

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported): February 25, 2003

ACADIA REALTY TRUST  
(Exact name of registrant as specified in its charter)

Maryland (State or other jurisdiction of incorporation)	1-12002 (Commission File Number)	23-2715194 (I.R.S. Employer Identification No.)
---	--	---

20 Soundview Marketplace  
Port Washington, New York 11050  
(Address of principal executive offices) (Zip Code)

(516) 767-8830  
(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report)

ITEM 7. Financial Statements, Pro Forma Financial Information and Exhibits

(c) Exhibits

99.1 Press release dated February 25, 2003

ITEM 9. Regulation FD Disclosure

The Registrant, Acadia Realty Trust, hereby makes available as an exhibit to this filing, a press release issued on February 25, 2003 announcing the financial and operating results for the fourth quarter and year ended December 31, 2002, as well as the increase of earnings guidance for the year ending December 31, 2003. The information included in this Current Report on Form 8-K (including the exhibit hereto) is furnished pursuant to Item 9 and shall not be deemed to be "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that Section or Sections 11 and 12(a) (2) of the Securities Act of 1933, as amended. This Report (including the exhibit hereto) will not be deemed an admission as to the materiality of any information required to be disclosed solely to satisfy the requirements of Regulation FD.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

ACADIA REALTY TRUST  
(Registrant)

Date: February 25, 2003

By: /s/ Kenneth F. Bernstein  
-----  
Name: Kenneth F. Bernstein



Acadia Realty Trust Announces Fourth Quarter and  
Year-End 2002 Operating Results; Increases Guidance for 2003

NEW YORK--(BUSINESS WIRE)--Feb. 25, 2003--Acadia Realty Trust (NYSE: AKR - "Acadia" or the "Company"), a real estate investment trust ("REIT") and owner and operator of primarily supermarket-anchored shopping centers, today reported operating results for the fourth quarter and year-ended December 31, 2002.

Highlights

Earnings

- Funds from operations ("FFO"), a widely accepted measure of REIT performance, was \$0.87 per share on a fully diluted basis for the year-ended December 31, 2002 (excluding \$0.13 of FFO from lease termination income received from a single tenant during the year) compared to \$0.86 for 2001
- Achieved year-over-year earnings growth while absorbing \$0.12 of dilution from completion of non-core property disposition initiative
- Consistent with guidance, FFO for the quarter ended December 31, 2002 was \$0.20 per share

Balance Sheet

- 3.0 to 1 fixed-charge coverage for 2002
- 47% debt to total market capitalization based on current share price
- Low blended cost of debt at 5.9% with 74% of portfolio debt now fixed-rate (includes pro-rata share of JV debt)

Dividend

- Increased the dividend by 8% in first quarter 2002, from \$0.48 to \$0.52 per share annually
- Increased the dividend by 11.5% in first quarter 2003, from \$0.52 to \$0.58 per share annually
- Maintained conservative dividend payout ratio for the fourth quarter 2002 of approximately 66% of FFO

Portfolio

- Completed multi-year non-core disposition program - sold 20 assets during 2002, including the entire southeast portfolio, for a total of \$74 million
- Executed 71 new and renewal leases totaling 490,000 square feet during 2002, or over 9% of the portfolio, at spreads of 8.1% over former base rents
- Total 2002 in-place rents represent an 8.6% increase over 2001 in-place rents on a same-property basis
- Completed the redevelopment of the Elmwood Park Shopping Center (Elmwood Park, NJ) - expected to contribute approximately \$0.025 incremental FFO per share on an annual basis
- Commenced the de-malling and re-anchoring of the Gateway Shopping Center (Burlington, VT) - also expected to contribute approximately \$0.025 FFO per share on an annual basis starting in 2nd half of 2003
- Re-anchored the Crescent Plaza (Brockton, MA) with Home Depot in 107,000 square feet replacing former Bradlees store - will generate approximately \$0.01 incremental FFO per share on an annual basis

Acquisitions

- Ohio Portfolio - \$27 million acquisition of three grocery-anchored shopping centers - anticipated to generate 15% initial leveraged return and contribute approximately \$0.01 FFO per share on an annual basis

- Brandywine Portfolio - Acquired one-million square foot value-based retail portfolio for \$88 million - expected to generate 15% initial leveraged return and contribute approximately \$0.04 FFO per share on an annual basis
- Kroger/Safeway Portfolio - Acquired one-million square foot supermarket portfolio of 25 Kroger and Safeway supermarkets for \$47 million (\$47 per square foot) - anticipated to generate in excess of 16% initial leveraged return (after debt amortization) and contribute approximately \$0.04 FFO on an annual basis

#### Fourth Quarter and Year-End Operating Results - Increase in FFO

Acadia achieved year-over-year earnings growth in 2002 while absorbing FFO dilution of \$0.12 per share as a result of the aggressive execution and completion of its non-core property disposition initiative. Going forward, Acadia may periodically sell assets on an opportunistic basis, although it does not anticipate that any potential dilution from these sales would have a material impact on future earnings. 2002 earnings growth was also accomplished while strengthening the Company's balance sheet and improving its coverage ratios.

