of this Agreement, the Notice of Termination shall specify such date as the date of termination. As used in this Agreement, "Trust" shall mean the Trust as hereinbefore defined and any successor to all or substantially all of its business and/or its assets as aforesaid which executes and delivers the agreement provided for in this Paragraph 16 or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law. Any cash payments owed to Executive pursuant to this Paragraph 16 shall be paid to Executive in a single sum without discount for early payment immediately prior to the consummation of the transaction with such successor. Nothing in this Paragraph 16(a) shall be construed to interfere with the Trust's right to implement or pursue such succession.

(b) This Agreement and all rights of Executive hereunder may be transferred only by will or the laws of descent and distribution. Upon Executive's death, this Agreement and all rights of Executive hereunder shall inure to the benefit of and be enforceable by Executive's beneficiary or beneficiaries, personal or legal representatives, or estate, to the extent any such person succeeds to Executive's interests under this Agreement. Executive shall be entitled to select and change a beneficiary or beneficiaries to receive any benefit or compensation payable hereunder following Executive's death by giving Trust written notice thereof. If Executive should die following the date of termination while any amounts would still be payable to him hereunder if he had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to such person or persons so appointed in writing by Executive, including, without limitation, under any applicable plan, or otherwise to his legal representatives or estate.

17. Timing of and No Duplication of Payments.

All payments payable to Executive pursuant to this Agreement shall be paid as soon as practicable after such amounts have become fully vested and determinable. In addition, Executive shall not be entitled to receive duplicate payments under any of the provisions of this Agreement.

18. Modification or Waiver.

No amendment, modification, waiver, termination or cancellation of this Agreement shall be binding or effective for any purpose unless it is made in a writing signed by the party against whom enforcement of such amendment, modification, waiver, termination or cancellation is sought. No course of dealing between or among the parties to this Agreement shall be deemed to affect or to modify, amend or discharge any provision or term of this Agreement. No delay on the part of the Trust or Executive in the exercise of any of their respective rights or remedies shall operate as a waiver thereof, and no single or partial exercise by the Trust or Executive of any such right or remedy shall preclude other or further exercise thereof. A waiver of right or remedy on any one occasion shall not be construed as a bar to or waiver of any such right or remedy on any other occasion.

The respective rights and obligations of the parties hereunder shall survive the Executive's termination of employment and termination of this Agreement to the extent necessary for the intended preservation of such rights and obligations.

19. Notices.

All notices or other communications required or permitted hereunder shall be made in writing and shall be deemed to have been duly given if delivered by hand or delivered by a recognized delivery service or mailed, postage prepaid, by express, certified or registered mail, return receipt requested, and addressed to the Trust at the address set forth above or Executive at his address as set forth in the Trust records (or to such other address as shall have been previously provided in accordance with this Paragraph 19).

20. Governing Law.

This agreement will be governed by and construed in accordance with the laws of the State of [New York] except as to Paragraph 15(a), without regard to principles of conflicts of laws thereunder.

21. Severability.

Whenever possible, each provision and term of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision or term of this Agreement shall be held to be prohibited by or invalid under such applicable law, then, subject to the provisions of sub-paragraph 13(b) above, such provision or term shall be ineffective only to the extent of such prohibition or invalidity, without invalidating or affecting in any manner whatsoever the remainder of such provisions or term or the remaining provisions or terms of this Agreement.

22. Legal Representation.

Each of the Trust and Executive have been represented by counsel with respect to this Agreement.

23. Counterparts.

This Agreement may be executed in separate counterparts, each of which is deemed to be an original and both of which taken together shall constitute one and the same agreement.

24. Headings.

The headings of the Paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute a part hereof and shall not affect the construction or interpretation of this Agreement.

25. Entire Agreement.

This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof and supersedes all other prior agreements and undertakings, both written and oral, among the parties with respect to the subject matter hereof.

26. Survival of Agreements.

The covenants made in Paragraphs 5 through 15 and 21 each shall survive the termination of this Agreement.

27. Prior Agreements.

Executive represents to the Trust and the Partnership that (a) there are no restrictions, agreements or understandings whatsoever to which Executive is a party which would prevent or make unlawful his execution of this Agreement, and (b) his execution of this Agreement shall not constitute a breach of any contract, agreement or understanding, oral or written, to which he is a party or by which he is bound.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

By: /s/ Robert Masters

Name: Robert Masters
Title: Senior Vice President

/s/ Ross Dworman

Ross Dworman

SCHEDULE A

Properties in which Executive has an interest as of the date of this Agreement.

EMPLOYMENT AGREEMENT

FOR

KENNETH BERNSTEIN

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EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "Agreement") is entered into as of October 23, 1998, by and between Kenneth Bernstein, an individual residing in the State of New York ("Executive"), and Acadia Realty Trust, a Maryland real estate investment trust with offices at 805 Third Avenue, New York, New York 10022 (the "Trust").

RECITALS

WHEREAS, Executive previously held the positions of Chief Operating Officer of RD Capital, Inc. ("RDC") and, through such service, acquired special and unique knowledge, abilities and expertise;

WHEREAS, in connection with RDC's acquisition of control of the Trust (the "RDC Acquisition") the Trust desires to employ Executive as President and to have Executive serve as a member of the Board of Trustees of the Trust (the "Board"), and Executive desires to be employed by the Trust as President and serve as a member of the Board pursuant to the terms of this Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements set forth herein, the parties hereby agree as follows:

1. Employment.

The Trust hereby agrees to employ Executive, and Executive hereby agrees to accept such employment during the period and upon the terms and conditions set forth in this Agreement.

