

ZIMMERMANN

ACADIA  
REALTY TRUST

August  
2024





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# Introduction





# Acadia Realty Snapshot



Acadia Realty Trust is an equity real estate investment trust focused on delivering long-term, profitable growth via its dual operating platforms (Core Portfolio and Investment Management) and its disciplined, location-driven investment strategy.

## Acadia Realty Trust accomplishes this goal by:

- Building a best-in-class Core real estate portfolio with meaningful concentrations of assets in the nation's most dynamic corridors
- Making profitable opportunistic and value-add investments through its Investment Management Platform
- And maintaining a strong balance sheet.

## ACADIA TOTAL OPERATING PORTFOLIO<sup>1</sup>

<b>Core Portfolio</b>	GLA at 100% Total	Pro-rata Share Total	Pro-rata Share Occupancy	Pro-rata Share Leased
Street & Urban	1,375	1,167	86.9%	89.7%
Suburban	3,907	3,749	93.3%	96.4%
<b>Total Core</b>	<b>5,282</b>	<b>4,916</b>	<b>91.8%</b>	<b>94.8%</b>
<b>Investment Management</b>				
Investment Mgmt	8,930	1,933	89.9%	93.0%
<b>Total</b>	<b>14,212</b>	<b>6,849</b>		

<sup>1</sup> As of 06/30/2024 AKR Supplemental Report. Square feet in '000s



# Business Model Differentiation

Core Portfolio Focused on High-Growth Street Retail, Along with Investment Management Platform



- **Institutional Capital:** Utilizing institutional capital relationships.
- **Strategy:** Opportunistic/Value-Add across capital stack, high-yielding, redevelopments and special situations.

## INVESTMENT MANAGEMENT PLATFORM

CORE  
COMPETENCY

## CORE/ON-BALANCE SHEET

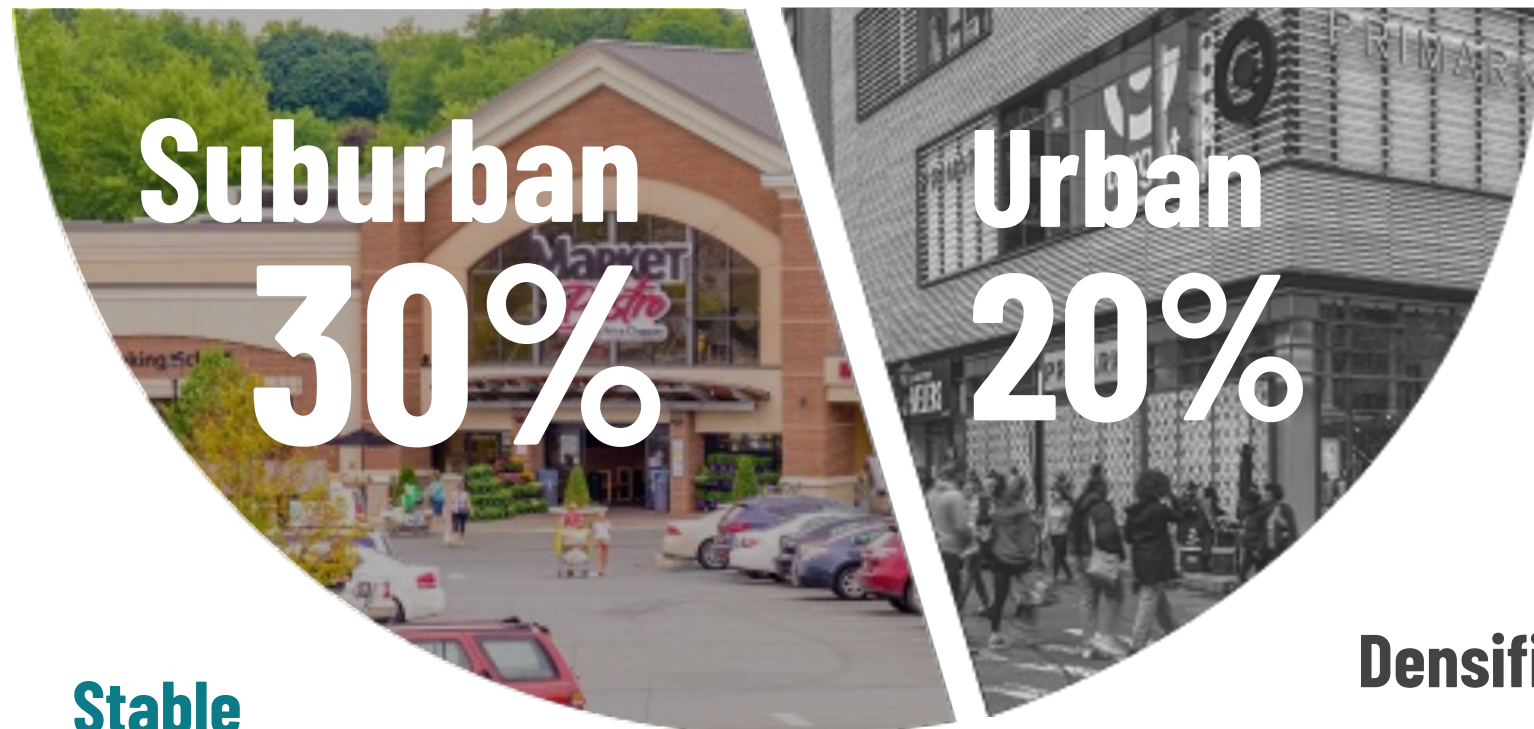
- **Public Capital**
- **Strategy:** Open-air retail format agnostic depending on cycle and opportunities. Focused on high growth markets with differentiated exposure to street retail





