



## Acadia Realty Trust Reports Second Quarter 2007 Operating Results

July 25, 2007

NEW YORK--(BUSINESS WIRE)--July 25, 2007--Acadia Realty Trust (NYSE: AKR - "Acadia" or the "Company"), a real estate investment trust ("REIT"), today reported operating results for the quarter ended June 30, 2007. All per share amounts discussed below are on a fully diluted basis.

### Second Quarter 2007 Highlights

Earnings - 2007 second quarter FFO \$0.26 and EPS of \$0.09

- Funds from operations ("FFO") per share of \$0.26 for the second quarter 2007 compared to \$0.30 for second quarter 2006
- Earnings per share ("EPS") for second quarter 2007 of \$0.09 compared to \$0.15 for second quarter 2006

### Portfolio performance

- Year-to-date 2007 same store net operating income for the retail portfolio decreased \$0.5 million or 1.8% compared to 2006
- Including pro-rata share of joint venture properties, June 30, 2007 occupancy at 93.2%, a decrease of 0.8% from first quarter 2007

### Fund III - Formation of third discretionary investment fund vehicle

- Formed Fund III with \$500 million of discretionary institutional capital

### Continued progress on external growth initiatives

- Completed the acquisition of the Albee Square redevelopment project in downtown Brooklyn, New York
- Acquired additional urban/infill investment
- Additional RCP Venture investment made in second quarter 2007

### Second Quarter Operating Results

For the quarter ended June 30, 2007, FFO, a widely accepted measure of REIT performance, was \$8.8 million, or \$0.26 per share, compared to \$10.3 million, or \$0.30 per share for the quarter ended June 30, 2006. Contributing to the \$0.04 per share variance between these quarters was a \$0.02 decline in fee income primarily as a result of the timing of fees earned and a \$0.02 net decline in same store net operating income, as further discussed below. For the six months ended June 30, 2007, FFO was \$20.9 million or \$0.62 per share compared to \$19.9 million, or \$0.59 per share for the six months ended June 30, 2006. The year-to-date increase is primarily the result of income from Acadia's RCP Venture investment in Albertson's received during the first quarter of 2007.

EPS was \$0.09 for the second quarter 2007 compared to \$0.15 for the second quarter 2006 and \$0.29 for the six months ended June 30, 2007 compared to \$0.28 for the six months ended June 30, 2006.

### Portfolio performance

Including its pro-rata share of joint venture operating properties, Acadia's portfolio occupancy was 93.2% for the quarter ended June 30, 2007. This represents a decrease of 80 basis points from 94% at March 31, 2007. Of this decrease, approximately 40 basis points resulted from Acadia's buy-out of an anchor lease at a core property. A lease with a replacement anchor has been executed at a base rent of approximately three times that of the former tenant. For the six months ended June 30, 2007, same store net operating income ("NOI") for the retail portfolio decreased approximately \$0.5 million, or 1.8%, compared with the same period in 2006. For the quarter ended June 30, 2007, same store NOI declined \$0.4 million, or 2.8% from the

year ago quarter. These unfavorable variances were principally driven by the settlement of prior year common area maintenance ("CAM") reimbursement billings with certain tenants and the reversal of prior year over-accruals impacting same store NOI by \$0.5 million and \$0.8 million for the quarter and six months ended June 30, 2007, respectively.

During the second quarter of 2007, Acadia executed 17,000 square feet of new leases at an average rent increase of 64% and 68,000 square feet of renewal leases at an average rent increase of 5% from the previous rents on a cash basis. Including the effect of the straight-lining of rents, new and renewal leases had an average rent increase of 75% and 13%, respectively.

Balance Sheet - Portfolio debt is now 95% fixed-rate

The following reflects the Company's ongoing focus on maintaining a strong balance sheet:

- Fixed-charge coverage ratio (EBITDA / interest expense plus preferred distributions) of 2.6 to 1 for the second quarter 2007
- Debt to total market capitalization of 34%
- Dividend payout ratio for the second quarter 2007 of 76% of FFO; year-to-date payout ratio is 64%
- Approximately \$157 million available under existing credit facilities
- 95% of the Company's total mortgage debt is now fixed-rate, inclusive of long-term interest rate swaps and adjusted for its pro-rata share of consolidated joint venture debt

Fund III - Formation of \$500 million discretionary investment fund

On May, 16, 2007, Acadia announced the formation of its third discretionary investment fund, Acadia Strategic Opportunity Fund III LLC ("Fund III"). Fund III will be capitalized with \$500 million of discretionary institutional capital, which will enable Fund III to acquire or develop approximately \$1.5 billion of assets on a leveraged basis.