2. Employment Period.

(a) Except as otherwise provided in this Agreement to the contrary, the terms and conditions of this Agreement shall be and remain in effect during the period of employment (the "Employment Period") established under this Paragraph 2. The Employment Period shall be for a minimum term commencing on the date of this Agreement and ending on the third anniversary of the date of this Agreement (the "Initial Employment Term"). Following the expiration of the Initial Employment Term, the Employment Period shall automatically be renewed and extended from day to day until either (i) terminated by the Trust pursuant to a written notice given to the Executive in accordance with Paragraph 19 at least six (6) months prior to the effective date of such termination (the "Six Month Notice of Non-Renewal"), or (ii) the Executive's employment otherwise terminates hereunder; it being understood, however, that in no event shall any Six Month Notice of Non-Renewal be effective prior to the final day of the Initial Employment Term.

(b) Notwithstanding anything contained herein to the contrary:

(i) Executive's employment with the Trust may be terminated by the Trust or Executive during the Employment Period other than as provided in subparagraph 2(a) hereof, subject to the terms and conditions of this Agreement; and (ii) nothing in this Agreement shall mandate or prohibit a continuation of Executive's employment following the expiration of the Employment Period upon such terms and conditions as the Board and Executive may mutually agree.

(c) If Executive's employment with the Trust is terminated, for purposes of this Agreement the term "Unexpired Employment Period" shall mean the period commencing on the date of such termination and ending, (i) in the case of termination pursuant to a Six Month Notice of Non-Renewal given and made effective in accordance with subparagraph 2(a) hereof, on the effective date of termination set forth therein, or (ii) in all other circumstances of termination, the later of (A) the final day of the Initial Employment Term or (B) six (6) months after the giving of notice by the terminating party or the occurrence of such other event that automatically results in termination.

3. Services/Place of Employment.

(a) Services. During the Employment Period, Executive shall hold the position of President of the Trust and shall serve as a member of the Board. Executive shall devote his best efforts and such business time, skill and attention to the business of the Trust (other than absences due to vacation, illness, disability or approved leave of absence) as in the reasonable business judgment of the Executive is necessary to perform such duties as are customarily performed by similar executive officers and as may be more specifically enumerated from time to time by the Board or Executive Committee of the Board; provided, however, that the foregoing is not intended to (x) preclude Executive from (i) owning and managing personal investments, including real estate investments, subject to the restrictions set forth in Paragraph 13 hereof or (ii) engaging in charitable activities and community affairs, or (y) restrict or otherwise limit Executive from conducting real estate development, acquisition or management activities with respect to those properties described in Schedule A, attached hereto (the "Excluded Properties"), provided that the performance of the activities referred to in the preceding clauses (x) and (y) does not, in the reasonable business judgment of the Executive, prevent Executive from devoting sufficient business time to the Trust to carry out Executive's duties as Chairman and CEO.

(b) Place of Employment. The principal place of employment of Executive shall be at the Trust's executive offices in New York, New York and Port Washington, New York.

4. Compensation and Benefits.

(a) Salary. During the Employment Period, the Trust shall pay Executive a minimum annual base salary in the amount of \$250,000 (the "Annual Base Salary") payable in accordance with the Trust's regular payroll practices. Executive's Annual Base Salary shall be reviewed annually in accordance with the policy of the Trust from time to time and may be subject to upward adjustment based upon, among other things, Executive's performance, as determined in the sole discretion of the Compensation Committee of the Board (the "Compensation Committee"). In no event shall Executive's Annual Base Salary in effect at a particular time be reduced without his prior written consent.

(b) Incentive Compensation/Bonuses. Following the end of each calendar year during the Employment Period, commencing with the calendar ending December 31, 1999 (each such calendar year being referred to herein as an "Incentive Bonus Period") Executive shall be considered for an incentive bonus (the "Cash Incentive Bonus") based upon Executive's performance and the financial and operating results of the Trust for such Incentive Bonus Period, which bonus shall be payable in such amount and at such time as the Compensation Committee shall determine, it being understood, however, that the Compensation Committee shall be guided by, and make commercially reasonable efforts to use, the following formula in determining the amount, if any, of such Cash Incentive Bonus:

- (i) 5% of the Executive's Annual Base Salary for each 1% increase (or portion of each 1% increase if increase is in excess of 1%) in funds from operations ("FFO") per share of beneficial interest, par value \$0.01 per share, of the Trust (the "Common Shares") during the Incentive Bonus Period (the "Comparative FFO") over the FFO per Common Share for the calendar year immediately preceding such Incentive Bonus Period (the "Base FFO", except that for purposes of determining the amount of the Cash Incentive Bonus for the Incentive Bonus Period ending December 31, 1999, the Base FFO shall be the FFO for the fourth quarter of calendar year 1998, annualized), up to a 10% increase in FFO over the Base FFO, and,

thereafter,

- (ii) 10% of the Executive's Annual Base Salary for each additional 1% increase (or portion of each 1% increase if such increase is in excess of 1%) in the Comparative FFO over the Base FFO up to a maximum incentive compensation equal to 100% of the Executive's Annual Base Salary.

