



Acadia Realty Trust Reports Third Quarter 2005 Operating Results; Raises 2005 Annual Guidance

October 26, 2005

NEW YORK, Oct 26, 2005 (BUSINESS WIRE) -- Acadia Realty Trust (NYSE: AKR - "Acadia" or the "Company"), a real estate investment trust ("REIT") today reported operating results for the quarter and nine months ended September 30, 2005. All per share amounts discussed below are on a fully diluted basis.

Third Quarter 2005 Highlights

Strong FFO growth continues

- Funds from operations ("FFO") were \$0.30 per share up from \$0.23 for third quarter 2004
- Earnings per share of \$0.22 for the third quarter 2005 from continuing operations were up compared with \$0.11 for third quarter 2004
- Increased 2005 annual guidance which is now expected to range between \$1.07 to \$1.09 per share

Wholly-owned portfolio occupancy increases to 93.9%

- Same-store net operating income for the retail portfolio up 5.1% for 2005
- Occupancy up 60 basis points over second quarter 2005
- JV operating portfolios combined occupancy remains strong at 96.9%

Balance sheet remains strong

- Maintained conservative dividend payout ratio for 2005 of 61% of FFO
- 32% debt to total market capitalization
- 3.8 to 1 fixed-charge coverage for 2005

External Growth: Urban/Infill redevelopment pipeline expands with two additions to New York Portfolio - Infill asset to be acquired in Chicago

- Entered into agreement to acquire a controlling leasehold interest in the Brooklyn Terminal Market in Canarsie, Brooklyn
- Acquired 260 East 161st Street in The Bronx, New York
- Entered into agreement to acquire retail building in Chicago, Illinois

Third Quarter Results

FFO, a widely accepted measure of REIT performance, for the quarter ended September 30, 2005 was \$9.9 million, or \$0.30 per share compared to \$7.2 million, or \$0.23 per share, for third quarter 2004. Third quarter 2005 results included settlement income of approximately \$0.3 million, or \$0.01 per share, representing Acadia's share of bankruptcy proceeds received from Penn Traffic through Acadia Fund I. The third quarter 2004 results included a charge of \$0.7 million, or \$0.02 per share, to reserve for the potential payment related to flood damage incurred at the Mark Plaza located in Wilkes-Barre, Pennsylvania. For the nine months ended September 30, 2005, FFO was \$27.3 million, or \$0.82 per share, as compared to \$22.4 million, or \$0.73 per share, for the nine months ended September, 2004.

Income from continuing operations was \$7.3 million, or \$0.22 per share, for third quarter 2005 compared to \$3.1 million or \$0.11 per share, for third quarter 2004. In addition to the above-mentioned settlement income, third quarter 2005 included income of \$2.2 million (net of \$1.5 million of income taxes), or \$0.07 per share, representing the Company's share of gain, through its investment funds, from the sale of certain Mervyn's locations during the quarter. For the nine months ended September 30, 2005, income from continuing operations was \$16.7 million, or \$0.52 per share compared to \$10.1 million or \$0.34 per share for the same period in 2004.

In comparing results for 2005 and 2004, management fee income increased \$4.6 million, or approximately 150%, for the nine months ended September 30, 2005 primarily due to the launching of Fund II during mid-2004 and the acquisition of rights to fees earned under certain management contracts from Klaff Retail Management Services during 2004 and 2005. As anticipated, this increase was partially offset by a \$2.7 million increase in general and administrative expenses which were a direct result of expanding the Company's infrastructure to support this increased level of activity. Interest income also increased by \$1.5 million for the same periods primarily due to Acadia's preferred equity investment in Levitz.

Portfolio Activity - Wholly-Owned Portfolio Increases to 93.9% and Same-Store NOI increases 6.6% for the Quarter and 5.1% Year-to-Date.

On a year-over-year basis, Acadia increased its portfolio occupancy by 480 basis points. September 30, 2005 occupancy was 93.9% compared to 89.1% for September 30, 2004. On a same store basis, 2005 occupancy of 93.8% increased 170 basis points over 2004 occupancy of 92.1%. On a sequential basis, September 30, 2005 occupancy increased 60 basis points over that of June 30, 2005.

Combined occupancy within the operating joint venture portfolios remained high at 96.9% for third quarter 2005, which was consistent with second quarter 2005 and up 140 basis points compared with third quarter 2004 occupancy of 95.5%.