Fund III consists of 13 institutional investors, including a majority of the investors from prior funds. Acadia will invest 20% or \$100 million of the required capital in Fund III, which is fully committed.

The terms and structure of Fund III are substantially the same as Funds I and II. Acadia will earn a pro-rata return on its invested equity in Fund III, as well as fees for asset management, development/redevelopment services, leasing, construction management and property management. Acadia also has the opportunity to earn additional amounts based on certain investment return thresholds.

Fund III will continue to pursue the investment initiatives of Acadia's first two discretionary investment funds. In line with this strategy, Fund III anticipates expanding the Urban-Infill Redevelopment platform which currently has nine urban-infill projects aggregating in excess of 2.0 million square feet upon completion and approximately \$700 million in projected total costs. This includes Acadia's joint-venture with P/A Associates in New York City. Fund III will also continue to make investments in the Retailer Controlled Property initiative, which currently has invested in Mervyns and Albertson's among other investments.

External Growth Continues with Focus on New York Urban/Infill Redevelopments

New York Urban/Infill Redevelopment Program

Acadia, through its Fund II New York Urban-Infill Redevelopment Initiative with P/A Associates and Washington Square Partners (collectively, "Acadia P/A-Travis"), together with MacFarlane Partners ("MacFarlane"), acquired the leasehold interest in The Gallery at Fulton Street and adjacent parking garage in downtown Brooklyn on June 13, 2007.

Initial plans for the property call for a mixed-use development that will play a key role in the ongoing renaissance and resurgence of Downtown Brooklyn. The project, called Albee Square, will consist of retail, office and a residential component and will be the first major commercial project constructed as a result of New York City's 2004 Downtown Brooklyn Plan.

Acadia P/A-Travis, a majority partner, together with MacFarlane, will develop and operate the retail component, which is anticipated to total 475,000 square feet of prime retail space. Acadia P/A-Travis will also participate in the development of the office component with MacFarlane, which is expected to include at least 125,000 square feet of Class A office space. MacFarlane will also develop and operate the residential component of the project, which will include a mix of affordable and market rate housing and ample parking.

Additionally, on May 31, 2007, Acadia, through Fund II and in partnership with its self-storage partner at several of the other New York urban projects, acquired a property on Atlantic Avenue in Brooklyn, New York for \$5.0 million. Plans for the property call for the demolition of the existing structure and the construction of a modern climate controlled self-storage facility consisting of approximately 110,000 square feet.

Retailer Controlled Property Initiative ("RCP Venture") - Additional Investment

During the second quarter, Acadia, through Fund II, made an additional investment of approximately \$2.7 million in its RCP Venture for the acquisition of a portfolio of 87 retail properties from Rex Stores Corporation. The properties are located in 27 states with concentrations in Florida, Ohio, Michigan, Texas and South Carolina.

## Management Team

As previously announced, Numa Jerome joined the Acadia executive management team in the position of Senior Vice President and Director of Leasing to continue to drive core portfolio performance and lead the Company's external growth leasing activities.

## Outlook - Earnings Guidance for 2007

As a result of several factors, including the previously mentioned resolution in tenant CAM reimbursements, the impact of senior management changes and the timing of other potential transactions, which management will discuss on its quarterly earnings conference call, the Company currently anticipates that its earnings for the year ending December 31, 2007 will approach the lower end of its previously announced guidance of FFO ranging from \$1.30 to \$1.35 per share and EPS ranging from \$0.65 to \$0.70. The lower end of this range represents a 9% growth rate over 2006 annual FFO of \$1.19 and 35% growth in annual EPS.

## Management Comments

Commenting on the results for the second quarter, Kenneth F. Bernstein, President and CEO, stated, "The key components of our business are continuing to provide solid value creation for our shareholders. Complimenting a solid and stable core portfolio, the launching of our third investment fund should give us plenty of discretionary investment capital to continue to execute on our external growth platform. With respect to our current pipeline, the Albee Square and Atlantic Avenue acquisitions are contributing to an exciting portfolio of unique urban mixed-use properties that should help drive significant future growth for the next several years."