Executive shall also be eligible, from time to time during the Employment Period, to receive such bonuses and options to purchase Common Shares as the Board, the Share Option Plan Committee or the Compensation Committee, as the case may be, shall approve, in its sole discretion, including, without limitation, options and bonuses contingent upon Executive's performance and the achievement of specified financial and operating objectives for FFO per Common Share. Any such options shall be issued at the then fair market value of the Common Shares and on such other terms as the Compensation Committee shall determine.

(c) Taxes and withholding. The Trust shall have the right to deduct and withhold from all compensation all social security and other federal, state and local taxes and charges which currently are or which hereafter may be required by law to be so deducted and withheld.

(d) Additional Benefits. In addition to the compensation specified above and other benefits provided pursuant to this Paragraph 4, Executive shall be entitled to the following benefits:

- (i) participation in the Option Plan, the Trust 401(k) Savings and Retirement Plan (subject to statutory rules and maximum contributions and non-discrimination requirements applicable to 401(k) plans) and such other benefit plans and programs, including but not limited to restricted stock, phantom stock and/or unit awards, loan programs and any other incentive compensation plans or programs (whether or not employee benefit plans or programs) , as maintained by the Trust from time to time and made generally available to executives of the Trust with such participation to be consistent with reasonable Trust guidelines;
- (ii) participation in any health insurance, disability insurance, paid vacation, group life insurance or other welfare benefit program made generally available to executives of the Trust;
- (iii) reimbursement for reasonable business expenses incurred by Executive in furtherance of the interests of the Trust;
- (iv) an annual car allowance of \$12,000 plus insurance costs;
- (v) as further consideration for Executive agreeing to serve as an officer and entering into this Agreement upon the terms set forth herein, including, without limitation, the terms relating to non-competition set forth in Paragraph 13 below, the Trust is issuing to Executive on the date hereof options to purchase an aggregate of 500,000 Common Shares at a purchase price equal to \$7.50 per Common Share ("Options"). Executive's Options shall be evidenced by the Option Agreement dated _____, 1998 which shall include, but not be limited to, the following provision: vesting over a three year period with one third (1/3) of the Options vesting on each of the first, second and third anniversaries of the closing date of the RDC Acquisition, to wit, August 12, 1998.

(a) Executive's employment hereunder may be terminated during the Employment Period under the following circumstances:

- (i) Cause. The Trust shall have the right to terminate Executive's employment for Cause upon Executive's:
 - (A) willful and continued failure to use best efforts to substantially perform his duties hereunder (other than any such failure resulting from Executive's incapacity due to physical or mental illness) which failure continues for a period of thirty (30) days after written demand for substantial performance is delivered by the Trust specifically identifying the manner in which the Trust believes Executive has not substantially performed his duties; (B) willful misconduct and/or willful violation of Paragraph 11 hereof, which is materially economically injurious to the Trust and the Partnership taken as a whole; (C) the willful violation of the provisions of Paragraph 13 hereof; or (D) conviction of, or plea of guilty to a felony. For purposes of this subparagraph 5(a), no act, or failure to act, on Executive's part shall be considered "willful" unless done, or omitted to be done, by him (i) not in good faith and (ii) without reasonable belief that his action or omission was in furtherance of the interests of the Trust.
- (ii) Death. Executive's employment hereunder shall terminate upon his death.
- (iii) Disability. The Trust shall have the right to terminate Executive's employment due to "Disability" in the event that there is a determination by the Trust, upon the advice of an independent qualified physician, reasonably acceptable to Executive, that Executive has become physically or mentally incapable of performing his duties under this Agreement and such disability has disabled Executive for a cumulative period of one hundred eighty (180) days within a twelve (12) month period.
- (iv) Good Reason. Executive shall have the right to terminate his employment for "Good Reason": (A) upon the ----- occurrence of any material breach of this Agreement by the Trust which shall include but not be limited to: an assignment to Executive of duties materially and adversely inconsistent with Executive's status as President or a member of the Board or a material or adverse alteration in the nature of or diminution in Executive's duties and/or responsibilities, reporting obligations, titles or authority; (B) upon a reduction in Executive's Annual Base Salary or a material reduction in other benefits (except for bonuses or similar discretionary payments) as in effect at the time in question, a failure to pay such amounts when due or any other failure by the Trust to comply with Paragraph 4 hereof which is not cured by the Trust within ten (10) days written notice of such default by the Executive; (C) on or within three (3) months following a Change in Control (as hereinafter defined) in accordance with the provisions set forth in subparagraph 5(a)(vii) hereof; (D) any purported termination of Executive's employment for Cause which is not effected pursuant to the procedures of sub-paragraph 5(a)(1) (and for purposes of this Agreement, in the event of such failure to comply, no such purported termination shall be effective); (E) upon the relocation of the Trust's principal executive offices or Executive's own office location to a location more than thirty (30) miles

away from New York, New York and Port Washington, New York without Executive's consent; or (F) failure to be appointed or reappointed as a member of the Board.