Primarily as a result of increased rents and occupancy gains in the core portfolio from leasing activities, same store net operating income for the retail portfolio increased 6.6% and 5.1% for the quarter and nine months ended September 30, 2005, respectively, over the same periods in 2004.

Balance Sheet - Low Interest Rate Exposure

As of September 30, 2005, 81% of the Company's total mortgage debt, inclusive of long-term interest rate swaps and the Company's pro-rata share of joint venture debt is now fixed-rate. As a result, the Company continues to maintain its blended cost of debt at 5.7% despite a more than 2% increase in LIBOR from a year ago. Following the third quarter 2005, Acadia increased its fixed-rate weighting to 86% resulting from financing activities concluded during October.

For 2005, the strength and flexibility of Acadia's balance sheet is evidenced by solid financial ratios. All financial ratios include the Company's pro-rata share of unconsolidated joint venture debt and interest expense:

- Debt to total market capitalization at September 30, 2005 was 32%, compared with 37% for third quarter 2004
- Fixed-charge ratio for 2005 was 3.8 times (EBITDA / interest expense plus preferred distributions)
- Dividend payout ratio for 2005 was 61% of FFO and 64% of AFFO

Continued Expansion of External Growth Initiatives

NY Urban/Infill Program - Two additional acquisitions completed--Sixth acquisition slated for Brooklyn

Canarsie, Brooklyn - During September, Acadia, through Fund II and in conjunction with its partners P/A Associates, entered into a conditional agreement subject to various approvals, to acquire a controlling leasehold interest in the Brooklyn Terminal Food Market on Avenue D in Canarsie, Brooklyn. It is contemplated that a significant portion of the 15 acre/ 530,000 square foot property will be redeveloped into a retail center. With 500,000 people in a two mile radius, the property is a prime location for retail redevelopment.

161st Street, The Bronx - As previously announced, during August, Acadia, through Fund II, and in partnership with P/A Associates, purchased 260 East 161st Street, The Bronx, New York. The Property, a 223,000 square foot office building is located directly opposite the newly constructed 750,000 square foot Bronx Courthouse complex and three blocks east of Yankee Stadium. The property was acquired for \$49 million. Acadia anticipates investing an additional \$10 to \$20 million into the redevelopment of the project with expected yields consistent with its other current redevelopment projects.

Amboy Road, Staten Island - As previously announced, during July, the Company purchased a 60,000 square foot shopping center located on Amboy Road in Staten Island, New York for \$16.8 million in cash and Operating Partnership Units in Acadia.

Over the past year, Acadia has previously completed three other New York acquisitions - Fordham Road (The Bronx), Pelham Manor (Westchester) and Broadway at Sherman Avenue (Manhattan). Redevelopment of these six projects are anticipated to be completed in the next 12 to 36 months with a total projected combined cost (including acquisition cost) of \$200 to \$275 million depending on the ultimate scope of the redevelopments and an unleveraged redevelopment return in excess of 10% on total cost upon stabilization.

Urban/Infill Property to Be Acquired in Chicago

During September, the Company entered into an agreement to acquire a 20,000 square foot retail building in the Lincoln Park district in Chicago. Located on the corner of Clark Street and Diversey Parkway, the property will be acquired for \$9.75 million. It is anticipated that the acquisition will close in the first quarter of 2006 with an unleveraged yield of approximately 7.5%.

Tenants include Starbucks, Nine West, Vitamin Shoppe, The Body Shop, Papyrus and Cold Stone Creamery. Along with its strong location, the property has significant long-term growth potential. The property was acquired from an affiliate of the Klaff Organization, Acadia's joint-venture partner in the Company's Retailer Controlled Property Venture. The closing of this acquisition, as well as the Canarsie property, are contingent upon customary closing conditions.

Management Comments

Commenting on today's announcement, Kenneth F. Bernstein, Acadia's President and Chief Executive Officer said, "All components of our business plan continued to produce strong results in the third quarter. Strong leasing drove our NOI growth within the portfolio. Our financial ratios remain solid and well-hedged against potential rate increases. Most importantly, our Urban/Infill program and other acquisition activities continue to provide attractive long-term growth opportunities over the next several years."