FFO for the fourth quarter 2002 was \$5.6 million, or \$0.20 per share on a fully diluted basis compared to \$7.8 million or \$0.23 for the same quarter 2001. For the year ended December 31, 2002, FFO was \$29.4 million, or \$1.00 per share compared to \$29.5 million or \$0.86 in 2001. Annual 2002 FFO was \$0.87 per share before \$3.9 million, or \$0.13 per share, of lease termination income received from a single tenant during the year.

Income from continuing operations for the fourth quarter 2002 was \$1.5 million, or \$0.06 per share on a fully diluted basis, compared to \$2.0 million, or \$0.07 per share, for 2001. For the year ended December 31, 2002, income from continuing operations was \$10.6 million, or \$0.42 per share, compared to \$5.3 million, or \$0.19 per share, in 2001. Income from continuing operations for 2002 included \$3.9 million of lease termination income received from a single tenant during the year.

#### Dispositions - Creation of a Solid Core Portfolio

Acadia completed its multi-year non-core disposition initiative with the sale of 20 non-core properties during 2002. These properties, totaling 3.0 million square feet and including the entire southeast portfolio, were sold for \$74.3 million. In addition to exiting markets not consistent with Acadia's core portfolio of supermarket and discounter-anchored shopping centers located in high barrier to entry markets with strong demographics, the Company also reduced its exposure to several weakened retailers including Kmart and Ames. Most recently, Acadia further reduced its exposure to Kmart during the fourth quarter 2002 through the sale of two shopping centers to a single buyer for \$16.8 million. The first property, the Manahawkin Village Shopping Center, located in Manahawkin, NJ, is anchored by an 112,000 square foot Kmart which paid the highest rent among all of the Kmart locations within Acadia's portfolio. The second property sold was the Valmont Plaza, a 200,000 square foot shopping center located in West Hazelton, PA.

To date, the Company has reduced its exposure to Kmart by four locations and Ames by five locations. Although Kmart is still the top tenant in the portfolio, it has been reduced from 6.6% to 4.7% of portfolio base rents. Even following Kmart's 2003 announcement of 326 store closings, all of the Kmart stores in Acadia's portfolio are open, operating and paying full rents with occupancy costs under 3% and average sales of \$176 per square foot.

Following the completion of the non-core disposition initiative as well as recent acquisitions, Acadia now currently owns, or has interests in, and operates a core portfolio of 62 properties totaling approximately nine million square feet which is comprised primarily of shopping centers anchored by grocery and value-oriented retail located in the northeast and mid-west regions of the country. Top 10 tenants now include necessity-based retailers with weighted average sales of \$378 per square foot including TJ Maxx, Waldbaum's (A&P), Wal-Mart, Price Chopper, Shaw's, Eckerd Drug, Pathmark, Acme and Redner's Supermarket.

#### Redevelopment Activity - Elmwood Park Shopping Center Project Completed in 2002

Acadia's two redevelopment projects progressed on time and on budget during 2002, with one shopping center coming back on-line

during the year:

#### Elmwood Park Shopping Center

In the fourth quarter 2002, the Company completed the redevelopment project at the Elmwood Park Shopping Center, located in Elmwood Park, NJ. Acadia replaced a former in-line, 28,000 square foot Grand Union supermarket with a 49,000 square foot Pathmark supermarket and also relocated an existing in-line Walgreens to a new 15,000 square foot location with a drive-through pharmacy. This shopping center is anticipated to generate \$0.025 incremental FFO on an annual basis.

#### Gateway Shopping Center

During 2002, Acadia commenced the de-malling and re-anchoring of the Gateway Shopping Center located in South Burlington, VT. The project, formerly a partially enclosed mini-mall with an undersized Grand Union, is being converted into a new open-air community shopping center with a 72,000 square foot Shaw's supermarket. Demolition is complete, and construction, which has already begun, is expected to be completed in 2003. The center is already 83% pre-leased and is anticipated to contribute \$0.025 FFO on an annual basis commencing the second half of 2003.