- (v) Without Cause The Trust shall have the right to terminate the Executive's employment hereunder without Cause subject to the terms and conditions of this Agreement.
- (vi) Without Good Reason. The Executive shall have the right to terminate his employment hereunder without Good Reason subject to the terms and conditions of this Agreement.
- (vii) Change in Control. Executive shall have the right to terminate his employment hereunder on or within three (3) months following a Change in Control. Such termination shall be deemed a termination for Good Reason hereunder. For purposes of this Agreement "Change in Control" shall mean that any of the following events has occurred: (A) any "person" or "group" of persons, as such terms are used in Sections 13 and 14 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), other than any employee benefit plan sponsored by the Trust, becomes the "beneficial owner", as such term is used in Section 13 of the Exchange Act (irrespective of any vesting or waiting periods) of (i) Common Shares or any class of stock convertible into Common Shares and/or (ii) Common OP Units or preferred units or any other class of units convertible into Common OP Units, in an amount equal to thirty (30%) percent or more of the sum total of the Common Shares and the Common OP Units (treating all classes of outstanding Common Shares, units or other securities convertible into Common Shares as if they were converted into Common Shares or Common OP Units, as the case may be, and then treating Common Shares and Common OP Units as if they were a single class) issued and outstanding immediately prior to such acquisition as if they were a single class and disregarding any equity raise in connection with the financing of such transaction; (B) the dissolution or liquidation of the Trust or the consummation of any merger or consolidation of the Trust or any sale or other disposition of all or substantially all of its assets, if the shareholders of the Trust and unitholders of the Partnership taken as a whole and considered as one class immediately before such transaction own, immediately after consummation of such transaction, equity securities and partnership units possessing less than fifty (50%) percent of the surviving or acquiring Trust and partnership taken as a whole; or (C) a turnover, during any two (2) year period, of the majority of the members of the Board, without the consent of the remaining members of the Board as to the appointment of the new Board members. (b) Notice of Termination Any termination of Executive's employment by the Trust or any such termination by Executive (other than on account of death) shall be communicated by written Notice of Termination to the other party hereto. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive's employment under the provision so indicated. In the event of the termination of Executive's employment on account of death, written Notice of Termination shall be

deemed to have been provided on the date of death.

6. Compensation Upon Termination of Employment By the Trust for Cause or By Executive without Good Reason.

In the event the Trust terminates Executive's employment for Cause or pursuant to a Six Month Notice of Non-Renewal given and made effective in accordance with subparagraph 2(a) hereof, or Executive terminates his employment without Good Reason, the Trust shall pay Executive any unpaid Annual Base Salary at the rate then in effect accrued through and including the date of termination ("Unpaid Accrued Salary"). In addition, in such event, Executive shall be entitled to exercise any options which, as of the date of termination, have vested and are exercisable in accordance with the terms of the applicable option grant agreement or plan.

Except for any rights which Executive may have to Unpaid Accrued Salary through and including the date of termination, and vested options, the Trust shall have no further obligations hereunder following such termination. The

aforesaid amounts shall be payable in full immediately upon such termination.

7. Compensation Upon Termination of Employment Upon Death or Disability.

In the event of termination of Executive's employment as a result of either Executive's death or Disability, the Trust shall pay to Executive, his estate or his personal representative the following:

(i) any Unpaid Accrued Salary through and including the date of termination; plus

(ii) an amount computed at an annualized rate equal to the Executive's Annual Base Salary at the rate then in effect pro-rated for the period commencing on the day following the date of termination and ending on the later of (A) one year from the date of termination or (B) the final day of the Unexpired Employment Period (the "Severance Salary "); plus

(iii) an additional amount computed at an annualized rate equal to the average of the Cash Incentive Bonuses awarded to the Executive for each of the last two (2) calendar years immediately preceding the year in which the Executive's employment is terminated, pro-rated for the period beginning on the first day of the calendar year in which the Executive is terminated and ending on the date of termination ("Unpaid Accrued Bonus"); plus

(iv) a further amount computed at an annualized rate equal to the average of the Cash Incentive Bonuses awarded to the Executive for each of the last two (2) calendar years immediately preceding the year in which the Executive's employment is terminated, pro-rated for the period commencing on the day following the date of termination and ending on the later of (A) one year from the date of termination or (B) the final day of the Unexpired Employment Period ("Severance Bonus"); plus

(v) reimbursement of expenses incurred prior to date of termination ("Expense Reimbursement").

The aforesaid amounts shall be payable in cash without discount for early payment, at the option of Executive, his estate or his personal representative, either in full immediately upon such termination or monthly over the Unexpired Employment Period (the "Payment Election"). Throughout the Employment Period, the Trust shall maintain insurance which shall insure, and be payable to the Trust upon, the Executive's death or Disability in amounts sufficient to pay the Trust's obligation to satisfy the amounts set forth above in clauses (i) through (v) of this Paragraph 7. In the event of termination of employment due to Disability, Executive shall also receive continuation of health coverage through the end of the Unexpired Employment Period on the same basis as health coverage is provided by the Trust for active employees and as may be amended from time to time ("Medical Continuation").

In addition, all (A) incentive compensation payments or programs of any nature whether stock based or otherwise that are subject to a vesting schedule including without limitation restricted stock, phantom stock, units and any loan forgiveness arrangements granted to Executive ("Incentive Compensation") shall immediately vest as of the date of such termination ("Vested Incentive

Compensation") and (B) options granted to Executive shall immediately vest as of the date of such termination (the "Vested Options") and Executive shall be entitled at the option of Executive, his estate or his personal representative, within one (1) year of the date of such termination, to exercise any options which have vested (including, without limitation, by acceleration in accordance with the terms of this Agreement, the applicable option grant agreement or plan) and are exercisable in accordance with the terms of the applicable option grant agreement or plan and/or any other methods or procedures for exercise applicable to optionees or to require the Trust (upon written notice delivered within one hundred eighty (180) days following the date of Executive's termination) to repurchase all or any portion of Executive's vested options to purchase shares of Common Shares at a price equal to the difference between the Repurchase Fair Market Value (as hereinafter defined) of the Common Shares for which the options to be repurchased are exercisable and the exercise price of such options as of the date of Executive's termination of employment (the "Vested Option Exercise Election"). In the event of a conflict between any option grant agreement or plan and this Agreement, the terms of this Agreement shall control.