Change in Auditors

Subsequent to September 30, 2005, Acadia's Audit Committee engaged BDO Seidman, LLP as the Company's independent registered public accounting firm. The decision was based primarily on the Audit Committee's efforts to reduce Acadia's costs for accounting services. The Company has not had any disagreements with its former audit firm, Ernst and Young, LLP, during the interim period from January 1, 2005 through the date of disengagement, nor any disagreements related to any prior years' audits.

Outlook - Earnings Guidance for 2005

The Company has increased its earnings guidance for 2005. Acadia anticipates 2005 FFO will range from \$1.07 to \$1.09 per share. This compares with the guidance provided during the second quarter of \$1.04 to \$1.07. This guidance includes a non-cash impairment charge of \$0.02 incurred during the second quarter 2005. Excluding this charge, the current FFO guidance is \$1.09 to \$1.11. This compares with the original 2005 earnings guidance provided at the beginning of 2005 of \$1.01 to 1.09 per share. Earnings per share from continuing operations for annual 2005 is expected to range from \$0.58 to \$0.60.

Investor Conference Call

Management will conduct a conference call October 27, 2005 at 11:00 a.m. ET to review the Company's earnings and operating results.

The live conference call can be accessed by dialing 888-482-0024 (internationally 617-801-9702). No passcode is required.

The call will also be webcast and can be accessed in a listen-only mode at Acadia's web site at www.acadiarealty.com.

If you are unable to participate during the live webcast, the call will be archived and available on Acadia's website. Alternatively, to access the replay by phone, dial 888-286-8010 (internationally 617-801-6888). The passcode will be 55970042. The phone replay will be available through November 3, 2005.

Acadia Realty Trust, headquartered in White Plains, 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.

Certain matters in this press release may constitute forward-looking statements within the meaning of federal securities law 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 also refers you to the documents filed by the Company, from time to time, with the Securities and Exchange Commission, including without limitation the Company's Annual Report on Form 10-K and the "Management's Discussion and Analysis of Financial Condition and Results of Operations" incorporated by reference therein, for a discussion of such risks and uncertainties.

See the notes to the attached financial tables for a further discussion of the Company's use of FFO.

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

ACADIA REALTY TRUST AND SUBSIDIARIES

Financial Highlights

For the Quarters and Nine Months ended September 30, 2005 and 2004
(amounts in thousands, except per share data)

STATEMENTS OF INCOME

Revenues	For the quarters ended		For the nine months ended	
	September 30, 2005	2004	September 30, 2005	2004
Minimums rents	\$ 13,311	\$ 12,633	\$ 39,231	\$ 37,806
Percentage rents	144	147	440	567
Expense reimbursements	3,113	3,256	10,139	9,686
Other property income	234	171	697	494
Management fee income	2,898	1,548	7,733	3,100
Interest income	1,045	318	2,463	918
Other	--	14	--	210
Total revenues	20,745	18,087	60,703	52,781
Operating expenses				
Property operating	3,285	4,104	10,151	11,118
Real estate taxes	2,363	2,327	6,804	6,448
General and administrative	3,499	2,674	10,274	7,585
Depreciation and amortization	4,437	3,762	12,349	11,407
Total operating expenses	13,584	12,867	39,578	36,558
Operating income	7,161	5,220	21,125	16,223
Equity in earnings of unconsolidated partnerships	4,911	483	5,795	1,533
Interest expense	(3,084)	(2,644)	(8,113)	(7,507)
Gain on sale	--	423	--	931
Minority interest	(76)	(385)	(490)	(1,046)
Income from continuing operations before income taxes	8,912	3,097	18,317	10,134
Income taxes	(1,618)	--	(1,618)	--

Income from continuing operations	7,294	3,097	16,699	10,134
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For the Quarters and Nine Months ended September 30, 2005 and 2004
(amounts in thousands, except per share data)

STATEMENTS OF INCOME (continued)