# Our Differentiation is Driving Growth

Live, work, play



Stable

Densification



# Must Have Locations



Greenwich, CT



Melrose Place  
Los Angeles, CA

Projected multi-year  
annual growth approximately 10%



Henderson Ave,  
Dallas, TX



SoHo, NYC, NY



Williamsburg,  
Brooklyn, NY



Armitage Ave,  
Chicago, IL



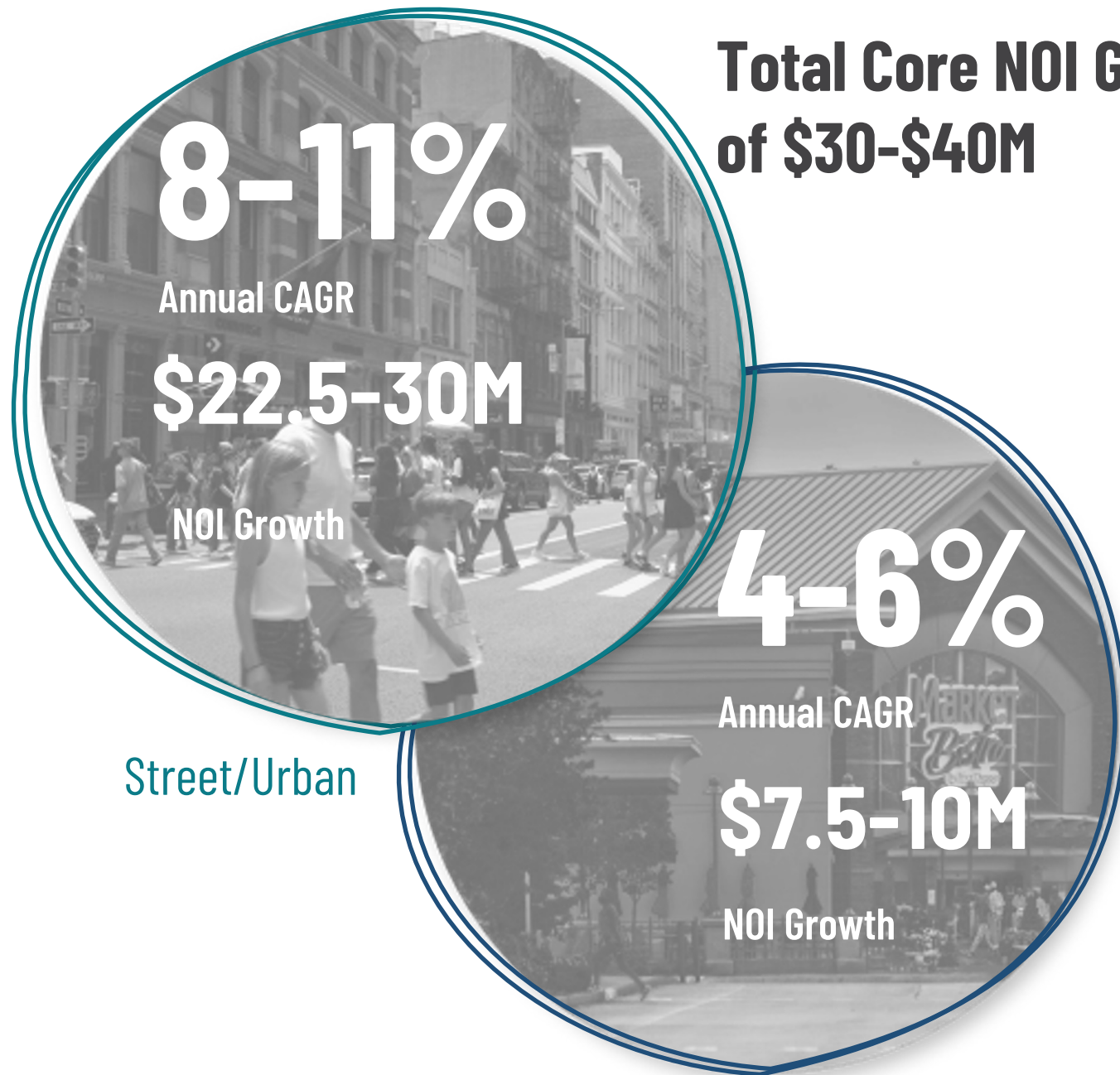
Rush-Walton,  
Chicago, IL



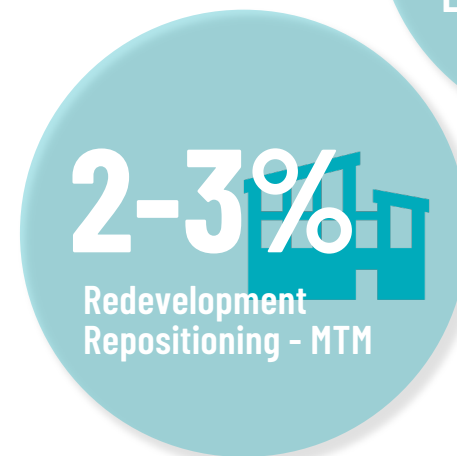
Georgetown,  
Washington D.C.