Except for any rights which Executive may have to all of the above including Unpaid Accrued Salary and Bonus, Severance Salary and Bonus, , Vested Incentive Compensation, Vested Options, Expense Reimbursement, and in the event of a termination of employment due to Disability, Medical Continuation, the Trust shall have no further obligations hereunder following such termination.

For purposes of this Agreement, "Repurchase Fair Market Value" shall mean the average of the closing price on the New York Stock Exchange (or such other exchange on which the Common Shares are primarily traded) of the Common Shares on each of the trading days within the thirty (30) days immediately preceding the date of termination of Executive's employment.

8. Compensation Upon Termination of Employment By the Trust Without Cause or By Executive for Good Reason.

In the event the Trust terminates Executive's employment for any reason other than Cause or pursuant to a Six Month Notice of Non-Renewal given and made effective in accordance with subparagraph 2(a) hereof, or Executive terminates his employment for Good Reason, the Trust shall pay to Executive and Executive shall be entitled to receive the sum total of (A) Unpaid Accrued Salary and Bonus and (B) Severance Salary and Bonus, each determined in accordance with Paragraph 7 of the Agreement. The aforesaid amounts shall be payable in cash without discount for early payment, at the option of Executive, either in full immediately upon such termination or monthly over the Unexpired Employment Period.

In addition, the Executive shall be entitled to receive Vested Incentive Compensation, Vested Options exercisable pursuant to the Vested Option Exercise Election, Medical Continuation for the Unexpired Employment Period, and Expense Reimbursement. Executive understands that any options exercised more than ninety (90) days following the date of his termination of employment which were granted as incentive stock options shall automatically be converted into non-qualified options.

Except for Unpaid Accrued Salary and Bonus, Severance Salary and Bonus, any rights which Executive may have to Vested Incentive Compensation, Vested Options, Medical Continuation and Expense Reimbursement and the Excess Tax Gross Up (as defined below in sub-paragraph 9(d)), the Trust shall have no further obligations hereunder following such termination. The parties both agree that the agreement to make these payments was consideration and an inducement to obtain Executive's consent to enter into this Agreement. The payments are not a penalty and neither party will claim them to be a penalty. Rather, the payments represent a fair approximation of reasonable amounts due to Executive for the Employment Period.

9. Change in Control.

(a) Options. Any Incentive Compensation and options granted to Executive that have not vested as of the date of a Change in Control shall immediately vest upon the date of the Change in Control. Neither the occurrence of a Change in Control, nor the vesting in any options as a result thereof shall require Executive to exercise any options. In the event of a conflict between any Incentive Compensation grant agreement or program or any option grant agreement or plan and this Agreement, the terms of this Agreement shall control.

(b) Upon Termination. In the event Executive terminates his employment on or following a Change in Control as set forth in sub-paragraph 5(a)(vii), the Trust shall pay to Executive, and Executive shall be entitled to, all the payments and rights Executive would have had if Executive had terminated his employment with Good Reason as set forth in Paragraph 8. The aforesaid amounts shall be payable in accordance with Executive's Payment Election.

Except for Unpaid Accrued Salary and Bonus, Severance Salary and Bonus, any rights which Executive may have to Vested Incentive Compensation Vested Options (including, without limitation, by acceleration in accordance with sub-paragraph 9 (a)), Medical Continuation, Expense Reimbursement and the Excise Tax Gross Up (as defined below in sub-paragraph 9(d))the Trust shall have no further obligations hereunder following such termination.

(c) Excise Tax Gross Up. In addition, if it is determined by the Trust's tax preparer that as a result of any payment in the nature of compensation made by the Trust to (or for the benefit of) Executive pursuant to this Agreement or otherwise, an excise tax may be imposed on Executive pursuant to Section 4999 of the Code (or any successor provisions) , the Trust shall pay Executive in cash an amount equal to "X" determined under the following formula: (the "Excise Tax Gross Up")

E x P

$$X = \frac{E \times P}{1 - [(Fix (1-SLI) + E+M)]}$$

where

E = the rate at which the excise tax is assessed under Section 4999 of the Code (or any successor provisions)

P = the amount with respect to which such excise tax is assessed, determined without regard to the Excise Tax Gross Up;

FI = the highest effective marginal rate of income tax applicable to Executive under the Code for the taxable year in question (taking into account any phase-out or loss of deductions, personal exemptions or other similar adjustments); SLI = the sum of the highest effective marginal rates of income tax applicable to Executive under all applicable state and local laws for the taxable year in question (taking into account any phase- out or loss of deductions, personal exemptions and other similar adjustments); and

M = the highest marginal rate of Medicare tax applicable to Executive under the Code for the taxable year in question.

