Acadia Realty Trust Announces One Million Square Foot Supermarket Portfolio Acquisition; 25 Kroger And Safeway Supermarket Portfolio

January 17, 2003

NEW YORK--(BUSINESS WIRE)--Jan. 17, 2003--Acadia Realty Trust (NYSE: AKR - "Acadia") today announced that its affiliated acquisition venture, Acadia Strategic Opportunity Fund, L.P. ("Acadia Acquisition") has acquired a portfolio of twenty-five Kroger and Safeway supermarkets in conjunction with an affiliate of Stamford, Connecticut based real estate developer and investor AmCap Incorporated ("AmCap").

Acadia Acquisition is investing in the portfolio through a joint venture with AmCap, which identified and secured the investment.

ONE MILLION SQUARE FOOT SUPERMARKET PORTFOLIO

The portfolio, which aggregates approximately one million square feet, consists of twenty-five anchor-only leases with either Kroger or Safeway supermarkets, the second and fourth largest grocers, respectively, in the nation. The majority of the properties are free-standing and all are triple-net leases. Acadia Acquisition is acquiring the portfolio through long-term ground leases with terms averaging in excess of 80 years, which are master leased to a non-affiliated entity.

$47 MILLION DOLLAR ACQUISITION PRICE

The portfolio has been acquired for $47.0 million (approximately $47 per square foot), which includes closing costs and the assumption of an aggregate of $34.5 million of existing debt. The mortgage debt, which is at a blended fixed interest rate of 6.56%, is fully amortizing over the remaining seven years, which is also the primary lease term of the supermarket leases ("Primary Term"). Acadia Acquisition invested $11.25 million of the equity capitalization.

ANTICIPATED CASH YIELD ON INVESTMENT IN EXCESS OF 15% AND ACCRETION OF 5% ON 2002 ESTIMATED FFO

Based on the contractual rent obligations of Kroger and Safeway during the Primary Term, the projected cash flow on Acadia's portion of the equity investment is anticipated to yield in excess of a 15% return after amortization. This return is before any fees or residual profit participation being paid to Acadia. Depending on the residual value of the real estate beyond the Primary Term, Acadia anticipates Acadia Acquisition receiving an internal rate of return in excess of the average cash flow yield. Although the properties vary in quality and long-term viability, the success of the investment requires less than 50% of the lease options to be exercised at the end of the Primary Term by Kroger and Safeway. The base rental options at the end of the Primary Term are at an average of $5.13 per square foot.

The attractive pricing is due, in part, to the substantial amortization of the mortgage debt during the Primary Term resulting in taxable income which significantly exceeds the cash flow from the portfolio, commonly referred to as "phantom income". Due to the structure and taxable status of Acadia Acquisition, this tax issue has been, in large part, mitigated. This investment is anticipated to generate approximately $0.04 cents per share of funds from operation for Acadia on an annual basis.

ANNUAL 2003 TARGETED ACQUISITION ACTIVITY SUBSTANTIALLY ACHIEVED

Separate from the Kroger/Safeway portfolio acquisition, Acadia had previously announced that it had executed a contract to purchase the Brandywine Town Center, a one million square foot value-oriented retail complex located in Wilmington, Delaware. Subject to the satisfaction of all closing conditions, the Brandywine transaction is expected to close within 30 days. Upon the completion of the Brandywine transaction, Acadia Acquisition will have fulfilled substantially all of its forecasted acquisition activity for 2003.

MANAGEMENT COMMENTS

Commenting on the purchase, Kenneth Bernstein, President and CEO, stated "While the main focus for our acquisition program is to acquire assets that are geographically consistent with our core portfolio, we will also pursue transactions - within our core competency - where, quite simply, we can make money for our shareholders and investors. This portfolio acquisition demonstrates our team's ability to structure and then execute on a complex transaction. The complicated ownership structure and income tax considerations created when this portfolio was syndicated in 1984, presented a uniquely attractive opportunity for Acadia Acquisition and Acadia's shareholders. Importantly, we have been able to use our joint venture to structure the transaction in a manner which is anticipated to yield us above average returns from high quality tenants with minimal risk."

Commenting further, Mr. Bernstein added "We have worked with Amcap in the past and look forward to working with them as our joint venture partner. AmCap has been a successful real estate investment company for over 20 years with offices in the West, which given the locations of some of the supermarkets, is a positive factor going forward."

Acadia Acquisition is seeking to acquire a total of $300 million of real estate assets in the first fund. To date, it has either purchased or currently has under contract a total of $161 million in assets, with an additional potential earnout of $43 million to $63 million related to the Brandywine Town Center. Acadia is the general partner of Acadia Acquisition with a 22% interest and, additionally, is entitled to profit participation in excess of its invested capital based upon certain investment return thresholds. Acadia also earns various market-rate property level fees.

Acadia Realty Trust, headquartered on Long Island, NY, is a fully integrated and self-managed real estate investment trust which specializes in the acquisition, redevelopment and operation of shopping centers which are anchored by grocery and value-oriented retail. Including the assets of the Acadia Fund, Acadia currently owns, or has joint venture interests in, and operates 51 properties totaling approximately 8 million square feet, located primarily in the Eastern United States.

Certain matters in this press release may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and as such may involve known and unknown risk, uncertainties and other factors which may cause the actual results, performances or achievements of Acadia to be materially different from any future results, performances or achievements expressed or implied by such forward-looking statements. Such forward-looking statements speak only as of the date of this document. Acadia expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in Acadia's expectations with regard thereto or change in events, conditions or circumstances on which any such statement is based.

The Company considers funds from operations ("FFO") as defined by the National Association of Real Estate Investment Trusts ("NAREIT") to be an appropriate supplemental disclosure of operating performance for an equity REIT due to its widespread acceptance and use within the REIT and analyst communities. FFO is presented to assist investors in analyzing the performance of the Company. However, the Company's method of calculating FFO may be different from methods used by other REITs and, accordingly, may not be comparable to such other REITs. FFO does not represent cash generated from operations as defined by generally accepted accounting principles ("GAAP") and is not indicative of cash available to fund all cash needs, including distributions. 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.

For more information visit Acadia Realty Trust's Web site at www.acadiarealty.com

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