# Building Blocks of Projected Core Internal NOI Growth



**Total Core NOI Growth of \$30-\$40M**



**Components of CAGR**

Suburban



# Same Store Street Assets Growth Projected to deliver ~10% Average Annual Growth over the next several years



[1] Same store, excluding redevelopments



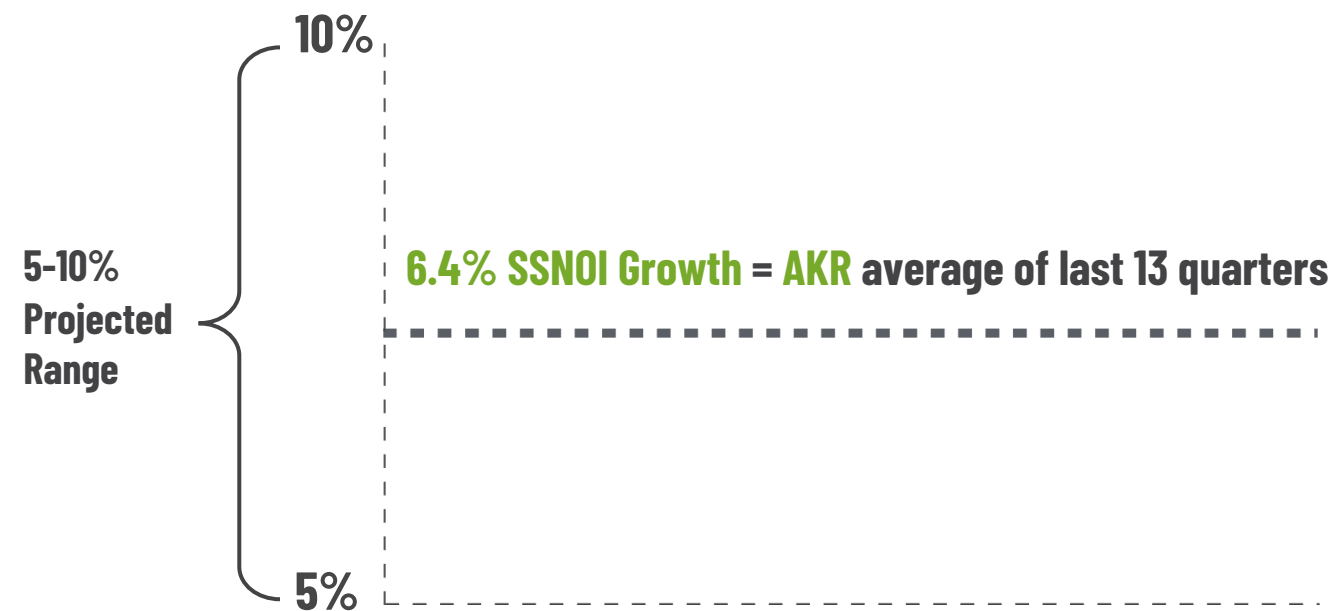
# Beyond Words, We **Delivered**

## What We **Said**

“In terms of the multi-year Core NOI growth trajectory...we are also starting to see the building blocks forming to grow above and beyond that...And we are becoming increasingly optimistic that it shows up within the next few years.”

(Q4-2020 Earnings Call)

## What We **Did**







# Corporate Updates



# Same Store NOI Growth is Translating into Earnings Growth



	FFO	SSNOI Growth
	<b>\$1.29</b>	
<b>2024 Guidance [Midpoint]</b>	<del>\$1.28</del>	<b>5.5%</b>
<b>2023 actual <sup>[1]</sup></b>	<b>\$1.22</b>	<b>5.8%</b>
2022 actual	\$1.19	6.3%
2021 actual	\$1.11	

[1] 2023 FFO excludes the non-cash \$0.08 gain from BBY lease termination





# Strong FFO Growth

....**Top Line Growth** Driving Bottom Line Earnings

	2024 Guidance [Midpoint]	2023 Actual <sup>[1]</sup>	Growth [%]
<b>Breakdown of FFO</b>			
FFO excluding promotes	\$1.15	\$1.06	<b>8.5%</b>
Realized gains and promotes	\$0.14	\$0.16	
<b>Total FFO per Share</b>	<del>\$1.28</del> <b>\$1.29</b>	<b>\$1.22</b>	<b>5.7%</b>
<b>Same Store NOI Growth</b>	<b>5 - 6%</b>	<b>5.8%</b>	

[1] 2023 FFO excludes the non-cash \$0.08 gain from BBBY lease termination

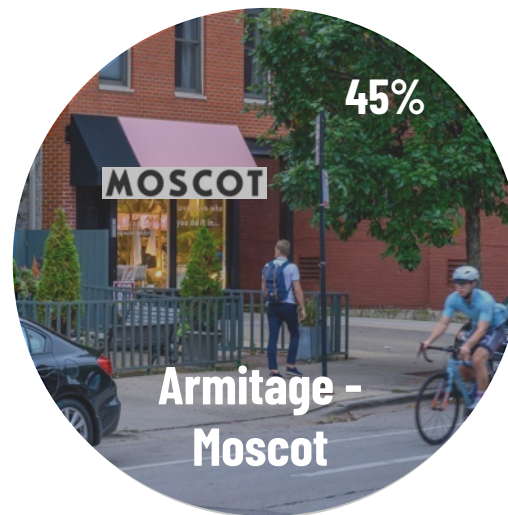




# Street Rental Growth Accelerating

Cash Spreads Moving the Needle ... Nearly **\$2 Million (~\$0.02 per share)** of **Incremental NOI**

## AKR Portfolio - Representative Sample of Recent Cash Spreads [1]



[1] AKR portfolio sample from August '23 - May '24



# Moving the Needle through Key Acquisitions & **Disciplined** Approach



~ **\$150 Million** in **Accretive**  
Core & Investment Management  
Transactions Completed or in  
Advanced Stages of Negotiation

**Targeting ~1%**  
earnings accretion  
for every **\$200 Million**

“While every transaction is going to differ in terms of long-term accretion, we are currently targeting ~1% earnings accretion for every \$200 million of gross investment.

And Keep in mind we are historically used to doing multiples of that in volume”

(Q2-2024 Earnings Call)



# Why Street Retail



# The Street Retail Opportunity



+



+



## Strong Fundamentals

Sales data, occupancy rates, rental growth, and lack of new visibility

## Capital Market Misalignment

Street & Urban cap rates increased disproportionately

## Increasing Opportunity Set

New corridors primed for transactional activity

=

**POTENTIAL FOR OUTSIZED RETURNS**



# Street Retail - Structured for Growth



**Higher** contractual annual rent steps



**Lower** leasing capex as a % of rent = **HIGHER** net effective rent growth



**Fair value** resets drive outsized rental growth



# Why Street Retail – Benefits of Ownership

## Strong Fundamentals

### Limited Supply

- Lowest SoHo Vacancy Since 2013 <sup>1</sup>
- SoHo foot traffic growth of **15%** YoY <sup>2</sup>
- Chicago – Rush Walton foot traffic growth of **7%** YoY

Very limited availability of retail spaces located in dense markets, and no new construction

### Secular Increase in Demand by Luxury Retailers <sup>3</sup>

- **57%** of new 2023 luxury leases signed in Streets
- **80%** in prime corridors

Luxury brands are clustering to critical gateway corridors, and other aspirational retailers follow

### Lower Capex as a Percent of NOI <sup>4</sup>

- Street: **9%** of NOI
- Grocery Anchored: 12% of NOI
- Leasing capex of the Street is typically a **1 year** pay back vs a 4-5 year pay back in Suburban

### Higher Embedded Internal Growth

- **3%** contractual bumps vs 1.5% in suburbs
- FMV resets
- Current market rents are still lower than prior peak and have room to run

Acadia: Melrose Place 2023  
**THREE** fair market resets  
**~30%** cash spreads