## Investor Conference Call

Management will conduct a conference call on Thursday, July 26, 2007 at 2:00 PM 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). The pass-code is "Acadia". The call will also be webcast and can be accessed in a listen-only mode at Acadia's web site at [www.acadiarealty.com](http://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 pass-code will be 78758690. The phone replay will be available through Wednesday, August 1, 2007.

Acadia Realty Trust, headquartered in White Plains, NY, is a fully integrated, self-managed and self-administered equity REIT focused primarily on the ownership, acquisition, redevelopment and management of retail properties, including neighborhood/community shopping centers and mixed-use properties with retail components.

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. These forward-looking statements include statements regarding our future earnings, estimates regarding the timing of completion of, and costs relating to, our real estate redevelopment projects. Factors that could cause our forward-looking statements to differ from our future results include, but are not limited to, those discussed under the headings "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Risk Factors" in the Company's most recent annual report on Form 10-K filed with the SEC on March 1, 2007 ("Form 10-K") and other periodic reports filed with the SEC, including risks related to: (i) the Company's reliance on revenues derived from major tenants; (ii) the Company's limited control over joint venture investments; (iii) the Company's partnership structure; (iv) real estate and the geographic concentration of our properties; (v) market interest rates; (vi) leverage; (vii) liability for environmental matters; (viii) the Company's growth strategy; (ix) the Company's status as a REIT (x) uninsured losses and (xi) the loss of key executives. Copies of the Form 10-K and the other periodic reports Acadia files with the SEC are available on the Company's website at [www.acadiarealty.com](http://www.acadiarealty.com). Any forward-looking statements in this press release speak only as of the date hereof. 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.

## ACADIA REALTY TRUST AND SUBSIDIARIES

### Financial Highlights

For the Quarters and Six Months ended June 30, 2007 and 2006

(dollars in thousands, except per share data)

Revenues	For the quarters ended June 30,		For the six months ended June 30,	
	2007	2006	2007	2006
Minimum rents	\$18,973	\$17,010	\$37,827	\$34,297
Percentage rents	145	126	283	311
Expense				
reimbursements	2,872	3,373	6,214	7,250
Other property				
income	289	247	553	456
Management fee				
income	736	1,281	1,811	2,482
Interest income	2,226	1,907	5,086	3,653
Other	--	--	165	1,141
Total				
revenues	25,241	23,944	51,939	49,590

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Operating expenses				
Property operating	3,982	3,478	8,888	7,345
Real estate taxes	2,515	2,354	4,713	5,054
General and administrative	5,542	4,779	10,990	10,086
Depreciation and amortization	6,873	6,336	13,410	12,566
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Total operating expenses	18,912	16,947	38,001	35,051
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Operating income	6,329	6,997	13,938	14,539
Equity in earnings of unconsolidated affiliates	3,583	3,028	3,713	5,999
Interest expense	(5,900)	(5,654)	(12,047)	(10,839)
Minority interest	(587)	330	1,701	(746)
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Income from continuing operations before income taxes	3,425	4,701	7,305	8,953
Income taxes	(391)	(363)	(435)	(812)
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Income from continuing operations	3,034	4,338	6,870	8,141
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ACADIA REALTY TRUST AND SUBSIDIARIES

Financial Highlights

For the Quarters and Six Months ended June 30, 2007 and 2006  
(dollars in thousands, except per share data)

	For the quarters ended June 30,		For the six months ended June 30,	
	2007	2006	2007	2006
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Discontinued operations:				
Operating income from discontinued operations	\$ --	\$ 520	\$ --	\$ 1,081
Minority interest	--	(10)	--	(21)
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Income from discontinued operations	--	510	--	1,060
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Net income before extraordinary item	3,034	4,848	6,870	9,201
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Extraordinary item:				
Share of extraordinary gain from investment in				

unconsolidated affiliate	--	--	23,690	--
Minority interest	--	--	(18,959)	--
Income taxes	--	--	(1,848)	--
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Income from extraordinary item	--	--	2,883	--
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Net income	\$ 3,034	\$ 4,848	\$ 9,753	\$ 9,201
=====				
Net income per Common Share - Basic				
Net income per Common Share - Continuing operations	\$ 0.09	\$ 0.14	\$ 0.21	\$ 0.26
Net income per Common Share - Discontinued operations	--	0.01	--	0.02
Net income per Common Share - Extraordinary item	--	--	0.09	--
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Net income per Common Share	\$ 0.09	\$ 0.15	\$ 0.30	\$ 0.28
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Weighted average Common Shares	32,935	32,509	32,845	32,489
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Net income per Common Share - Diluted (1)				
Net income per Common Share - Continuing operations	\$ 0.09	\$ 0.14	\$ 0.20	\$ 0.26
Net income per Common Share - Discontinued operations	--	0.01	--	0.02
Net income per Common Share - Extraordinary item	--	--	0.09	--
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Net income per Common Share	\$ 0.09	\$ 0.15	\$ 0.29	\$ 0.28
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Weighted average Common Shares	33,295	32,811	33,273	32,789
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ACADIA REALTY TRUST AND SUBSIDIARIES