	For the quarters ended September 30,		For the nine months ended September 30,	
	2005	2004	2005	2004
Discontinued operations:				
Operating (loss) income from discontinued operations	\$ (20)	\$ (206)	\$ 124	\$ (642)
Impairment of real estate	--	--	(770)	--
Loss on sale of real estate	(50)		(50)	
Minority interest	1	4	12	17
Loss from discontinued operations	(69)	(202)	(684)	(625)
Net income	\$ 7,225	\$ 2,895	\$ 16,015	\$ 9,509
Net income per Common Share - Basic				
Net income per Common Share - Continuing operations	\$.23	\$.11	\$.52	\$.35
Net loss per Common Share - Discontinued operations	--	(.01)	(.02)	(.02)
Net income per Common Share	\$.23	\$.10	\$.50	\$.33
Weighted average Common Shares	32,009	29,459	31,925	28,896
Net income per Common Share - Diluted (1)				
Net income per Common Share - Continuing operations	\$.22	\$.11	\$.52	\$.34
Net income (loss) per Common Share - Discontinued operations	--	(.01)	(.02)	(.02)
Net income per Common Share	\$.22	\$.10	\$.50	\$.32
Weighted average Common Shares	32,706	29,954	32,187	29,506

ACADIA REALTY TRUST AND SUBSIDIARIES
Financial Highlights

For the Quarters and Nine Months ended September 30, 2005 and 2004

(amounts in thousands, except per share data)

RECONCILIATION OF NET INCOME TO FUNDS FROM OPERATIONS (2)

	For the quarters ended September 30,		For the nine months ended September 30,	
	2005	2004	2005	2004
Net income	\$ 7,225	\$ 2,895	\$16,015	\$ 9,509
Depreciation of real estate and amortization of leasing costs:				
Wholly owned and consolidated partnerships	3,497	3,588	10,514	10,672
Unconsolidated partnerships	1,115	586	2,343	1,707
Income attributable to minority interest in Operating Partnership	149	57	336	244
Gain on sale of properties, net of taxes	(2,113)	--	(2,113)	--
Funds from operations - Basic	9,873	7,126	27,095	22,132
Distributions - Preferred OP Units	74	88	254	248
Funds from operations - Diluted	\$ 9,947	\$ 7,214	\$27,349	\$22,380
Funds from operations per share - Basic				
Weighted average Common Shares and OP Units (3)	32,658	29,885	32,527	29,563
Funds from operations per share	\$.30	\$.24	\$.83	\$.75
Funds from operations per share - Diluted				
Weighted average Common Shares and OP Units (1,3)	33,355	30,902	33,281	30,665
Funds from operations per share	\$.30	\$.23	\$.82	\$.73

ACADIA REALTY TRUST AND SUBSIDIARIES

Financial Highlights

As of September 30, 2005 and December 31, 2004

(dollars in thousands, except per share data)

SELECTED BALANCE SHEET INFORMATION

	September 30, December 31,	
	2005	2004
Cash and cash equivalents	\$ 8,157	\$ 13,499
Rental property, at cost	434,859	415,276
Total assets	466,328	396,343
Mortgage notes payable	206,798	153,361
Total liabilities	234,736	171,868
Fixed rate debt: (4)	170,330	146,407
% of outstanding debt	82%	95%

Weighted average interest rate		5.8%		6.1%
Variable rate debt (4)	\$	36,468	\$	6,954
% of outstanding debt		18%		5%
Weighted average interest rate		5.4%		3.8%
Total weighted average interest rate		5.8%		6.0%

Notes:

- (1) Reflects the potential dilution that could occur if securities or other contracts to issue Common Shares were exercised or converted into Common Shares.
- (2) 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. It is helpful as it excludes various items included in net income that are not indicative of the operating performance, such as gains (losses) from sales of depreciated property and depreciation and amortization. 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. Consistent with the NAREIT definition, the Company defines FFO as net income (computed in accordance with GAAP), excluding gains (losses) from sales of depreciated property, plus depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures.
- (3) In addition to the weighted average Common Shares outstanding, diluted FFO also assumes full conversion of a weighted average 649 and 426 OP Units into Common Shares for the quarters ended September 30, 2005 and 2004, respectively and 602 and 667 OP Units into Common Shares for the nine months ended September 30, 2005 and 2004, respectively. For the quarter ended September 30, 2005, diluted net income per Common Share already includes the assumed conversion of Preferred OP Units. Diluted FFO also includes the assumed conversion of Preferred OP Units into 523 Common Shares for the quarter ended September 30, 2004, and 492 Common Shares for each of the nine months ended September 30, 2005 and 2004.
- (4) Fixed-rate debt includes \$92,854 of notional principal fixed through swap transactions. Conversely, variable-rate debt excludes this amount.

SOURCE: Acadia Realty Trust

Acadia Realty Trust
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