[1] Cushman and Wakefield Market Beat Manhattan Retail Q423

[2] Placer.ai

[3] JLL Luxury Report 2023

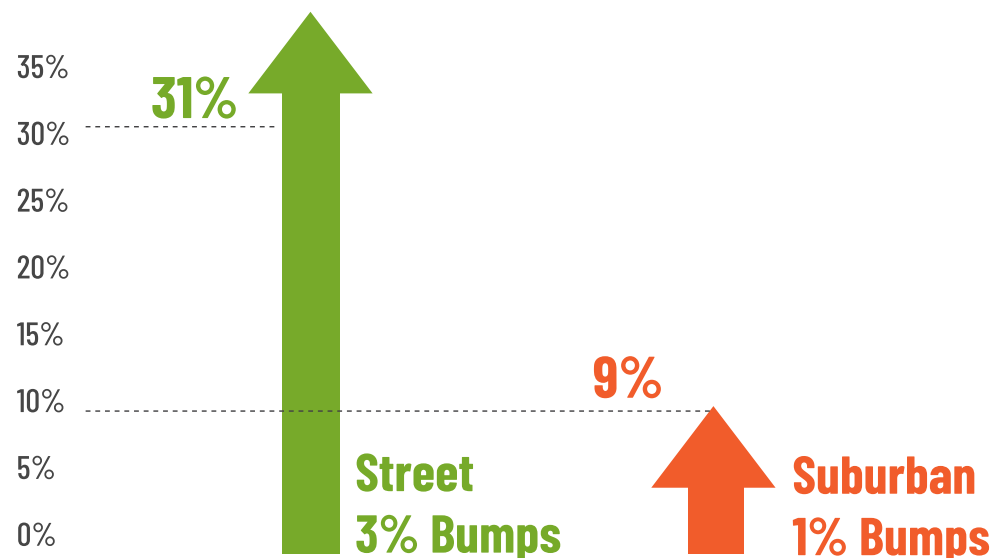
[4] Acadia Portfolio



# Not All Growth Is Created Equal: Street Retail vs. Suburban Junior Anchor

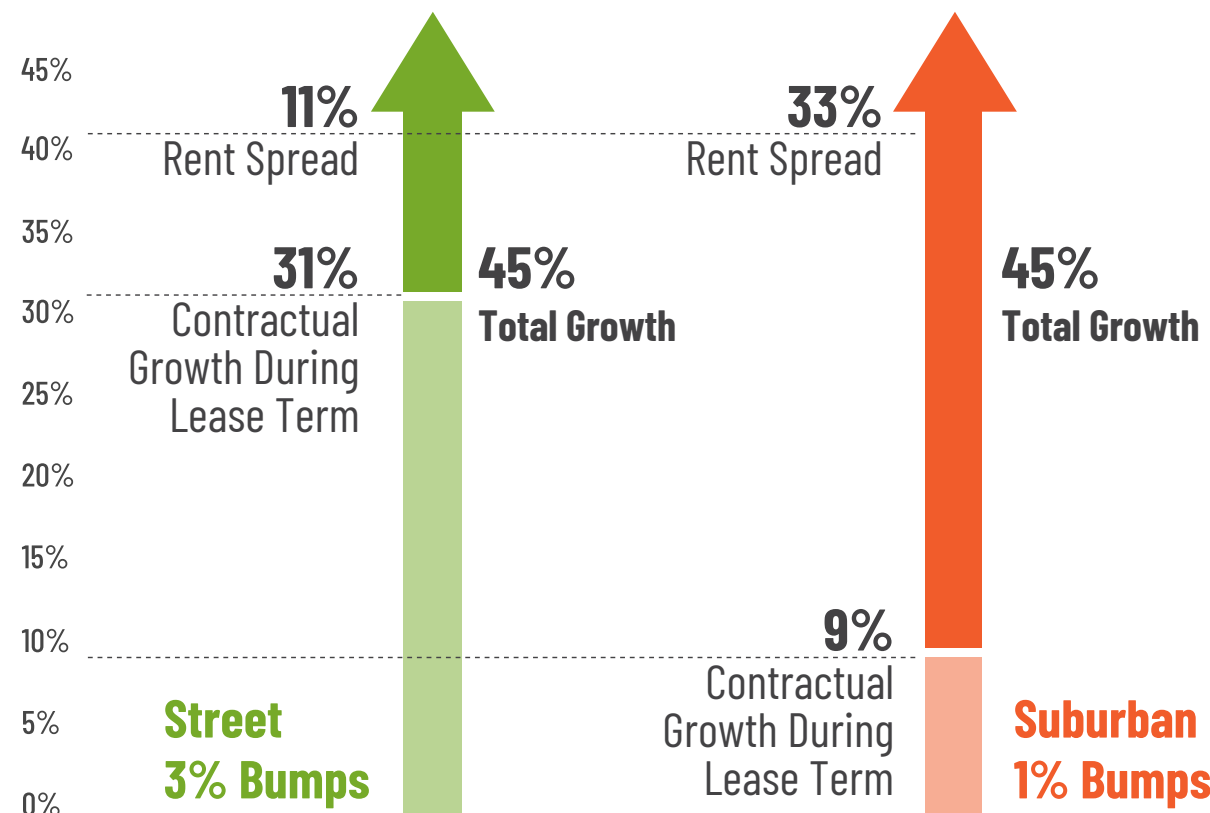
## 1. NOI Growth

Cumulative Contractual Growth During 10-yr Lease Term



## 2. Lease Spreads

Not All Spreads are Created Equal



## 3. Net Effective Rents

**Lower** Leasing Capex as a % of Rent = **HIGHER** Net Effective Rent Growth, Shorter Payback Period and Higher Cash Flow!

	Street	Suburban
Starting Rent:	\$200	\$18
Payback Period:	Year 1	Year 5
Net Effective Rent:	\$209	\$10.33