Financial Highlights

For the Quarters and Six Months ended June 30, 2007 and 2006

(dollars in thousands, except per share data)

RECONCILIATION OF NET INCOME TO FUNDS FROM OPERATIONS (2)

	For the quarters ended		For the six months ended	
	June 30, 2007	2006	June 30, 2007	2006
Net income	\$3,034	\$4,848	\$9,753	\$9,201
Depreciation of real estate and amortization of leasing costs (net of minority interests' share)				
Wholly owned and consolidated affiliates	5,158	5,294	9,955	10,327
Unconsolidated affiliates	513	438	988	850
Income attributable to minority interest in Operating Partnership	84	104	228	198
Distributions - Preferred OP Units	5	63	13	125
Gain on sale (net of minority interests' share and income taxes)	--	(460)	--	(831)
Extraordinary item (net of minority interests' share and income taxes)	--	--	(2,883)	--
Funds from operations	8,794	10,287	18,054	19,870
Add back:				
Extraordinary item, net (3)	--	--	2,883	--
Funds from operations, adjusted for extraordinary item	\$8,794	\$10,287	\$20,937	\$19,870
Funds from operations per share - Diluted Weighted average Common Shares and OP Units (4)	33,984	33,799	33,960	33,778
Funds from operations, adjusted, per share	\$0.26	\$0.30	\$0.62	\$0.59

ACADIA REALTY TRUST AND SUBSIDIARIES  
Financial Highlights  
As of June 30, 2007 and December 31, 2006  
(dollars in thousands, except per share data)

SELECTED BALANCE SHEET INFORMATION

	June 30, 2007	December 31, 2006
Cash and cash equivalents	\$ 120,759	\$ 139,571
Rental property, at cost	811,803	677,238
Total assets	897,694	851,692

Notes payable	476,399	447,402
Total liabilities	524,791	496,836

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. The effect of the conversion of Common OP Units is not reflected in the above table as they are exchangeable for Common Shares on a one-for-one basis. The income allocable to such units is allocated on this same basis and reflected as minority interest in the consolidated financial statements. As such, the assumed conversion of these units would have no net impact on the determination of diluted earnings per share.

(2) The Company considers funds from operations ("FFO") as defined by the National Association of Real Estate Investment Trusts ("NAREIT") and net operating income ("NOI") to be appropriate supplemental disclosures of operating performance for an equity REIT due to its widespread acceptance and use within the REIT and analyst communities. FFO and NOI are presented to assist investors in analyzing the performance of the Company. They are helpful as they exclude 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. In addition, NOI excludes interest expense. The Company's method of calculating FFO and NOI 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. Reference is made to the Company's Quarterly Supplemental Disclosure filed on Form 8-K with the SEC for a reconciliation of the other non-GAAP financial measures used in this press release (i.e. "net operating income" and "EBITDA") to the most comparable GAAP financial measures.

(3) The extraordinary item represents the Company's share of estimated extraordinary gain related to its investment in Albertson's. The Albertson's entity has recorded an extraordinary gain in connection with the allocation of purchase price to assets acquired. The Company considers this as an investment in an operating business as opposed to real estate. Accordingly, all gains and losses from this investment are included in FFO which management believes provide a more accurate reflection of the operating performance of the Company.

(4) In addition to the weighted average Common Shares outstanding, basic and diluted FFO also assumes full conversion of a weighted average 664 and 651 OP Units into Common Shares for the quarters ended June 30, 2007 and 2006, respectively, and 662 and 652 OP Units into Common Shares for the six months ended June 30, 2007 and 2006, respectively. Diluted FFO also includes the assumed conversion of Preferred OP Units into 38 and 337 Common Shares for the quarters ended June 30, 2007 and 2006, respectively, and the conversion of Preferred OP Units into 108 and 337 Common Shares for the six months ended June 30, 2007 and 2006, respectively.

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SOURCE: Acadia Realty Trust