#### Portfolio Activity - 8% Increase for New and Renewal Leases

During 2002, Acadia executed 71 new and renewal leases totaling 490,000 square feet, or 9% of the portfolio gross leasable area ("GLA"), at an average increase of 8.1% over the previous base rents on a cash basis.

Average in-place rents were \$9.60 per square foot as of December 31, 2002 which represents an 8.6% increase over 2001 in-place rents on a same property basis. This was in part due to the rejection of three Ames leases during 2002 which were paying an average rent of \$4.50 per square foot.

Within the Company's portfolio of operating properties, year-end occupancy was 86.3% compared to 90.9% for the third quarter 2002, primarily the result of the closing of three Ames locations during the fourth quarter 2002. Excluding the impact of the Ames closings, the portfolio occupancy was 91.1%. The Ames closings and their effect on the portfolio occupancy were anticipated by Acadia. On a same property basis, occupancy for the fourth quarter 2001 was 93.0%.

Same property net operating income ("NOI") for the retail portfolio increased 0.1% for the full year 2002 over 2001. Despite the effect of the closing of the Ames locations during the fourth quarter 2002 and an increase in property insurance costs for 2002, increases in rents from new and renewal leases as well as scheduled increases in contractual tenant rents offset these factors. Including the two residential properties currently owned by Acadia, same property NOI decreased by 0.5% in 2002. Same property NOI for first quarter 2003 is expected to be adversely impacted due to the unusually harsh winter season.

#### Balance Sheet - Continued Strengthening for 2002

For 2002, the strength of Acadia's balance sheet was evidenced by positive trends in its financial ratios as well as sufficient in-place working capital to fund all of its foreseeable internal and external capital requirements:

- Debt to total market capitalization was 47% (based on current common share price) with a blended cost of debt of 5.9%
- 74% of the total mortgage debt was fixed-rate, inclusive of the effect of interest rate swaps and the Company's pro-rata share of joint venture debt. This contrasts with 62% fixed as of the end of 2001
- Fixed-charge ratio was 3.0 times (EBITDA / interest expense plus preferred distributions)
- Dividend payout ratio for the fourth quarter 2002 was approximately 66% of FFO
- \$40 million of working capital at year-end with an additional \$45 million available under current credit facilities

Dividend Increase - 11.5% Increase for 2003 - Follows 8% Increase in 2002

In January of 2003, Acadia announced that its Board of Trustees approved an increase in Acadia's quarterly dividend to \$0.145 per share, which represents an 11.5% increase over the \$0.13 quarterly dividend paid by Acadia during 2002. On an annualized basis, the dividend will increase \$0.06 resulting in an annual 2003 dividend of \$0.58. This follows an 8% increase in Acadia's dividend for 2002. Even after the recent dividend increase, Acadia expects to maintain a payout ratio that is among the most conservative in its sector based on 2003 earnings guidance. The first quarter 2003 dividend is payable April 15, 2003 to shareholders of record as of March 31, 2003.

#### Acquisitions - 2003 Acquisition Guidance Already Achieved

##### Ohio Portfolio

In 2002, Acadia launched its acquisition joint venture with the acquisition of three supermarket-anchored shopping centers located in Ohio. The total purchase price for the three properties, which aggregate 324,000 square feet, was \$26.7 million. The purchase price represented in excess of an 11.5% cap rate on the current net operating income before reserves and imputed management fees. Acadia's initial cash flow return (leveraged yield) for 2003 on its equity investment is projected to be approximately 15%.

##### Kroger/Safeway Portfolio

In January of 2003, the joint venture acquired a one million square foot supermarket portfolio consisting of twenty-five anchor-only leases with either Kroger or Safeway supermarkets. The purchase price of \$47.0 million included the assumption of \$34.5 of existing debt, which fully amortizes over the remaining seven year term. Even after the heavy debt amortization, the projected cash flow on Acadia's portion of its equity investment is anticipated to yield in excess of a 16% return.