## 4. Breakeven Spreads

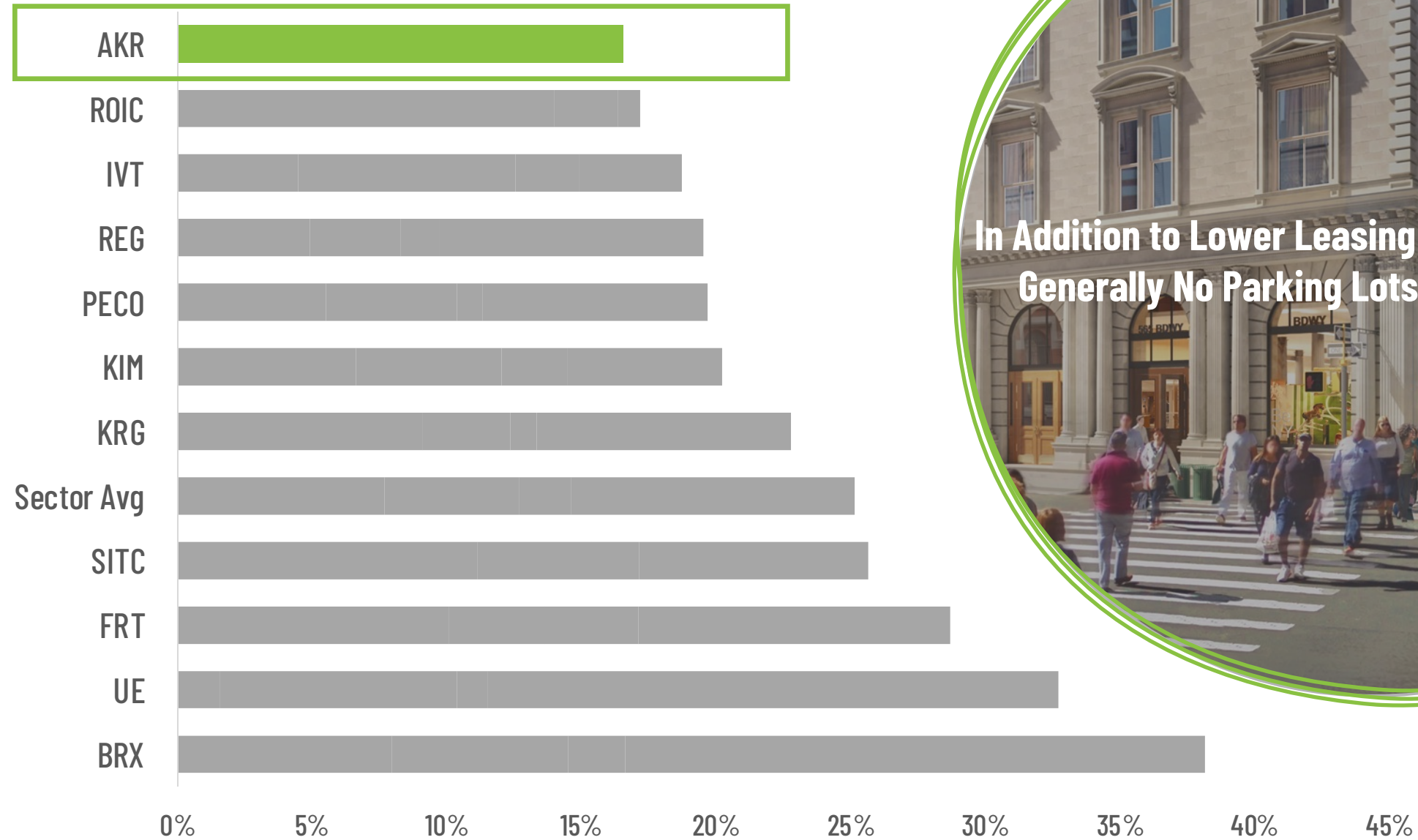
In order to maintain the existing NOI yield following a re-tenanting, a Suburban lease needs a **~50%** spread, as compared to a **~10%** spread for a Street lease.

Note: All numbers are based on the following assumptions: All lease term 10 years; annual bumps of 3% for Street and 1% for Jr Anchor.



# Capex Comparison to Peers

## Capital Expenditures by REIT (% of NOI '19-'23)



Source: Green Street Strip Center Insights 04/25/24, Capex include TI, LC, Maintenance, and Redevelopment



# Why Street Retail

## In The News: Retailers Becoming Owners In Prime Retail Corridors

**Gucci Parent Kering** Buys Fifth Avenue Retail Property in Manhattan for **\$963 Million**

French luxury good giant has strategy of purchases in **"Highly Desirable Locations."**



**Uniqlo** in Agreement to Buy 666 Fifth Avenue Retail for **\$350 Million**

"You're seeing more retailers buy ... partly because there's less competition from investors..."

Retailers can buy all cash, and they aren't looking for returns that investors are looking for."

- Dan Kaplan, *CBRE* official involved in multiple retailer-buys-its-own-store deals, including the \$60 million deal of Dyson purchasing a SoHo building