With respect to any payment in the nature of compensation that is made to (or for the benefit of) Executive under the terms of this Agreement or otherwise and on which an excise tax under Section 4999 of the Code (or any successor provisions) may be assessed, the payment determined under this sub-paragraph 9(d) shall be paid to Executive at the time of the Change in Control but prior to the consummation of the transaction with any successor. It is the intention of the parties that the Trust provide Executive with a full tax gross-up under the provisions of this Paragraph, so that on a net after-tax basis, the result to Executive shall be the same as if the excise tax under Section 4999 of the Code (or any successor provisions) had not been imposed. The Excise Tax Gross Up may be adjusted if alternative minimum tax rules are applicable to Executive.

10. Mitigation/Effect on Employee Benefit Plans and Programs.

(a) Mitigation. Executive shall not be required to mitigate amounts payable under this Agreement by seeking other employment or otherwise, and there shall be no offset against amounts due Executive under this Agreement on account of subsequent employment. Amounts owed to Executive under this

Agreement shall not be offset by any claims the Trust may have against Executive and such payment shall not be affected by any other circumstances, including, without limitation, any counterclaim, recoupment, defense, or other right which the Trust may have against Executive or others.

(b) Effect on Employee Benefit Programs. The termination of Executive's employment hereunder, whether by the Trust or Executive, shall have no effect on the rights and obligations of the parties hereto under the Trust's (i) welfare benefit plans including, without limitation, Medical Continuation as provided for herein and health coverage thereafter but only to the extent required by law, and on the same basis applicable to other employees and (ii) 401(k) Plan but only to the extent required by law and pursuant to the terms of the 401(k) Plan.

11. Confidential Information.

(a) Executive understands and acknowledges that during his employment with the Trust, he will be exposed to Confidential Information (as defined below), all of which is proprietary and which will rightfully belong to the Trust. Executive shall hold in a fiduciary capacity for the benefit of the Trust such Confidential Information obtained by Executive during his employment with the Trust and shall not, directly or indirectly, at any time, either during or after his employment with the Trust, without the Trust's prior written consent, use any of such Confidential Information or disclose any of such Confidential Information to any individual or entity other than the Trust or its employees, attorneys, accountants, financial advisors, consultants, or investment bankers except as required in the performance of his duties for the Trust or as otherwise required by law. Executive shall take all reasonable steps to safeguard such Confidential Information and to protect such Confidential Information against disclosure, misuse, loss or theft.

(b) The term "Confidential Information" shall mean any information not generally known in the relevant trade or industry or otherwise not generally available to the public, which was obtained from the Trust or its predecessors or which was learned, discovered, developed, conceived, originated or prepared during or as a result of the performance of any services by Executive on behalf of the Trust or its predecessors. For purposes of this Paragraph 11, the Trust shall be deemed to include any entity which is controlled, directly or indirectly, by the Trust and any entity of which a majority of the economic interest is owned, directly or indirectly, by the Trust.

12. Return of Documents.

Except for such items, which are of a personal nature to Executive (e.g., daily business planner), all writings, records, and other documents and things containing any Confidential Information shall be the exclusive property of the Trust, shall not be copied, summarized, extracted from, or removed from the premises of the Trust, except in pursuit of the business of the Trust and at the direction of the Trust, and shall be delivered to the Trust, without retaining any copies, upon the termination of Executive's employment or at any time as requested by the Trust.

13. Non-compete.

(a) Executive agrees that without the prior written consent of a majority of the disinterested trustees of the Trust, obtained in accordance with the terms and procedures of the Declaration of Trust and Bylaws of the Trust and the Agreement of Limited Partnership of the Partnership and in accordance with applicable law, and except as provided in subparagraph 13 (b), Executive shall not at any time during the Noncompetition Period (as hereinafter defined) engage in any way, directly or indirectly, in the Competitive Real Estate Business (as hereinafter defined), except in his capacity as an employee, trustee or director, officer or shareholder of the Trust or the Partnership. For purposes of this Paragraph 13, the term Competitive Real Estate Business shall mean the acquisition, ownership, development, operation, management or leasing of shopping centers and residential multi-dwelling properties within the continental United States. The "Noncompetition Period" shall be the period commencing on August 12, 1998 and ending on the later to occur of (i) the date on which Executive is no longer an officer or trustee of the Company or the Partnership; and (ii) the date Executive beneficially owns less than ten percent (10%) of the Trust's Common Shares, calculated in

accordance with Rule 13d-3 promulgated under the Securities Exchange Act of 1934, as amended, or any successor rule or regulation thereof.

Executive from: (b) Nothing contained in this Paragraph 13 shall preclude

- (i) acquiring, whether by gift or otherwise, any property in the Competitive Real Estate Business or any interest therein from another member of Executive's family or from any entity controlled thereby, provided, that if the acquisition of such property or interest would violate the foregoing limitations of this Paragraph 13, Executive shall offer to sell such property or interest to the Trust at its fair market value (to be mutually agreed upon by the Trust, as approved by the disinterested trustees, and Executive); or
- (ii) engaging in business activities in the Competitive Real Estate Business, or otherwise, of a passive nature (i.e., with no participation in a capacity as a general partner, or as a control person of a general partner, or the functional equivalent thereof); or
- (iii) continuing to engage in those activities in which Executive currently is engaged with respect to the assets described in Schedule A attached hereto.