##### Brandywine Portfolio

In February of 2003, the joint venture acquired another one million square foot portfolio for an initial purchase price of \$88.0 million. The portfolio consists of two open-air, value-based shopping centers. The first is the Market Square Shopping Center, a 103,000 square foot community shopping center anchored by a TJ Maxx and Trader Joe's gourmet grocery. The second center, the Brandywine Towne Center, consists of two components. The first is 450,000 square feet which is 97% occupied by dominant tenants including Lowe's, Bed Bath & Beyond, Regal Cinema, Michaels, PetSmart, Old Navy, Annie Sez, Thomasville Furniture, KB Toys and Dick's Sporting Goods. The second component is 420,000 square feet of existing space of which Target occupies 138,000 square feet. The joint venture will pay for the balance of space on an "earnout" basis only when it is leased. The initial acquisition price represents in excess of a 10.25% capitalization rate based on the current net operating income. The project is financed with \$68.0 million of 6.2% fixed-rate debt resulting in an initial leveraged yield in excess of 15%.

In total, these acquisitions are projected to contribute approximately \$0.09 to \$0.10 of FFO on an annual basis, or approximately 10% external growth on annual 2002 FFO of \$0.87.

#### Outlook - Guidance for 2003 Increased

Acadia has also revised upward its 2003 earnings guidance which was originally provided in its third quarter 2002 earnings announcement. The Company currently forecasts its 2003 FFO will range from \$0.88 to \$0.92 per share. This compares to the original 2003 forecast of \$0.85 to \$0.90 per share. Compared to 2002 earnings, the current 2003 forecast includes dilution of \$0.05 from 2002 non-core asset dispositions as well as \$0.06 dilution from the closing of three Ames locations during the fourth quarter of 2002. Further details for the 2003 forecast will be discussed in the conference call to be conducted later today.

#### Management Comments

Commenting on the results for the quarter, Kenneth Bernstein, President and CEO, stated, "The results for 2002 evidenced our success in the completion of our multi-year turnaround program - which has focused on all the key areas of our business. First, we have created a solid core portfolio through the aggressive disposition of non-core retail properties and the completion of major redevelopment projects. Second, we have achieved a healthy balance sheet as evidenced by strong debt service coverage and one of the most conservative dividend

payout coverage ratios in our sector. Lastly, we have executed on a rational external growth program through the launching of our acquisition joint venture in 2002 and three major acquisitions over the past year. By aggressively executing in all of these areas, we have now created a platform from which to deliver continued growth to our shareholders."

#### Investor Conference Call

Kenneth Bernstein, President and CEO, and Perry Kamerman, CFO, will conduct a conference call February 25, 2003 at 2:00 p.m. EST 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](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 passcode will be 4872048. The phone replay will be available through Monday, March 3, 2003.

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. Acadia currently owns (or has interests in) and operates 62 properties totaling approximately nine 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 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 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](http://www.acadiarealty.com).

#### ACADIA REALTY TRUST AND SUBSIDIARIES

##### Financial Highlights

For the Quarters and Years ended December 31, 2002 and 2001  
(dollars in thousands, except per share data)

##### STATEMENTS OF INCOME

	For the quarters ended		For the years ended	
	December 31,		December 31,	
Revenues	2002	2001	2002	2001
Minimum rents	\$ 12,592	\$ 11,921	\$ 48,488	\$ 47,086
Percentage rents	477	530	1,079	1,196
Expense reimbursements	3,358	2,745	11,419	10,884
Lease termination income	--	--	3,945	--
Other property income	83	125	536	589
Other	1,080	538	3,880	1,527

Total revenues	17,590	15,859	69,347	61,282
Operating expenses				
Property operating	4,061	2,709	12,274	11,597
Real estate taxes	2,166	2,103	8,447	8,427
General and administrative	2,886	2,541	10,173	9,025
Depreciation and amortization	3,845	3,453	14,804	13,605
Abandoned project costs	--	--	274	--
Total operating expenses	12,958	10,806	45,972	42,654
Operating income	4,632	5,053	23,375	18,628
Equity in earnings of unconsolidated partnerships	303	90	628	504
Interest expense	(2,810)	(2,712)	(11,017)	(12,370)
Minority interest	(653)	(473)	(2,426)	(1,466)
Income from continuing operations	1,472	1,958	10,560	5,296

ACADIA REALTY TRUST AND SUBSIDIARIES  
Financial Highlights

For the Quarters and Years ended December 31, 2002 and 2001  
(dollars in thousands, except per share data)

STATEMENTS OF INCOME (continued)