**Prada** Buys Fifth Avenue Store Building for **\$425 Million**



**LVMH** is in talks to buy a building on Manhattan's Fifth Avenue (pending deal).





# Why Acadia

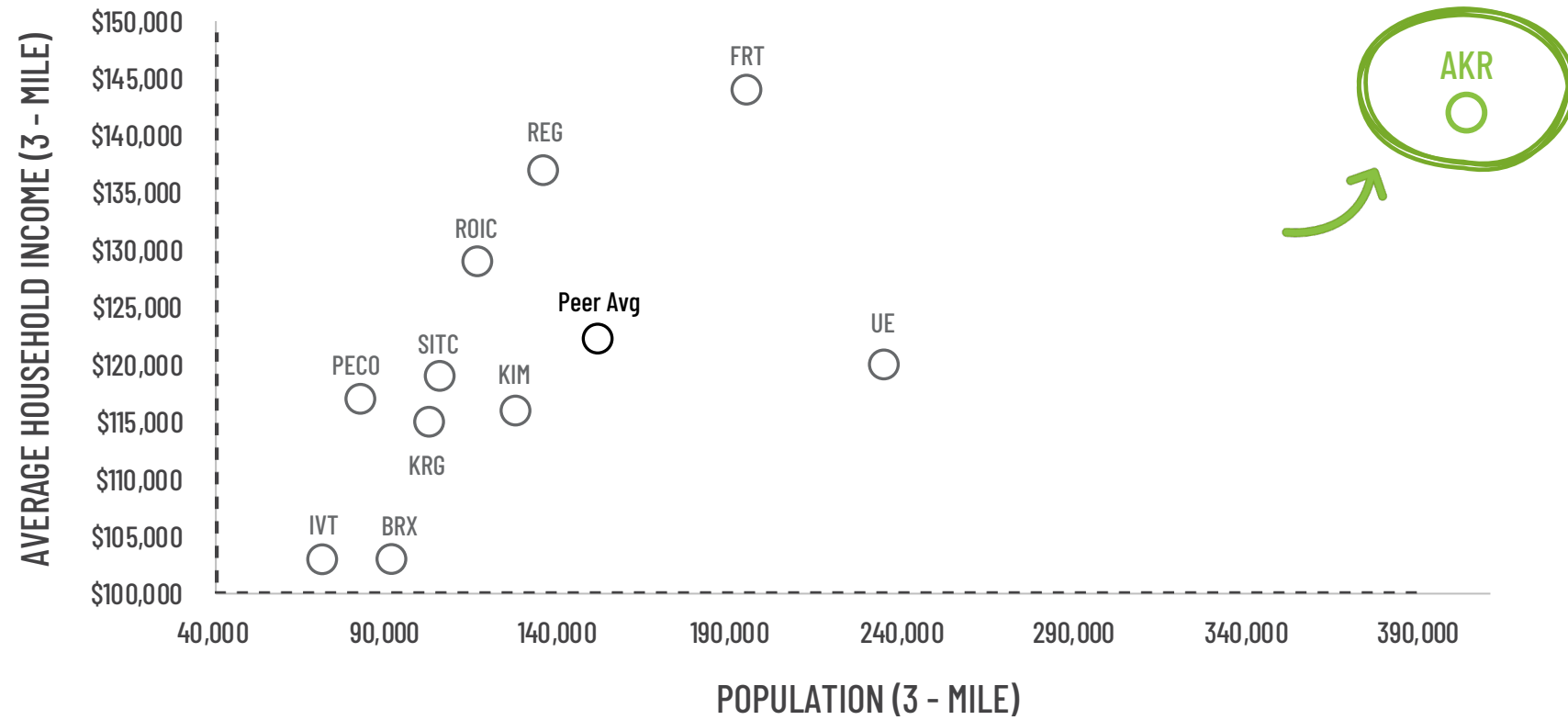




# Best in Class Portfolio Demographics

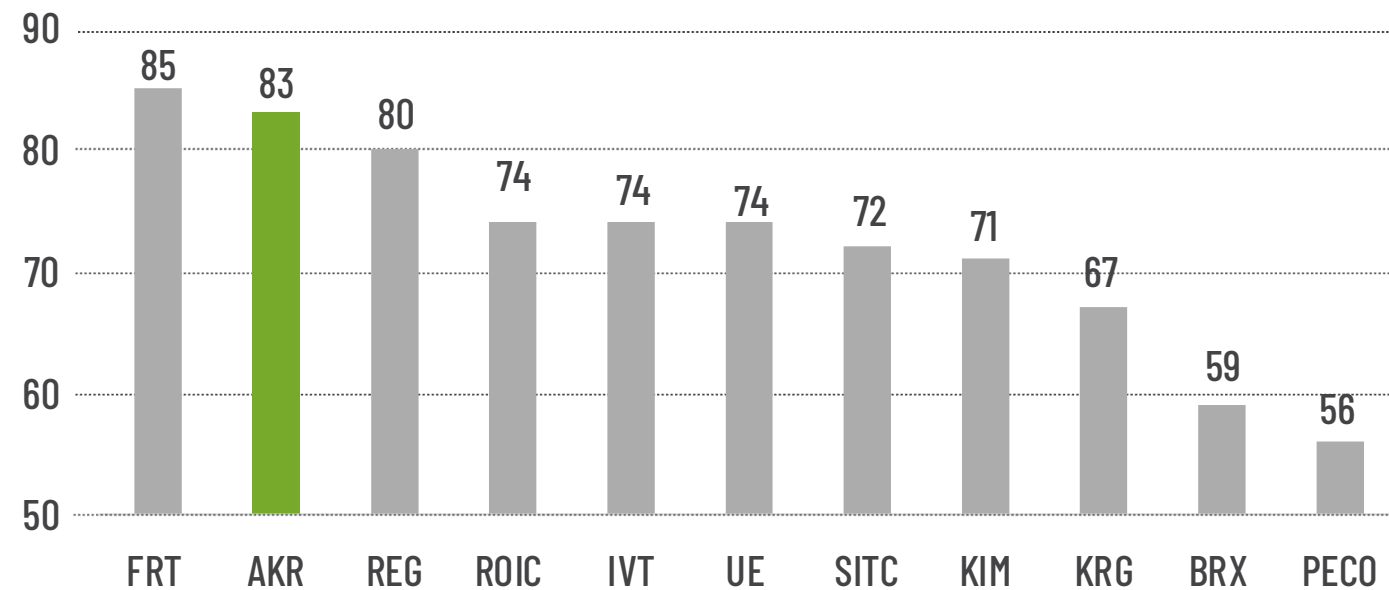
Driven By **High Growth Street & Urban Markets**