14. Remedies.

(a) The parties hereto agree that the Trust would suffer irreparable harm from a breach by Executive of any of the covenants or agreements contained in Paragraph 11, 12 or 13 of this Agreement. Therefore, in the event of the actual or threatened breach by Executive of any of the provisions of Paragraph 11, 12 or 13 of this Agreement, the Trust may, in addition and supplementary to other rights and remedies existing in its favor, apply to any court of law or equity of competent jurisdiction for specific performance and/or injunctive or other relief in order to enforce or prevent any violation of the provisions thereof.

(b) If the period of time, the area specified or the scope of activity restricted in Paragraph 13 above should be adjudged unreasonable in any proceeding, then the period of time shall be reduced by such number of months or the area shall be reduced by the elimination of such portion thereof or the scope of restricted activity shall be modified, or any or all of the foregoing so that such restrictions may be enforced in such area and for such time as is adjudged to be reasonable.

15. Indemnification/Legal Fees.

(a) Indemnification. In the event the Executive is made party or threatened to be made a party to any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "Proceeding"), by reason of Executive's employment with or serving as an officer or trustee of the Trust, whether or not the basis of such Proceeding is alleged action in an official capacity, the Trust shall indemnify, hold harmless and defend Executive to the fullest extent authorized by Maryland law, as the same exists and may hereafter be amended, against any and all claims, demands, suits, judgments, assessments and settlements including all expenses incurred or suffered by Executive in connection therewith (including, without limitation, all legal fees incurred using counsel reasonably acceptable to Executive) and such indemnification shall continue as to Executive even after Executive is no longer employed by the Trust and shall inure to the benefit of his heirs, executors, and administrators. Expenses incurred by Executive in connection with any Proceeding shall be paid by the Trust in advance upon request of Executive that the Trust pay such expenses; but only in the event that Executive shall have delivered in writing to the Trust an undertaking to reimburse the Trust for expenses with respect to which Executive is not entitled to indemnification. The provisions of this Paragraph shall remain in effect after this Agreement is terminated irrespective of the reasons for termination. The indemnification provisions of this Paragraph shall not supersede or reduce any indemnification provided to Executive under

any separate agreement, or the by-laws of the Trust since it is intended that this Agreement shall expand and extend the Executive's rights to receive indemnity.

(b) Legal Fees. If any contest or dispute shall arise between the Trust and Executive regarding or as a result of any provision of this Agreement, the Trust shall reimburse Executive for all legal fees and expenses reasonably incurred by Executive in connection with such contest or dispute, but only if Executive is successful in respect of substantially all of Executive's claims pursued or defended in connection with such contest or dispute. Such reimbursement shall be made as soon as practicable following the resolution of such contest or dispute (whether or not appealed).

16. Successors and Assigns.

(a) The Trust shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Trust, by agreement in form and substance satisfactory to Executive, to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Trust would be required to perform it if no such succession had taken place. Failure of the Trust to obtain any such agreement prior to the effectiveness of any such succession shall be a breach of this Agreement and shall entitle Executive to compensation from the Trust in the same amount and on the same terms as he would be entitled to hereunder if Executive terminated his employment hereunder within three (3) months of a Change in Control as set forth in Paragraph 9, except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the date of termination. In the event of such a breach of this Agreement, the Notice of Termination shall specify such date as the date of termination. As used in this Agreement, "Trust" shall mean the Trust as hereinbefore defined and any successor to all or substantially all of its business and/or its assets as aforesaid which executes and delivers the agreement provided for in this Paragraph 16 or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law. Any cash payments owed to Executive pursuant to this Paragraph 16 shall be paid to Executive in a single sum without discount for early payment immediately prior to the consummation of the transaction with such successor. Nothing in this Paragraph 16(a) shall be construed to interfere with the Trust's right to implement or pursue such succession.

(b) This Agreement and all rights of Executive hereunder may be transferred only by will or the laws of descent and distribution. Upon Executive's death, this Agreement and all rights of Executive hereunder shall inure to the benefit of and be enforceable by Executive's beneficiary or beneficiaries, personal or legal representatives, or estate, to the extent any such person succeeds to Executive's interests under this Agreement. Executive shall be entitled to select and change a beneficiary or beneficiaries to receive any benefit or compensation payable hereunder following Executive's death by giving Trust written notice thereof. If Executive should die following the date of termination while any amounts would still be payable to him hereunder if he had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to such person or persons so appointed in writing by Executive, including, without limitation, under any applicable plan, or otherwise to his legal representatives or estate.

17. Timing of and No Duplication of Payments.

All payments payable to Executive pursuant to this Agreement shall be paid as soon as practicable after such amounts have become fully vested and determinable. In addition, Executive shall not be entitled to receive duplicate payments under any of the provisions of this Agreement.

18. Modification or Waiver.

No amendment, modification, waiver, termination or cancellation of this Agreement shall be binding or effective for any purpose unless it is made in a writing signed by the party against whom enforcement of such amendment, modification, waiver, termination or cancellation is sought. No course of dealing between or among the parties to this Agreement shall be deemed to affect or to modify, amend or discharge any provision or term of this Agreement. No delay on the part of the Trust or Executive in the exercise of any of their respective rights or remedies shall operate as a waiver thereof, and no single or partial exercise by the Trust or Executive of any such right or remedy shall preclude other or further exercise thereof. A waiver of right or remedy on any

one occasion shall not be construed as a bar to or waiver of any such right or remedy on any other occasion.