	For the quarters ended December 31,		For the years ended December 31,	
	2002	2001	2002	2001
Discontinued operations:				
Operating income from discontinued operations	\$ 151	\$ 874	\$ 1,165	\$ 3,972
Impairment of real estate	--	(1,130)	(197)	(15,886)
Gain on sale of properties	6,349	9,454	9,662	17,734
Minority interest	(742)	(1,468)	(1,791)	(1,025)
Income from discontinued operations	5,758	7,730	8,839	4,795
Income before extraordinary item and cumulative effect of change in accounting principle	7,230	9,688	19,399	10,091
Extraordinary item - loss on early extinguishments of debt	--	--	--	(140)
Cumulative effect of change in accounting principle	--	--	--	(149)
Net income	\$ 7,230	\$ 9,688	\$ 19,399	\$ 9,802
Net income per Common Share - basic (a)	\$ .29	\$ .34	\$ .77	\$ .35
Net income per Common Share - diluted (a)	\$ .28	\$ .34	\$ .76	\$ .35

ACADIA REALTY TRUST AND SUBSIDIARIES  
Financial Highlights

For the Quarters and Years ended December 31, 2002 and 2001  
(dollars in thousands, except per share data)

RECONCILIATION OF NET INCOME TO FUNDS FROM OPERATIONS (b)



	For the quarters ended		For the years ended	
	December 31,		December 31,	
	2002	2001	2002	2001
Net income	\$ 7,230	\$ 9,688	\$ 19,399	\$ 9,802
Depreciation of real estate and amortization of leasing costs:				
Wholly owned and consolidated partnerships	3,625	4,446	15,305	18,422
Unconsolidated partnerships	183	157	662	627
Income attributable to minority interest in Operating Partnership	948	1,874	2,928	2,221
Gain on sale of properties (c)	(6,349)	(9,454)	(9,089)	(17,734)
Impairment of real estate	--	1,130	197	15,886
Extraordinary item	--	--	--	140
Cumulative effect of change in accounting principal	--	--	--	149
Funds from operations	\$ 5,637	\$ 7,841	\$ 29,402	\$ 29,513
Funds from operations per share - Basic (d)	\$ .20	\$ .23	\$ 1.01	\$ .86
Funds from operations per share - Diluted (d)	\$ .20	\$ .23	\$ 1.00	\$ .86
Funds from operations per share - Continuing operations (Diluted) (d)	\$ .19	\$ .17	\$ .91	\$ .58

ACADIA REALTY TRUST AND SUBSIDIARIES  
Financial Highlights  
As of December 31, 2002 and 2001  
(dollars in thousands, except per share data)

SELECTED BALANCE SHEET INFORMATION

	December 31,	December 31,
	2002	2001
Cash and cash equivalents	\$ 45,168	\$ 31,905
Rental property, at cost	413,878	398,416
Total assets	410,935	493,939
Mortgage notes payable	202,361	211,444
Total liabilities	224,487	276,025
Fixed rate debt: (e)	145,236	108,521
% of outstanding debt	72 %	51 %
Weighted average interest rate	6.8 %	7.5 %
Variable rate debt	\$ 57,125	\$ 102,923
% of outstanding debt	28 %	49 %
Weighted average interest rate	3.3 %	3.9 %
Total weighted average interest rate	5.8 %	5.7 %

Notes:

(a) Basic net income per share is computed based on the weighted average number of Common Shares outstanding for the quarters ended December 31, 2002 and 2001 of 25,173,874 and 28,575,250, respectively, and the weighted average number of Common Shares outstanding for the years ended December 31, 2002 and 2001 of 25,320,631 and 28,313,070, respectively. Diluted net income per share, which assumes the conversion of securities and other contracts to issue Common Shares, is computed based on the weighted average number of Common Shares outstanding for the quarter and year ended December 31, 2002 of 25,683,279 and 25,806,035, respectively. For the quarter and year ended December 31, 2001, no additional Common Shares were reflected as the impact would be non-dilutive in such periods.

- (b) Consistent with the NAREIT definition, the Company defines FFO as net income (computed in accordance with GAAP), excluding gains (or losses) from sales of property, plus depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures.
- (c) Net of minority interest of \$573 on the sale of land during 2002.
- (d) Assumes full conversion of a weighted average 3,246,320 and 5,436,260 OP Units into Common Shares for the quarters ended December 31, 2002 and 2001, and 3,677,065 and 6,028,392 OP Units into Common Shares for the years ended December 31, 2002 and 2001.
- (e) Fixed-rate debt includes \$87,141 of notional principal fixed through swap transactions. Conversely, variable-rate debt excludes this amount.

CONTACT: Acadia Realty Trust  
Jon Grisham, VP  
Investor Relations  
516/767-8830 ext. 342