### Demographic Information for AKR Properties vs Peer<sup>1</sup>



**Higher Incomes More Durable through Cycles**

### Green Street TAP Score<sup>2</sup>

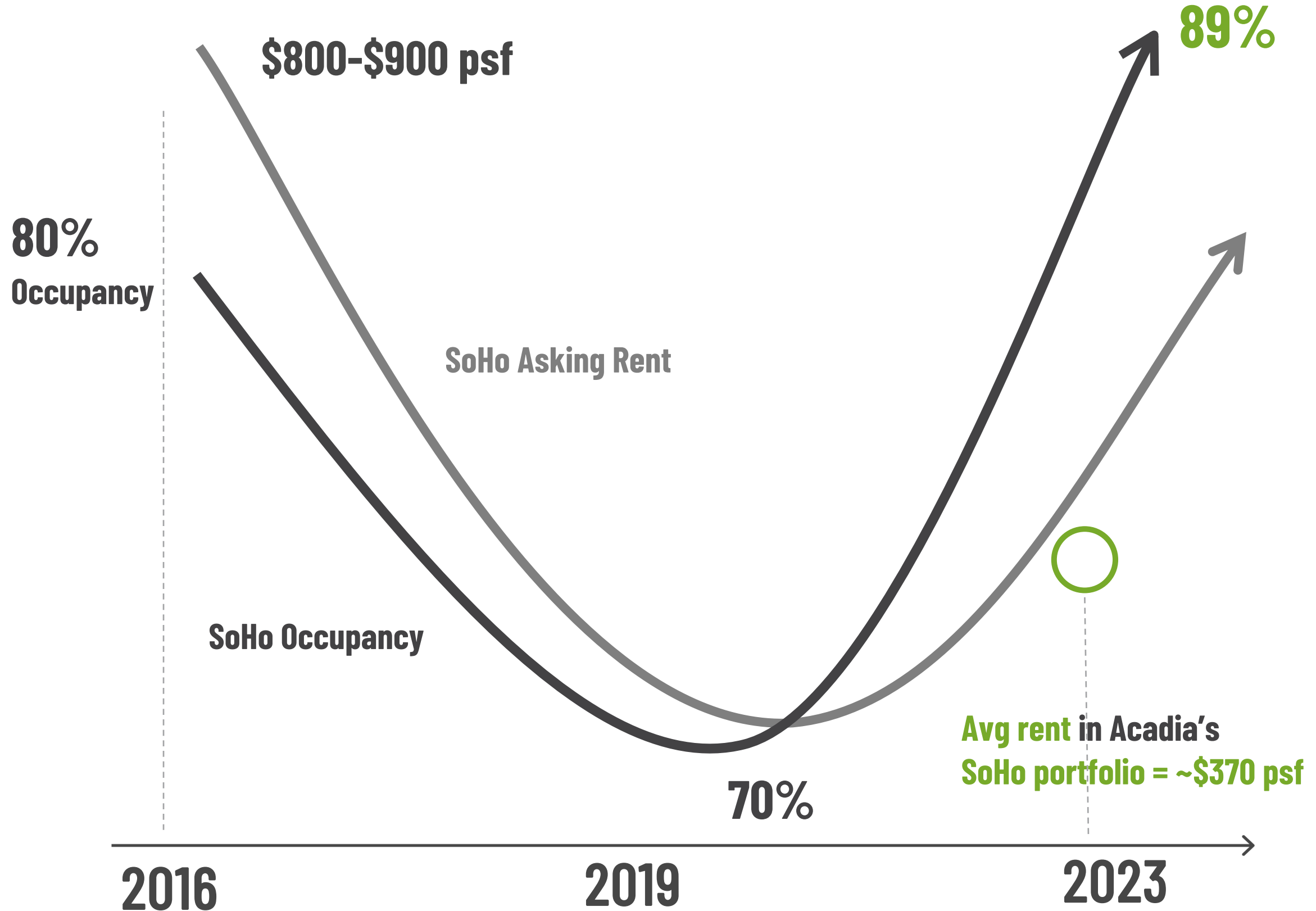


[1] Green Street Strip Center Sector Demographics Update 03/14/2024

[2] Green Street TAP Score - reflects the strength of the surrounding traded area which combine income, population density, cost of living and education level into a comparable metric



# SoHo Rents ~~Poised~~ <sup>Rebounded</sup> for Growth



Sources: Asking Rents from REBNY Retail Report '15-'23; Occupancy Rates from Cushman Wakefield SoHo Historical Statistics '15-'23

# City Point: Meaningful Value and Earnings Accretion

\$0.04-\$0.06 of FFO and ~5% of NAV accretion

2023

DIG



2024



SEPHORA



GoodVets

FOGO DE CHÃO



High Quality Space Strategically Held Back to Capture Increased Tenant Demand from Newly Completed Park and Key Anchors





# Solid Balance Sheet

- **\$100 million** of inaugural private placement unsecured notes
- No significant Core debt maturities until **2027**
- Core is substantially fixed through **2027**
- Reduced Debt/EBITDA by a full turn from December '22 with our Core portfolio at **5.8x** as of 06/30/24
- Refinanced, financed, and extended approximately **\$1 billion** debt YTD **without** increasing borrowing cost or diluting earnings
- Extension and expansion of **\$750 million** unsecured credit facility at the existing credit spread





# Investment Management Platform

## INVESTMENT MANAGEMENT STRATEGIES



### Strategic Goals

- Recycle Proceeds into **High Growth Street Retail** & to Reduce Leverage
- Capture **Strong Demographics** & Value-add Upside in Attractive Markets



# Key Takeaways



## Strong Internal Multi-Year Growth Trajectory

- Focus on building scale on 'must have' street locations, enabling retailers to drive top-line sales and supporting future rental growth
- Approximately 20-25% near term *internal* growth in Core NOI



## Ability to Move the Needle Through Acquisitions

- Underlying fundamentals in capital markets have improved, and the bid/ask spread between buyers and sellers is narrowing

- **Checking the Boxes**

- Accretive to Earnings**
- Accretive to NAV**
- Accretive to Long-Term Growth**

- Balance sheet has the flexibility, liquidity, and metrics to pursue external growth



## Investment Management Platform

- Profitable business that enables us to punch above our weight
- Leverages our track record and institutional relationships to pursue value-add, special situations, high-yield and opportunistic investments

# Corporate Responsibility



We believe that responsible environmental, social and community stewardship and responsible corporate governance are an essential part of our mission to build a successful business and create long-term value for our company and our stakeholders.

We have established goals around our material ESG Program initiatives and are committed to reporting our performance in our annual Corporate Responsibility Report.



## ENVIRONMENTAL

- Named a **Green Lease Leader Gold Status**
- Formalized commitment to reducing GHG emissions through goal to reduce emissions by 20% by end of 2024 (2019 baseline)
- Pursuing initiatives to reduce our energy and water consumption and increase reliance on renewable energy sources, including:
  - Upgrade parking lot lighting with LED bulbs and smart lighting controls
  - Install smart irrigation controls
  - Source electricity from renewable energy for landlord-controlled common areas
  - Leasing space on our rooftops and common areas for solar projects and electric vehicle charging stations
- Received the **Outstanding Achievement in Land Use Award** from Green Business Partnership in 2019 for our commitment to sustainable operating practices at our headquarters