The respective rights and obligations of the parties hereunder shall survive the Executive's termination of employment and termination of this Agreement to the extent necessary for the intended preservation of such rights and obligations.

19. Notices.

All notices or other communications required or permitted hereunder shall be made in writing and shall be deemed to have been duly given if delivered by hand or delivered by a recognized delivery service or mailed, postage prepaid, by express, certified or registered mail, return receipt requested, and addressed to the Trust at the address set forth above or Executive at his address as set forth in the Trust records (or to such other address as shall have been previously provided in accordance with this Paragraph 19).

20. Governing Law.

This agreement will be governed by and construed in accordance with the laws of the State of [New York] except as to Paragraph 15(a), without regard to principles of conflicts of laws thereunder.

21. Severability.

Whenever possible, each provision and term of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision or term of this Agreement shall be held to be prohibited by or invalid under such applicable law, then, subject to the provisions of sub-paragraph 13(b) above, such provision or term shall be ineffective only to the extent of such prohibition or invalidity, without invalidating or affecting in any manner whatsoever the remainder of such provisions or term or the remaining provisions or terms of this Agreement.

22. Legal Representation.

Each of the Trust and Executive have been represented by counsel with respect to this Agreement.

23. Counterparts.

This Agreement may be executed in separate counterparts, each of which is deemed to be an original and both of which taken together shall constitute one and the same agreement.

24. Headings.

The headings of the Paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute a part hereof and shall not affect the construction or interpretation of this Agreement.

25. Entire Agreement.

This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof and supersedes all other prior agreements and undertakings, both written and oral, among the parties with respect to the subject matter hereof.

26. Survival of Agreements.

The covenants made in Paragraphs 5 through 15 and 21 each shall survive the termination of this Agreement.

27. Prior Agreements.

Executive represents to the Trust and the Partnership that (a) there are no restrictions, agreements or understandings whatsoever to which Executive is a party which would prevent or make unlawful his execution of this Agreement, and (b) his execution of this Agreement shall not constitute a breach of any contract, agreement or understanding, oral or written, to which he is a party or by which he is bound.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of

the date first above written.

ACADIA REALTY TRUST

By: /s/ Robert Masters

Name: Robert Masters
Title: Senior Vice President

/s/ Kenneth Bernstein

Kenneth Bernstein

SCHEDULE A

Properties in which Executive has an interest as of the date of this Agreement.

SUBSIDIARIES

239 Greenwich Associates, L.P.

Acadia Realty Limited Partnership

Acadia G.O. Limited Partnership
Acadia Merrillville Realty, L.P.
Acadia Property Holdings, LLC
Acadia Town Line, LLC

Blackman Fifty Realty Corp.
Blackman Fifty, L.P.

Greenbelt Realty Corp.

Mark Manahawkin Realty Corp.
Mark Manahawkin, L.P.

Mark 25th Street Realty Corp.
Mark 25th Street, L.P.

Mark Shillington Realty Corp.
Mark Shillington, L.P.

Mark Berlin Realty Corp.
Mark Berlin, L.P.

Mark Four Realty Corp.
Mark Four Realty, L.P.

Mark Kings Fairground Realty Inc.
Mark Kings Fairground, L.P.

Mark M.P.N.M. Realty Inc.
Mark M.P.N.M., L.P.

Mark Martintown Realty Inc.
Mark Martintown, L.P.

Mark New Smyrna Realty Inc.
Mark New Smyrna, L.P.

Mark Northwood Realty Inc.
Mark Northwood Associates, L.P.

Mark Park Plaza Realty Inc.
Mark Park Plaza, L.P.

Mark Plaza Fifty Realty Corp.
Mark Plaza Fifty, L.P.

Mark Shillington Realty Corp.
Mark Shillington, L.P.

SUBSIDIARIES, continued

Mark Three Realty Corp.
Mark Three Realty, L.P.

Mark Troy Realty Inc.
Mark Troy, L.P.

Marley Oakwood Properties, Inc.

New Castle Fifty Realty Corp.
Mark Twelve Associates, L.P.

Port Bay Associates, LLC
RD Soundview Associates, L.P.

RD Abington Associates, L.P.

RD Absecon Associates, L.P.
RD Absecon, Inc.

RD Bloomfield Associates, L.P.

RD Branch Associates, L.P.

RD Columbia Associates, L.P.

RD Elmwood Associates, L.P.

RD Hobson Associates, L.P.

RD Methuen Associates, L.P.

RD Smithtown Associates, LLC

RD Village Associates, L.P.

RD Whitegate Associates, L.P.

RD Woonsocket Associates, L.P.

Wesmark Fifty Realty Corp.

Wesmark Fifty, L.P.

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 33-80390) pertaining to the Acadia Realty Trust (formerly Mark Centers Trust) Restricted Share Plan, in the Registration Statement (Form S-8 No. 33-95966) pertaining to the Acadia Realty Trust (formerly Mark Centers Trust) 1994 Share Option Plan and Acadia Realty Trust (formerly Mark Centers Trust) 1994 Non-Employee Trustee's Share Option Plan and in the Registration Statement (Form S-3 No. 33-85190) of Acadia Realty Trust (formerly Mark Centers Trust) of our report dated March 12, 1999, with respect to the consolidated financial statements and schedule of Acadia Realty Trust included in this Annual Report (Form 10K) for the year ended December 31, 1998.

/s/ ERNST & YOUNG LLP

New York, New York
March 30, 1999

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