## GOVERNANCE

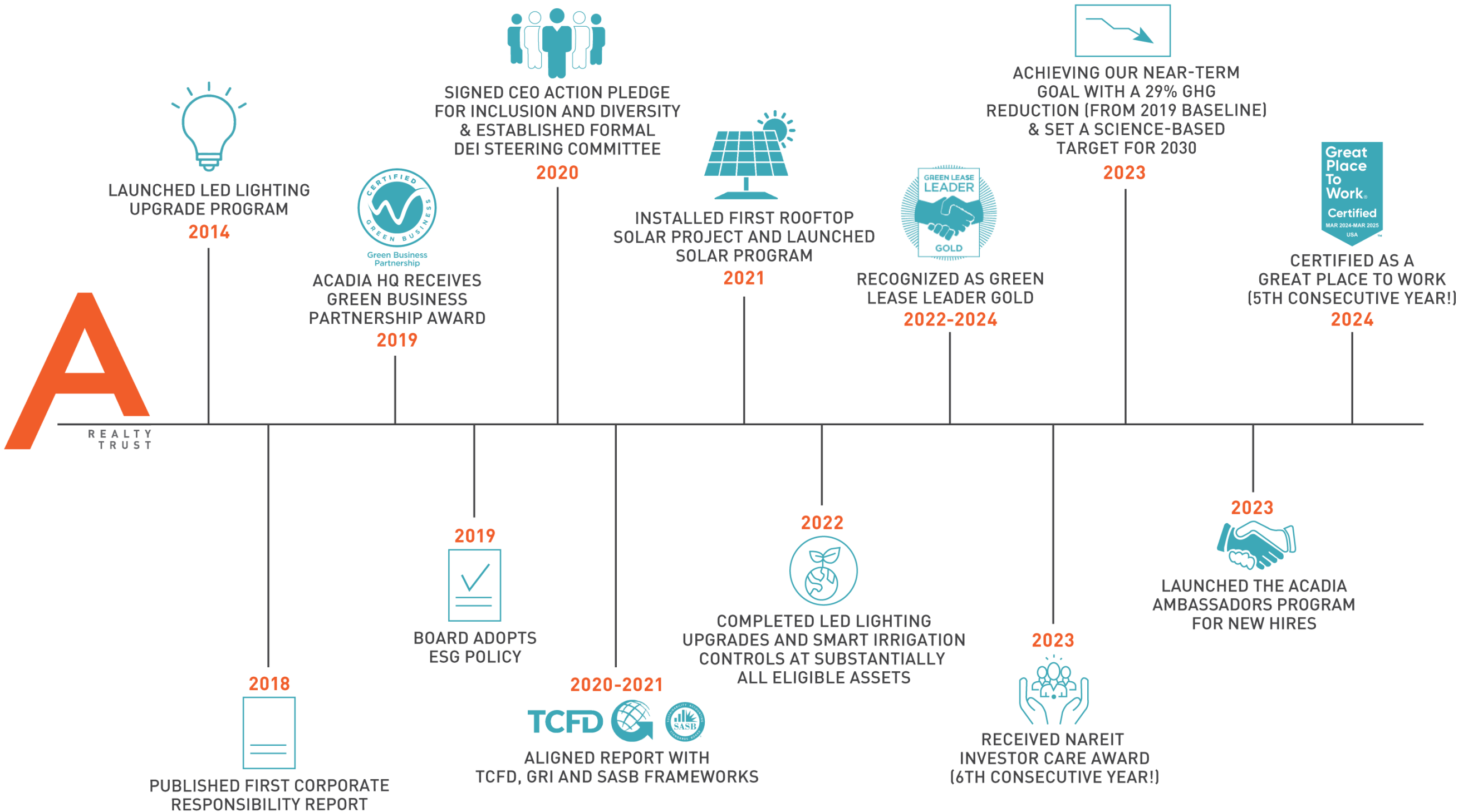
- Dedicated to maintaining a **high standard for corporate governance** predicated on integrity, ethics, diversity and transparency
- **33%** of our Board of Trustees represent gender, racial and/or ethnic diversity, as of September 30, 2023
- Received the **2023 NAREIT Investor CARE Award** for the 6th consecutive year, recognizing our continued commitment to investor reporting, transparency and governance

## SOCIAL

- In 2020, our CEO signed the **CEO Action Pledge for Inclusion and Diversity**, and we established a formal DEI Steering Committee that is charged with advancing our DEI Program
- Our DEI program is focused on fostering a professional environment that fully embraces the fundamental values of diversity, equity and inclusion, starting with education through required DEI trainings
- Women represent **50%** of our employees and **32%** of our management-level positions, and racially and ethnically diverse employees represent **25%** of our employees and **24%** of our management-level positions, as of December 31, 2022
- Support our communities by hosting community events at our properties and donating time and resources to local schools and charitable organizations
- We were **certified as a Great Place to Work** in 2023 for the fourth consecutive year



# ESG Program Highlights



## SAFE HARBOR STATEMENT

Certain statements in this press release may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements, which are based on certain assumptions and describe the Company's future plans, strategies and expectations are generally identifiable by the use of words, such as "may," "will," "should," "expect," "anticipate," "estimate," "believe," "intend" or "project," or the negative thereof, or other variations thereon or comparable terminology. Forward-looking statements involve known and unknown risks, uncertainties and other factors that could cause the Company's actual results and financial performance to be materially different from future results and financial performance expressed or implied by such forward-looking statements, including, but not limited to: (i) macroeconomic conditions, including due to geopolitical conditions and instability, which may lead to a disruption of or lack of access to the capital markets, disruptions and instability in the banking and financial services industries and rising inflation; (ii) the Company's success in implementing its business strategy and its ability to identify, underwrite, finance, consummate and integrate diversifying acquisitions and investments; (iii) changes in general economic conditions or economic conditions in the markets in which the Company may, from time to time, compete, and their effect on the Company's revenues, earnings and funding sources; (iv) increases in the Company's borrowing costs as a result of rising inflation, changes in interest rates and other factors; (v) the Company's ability to pay down, refinance, restructure or extend its indebtedness as it becomes due; (vi) the Company's investments in joint ventures and unconsolidated entities, including its lack of sole decision-making authority and its reliance on its joint venture partners' financial condition; (vii) the Company's ability to obtain the financial results expected from its development and redevelopment projects; (viii) the ability and willingness of the Company's tenants to renew their leases with the Company upon expiration, the Company's ability to re-lease its properties on the same or better terms in the event of nonrenewal or in the event the Company exercises its right to replace an existing tenant, and obligations the Company may incur in connection with the replacement of an existing tenant; (ix) the Company's potential liability for environmental matters; (x) damage to the Company's properties from catastrophic weather and other natural events, and the physical effects of climate change; (xi) the economic, political and social impact of, and uncertainty surrounding, any public health crisis, such as the COVID-19 Pandemic, which adversely affected the Company and its tenants' business, financial condition, results of operations and liquidity; (xii) uninsured losses; (xiii) the Company's ability and willingness to maintain its qualification as a REIT in light of economic, market, legal, tax and other considerations; (xiv) information technology security breaches, including increased cybersecurity risks relating to the use of remote technology; (xv) the loss of key executives; and (xvi) the accuracy of the Company's methodologies and estimates regarding environmental, social and governance ("ESG") metrics, goals and targets, tenant willingness and ability to collaborate towards reporting ESG metrics and meeting ESG goals and targets, and the impact of governmental regulation on its ESG efforts.

The factors described above are not exhaustive and additional factors could adversely affect the Company's future results and financial performance, including the risk factors discussed under the section captioned "Risk Factors" in the Company's most recent Annual Report on Form 10-K and other periodic or current reports the Company files with the SEC. Any forward-looking statements in this press release speak only as of the date hereof. The Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements to reflect any changes in the Company's expectations with regard thereto or changes in the events, conditions or circumstances on which such forward-looking statements are based.



