SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2019

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ________ to ________

Commission File Number 1-12002

ACADIA REALTY TRUST

(Exact name of registrant in its charter)

MARYLAND **(State or other jurisdiction of incorporation or organization)**	**23-2715194** **(I.R.S. Employer Identification No.)**
411 THEODORE FREMD AVENUE, SUITE 300, RYE, NY **(Address of principal executive offices)**	**10580** **(Zip Code)**

(914) 288-8100
(Registrant's telephone number, including area code)

Title of class of registered securities	Trading symbol	Name of exchange on which registered
Common shares of beneficial interest, par value $0.001 per share	AKR	The New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES ☒ **NO** ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

YES ☒ **NO** ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	☒	Accelerated Filer	☐	Emerging Growth Company	☐
Non-accelerated Filer	☐	Smaller Reporting Company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by checkmark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act) Yes ☐ No ☒

As of October 21, 2019 there were 86,948,888 common shares of beneficial interest, par value $0.001 per share ("Common Shares"), outstanding.

ACADIA REALTY TRUST AND SUBSIDIARIES
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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this Quarterly Report on Form 10-Q (the "Report") 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 and Exchange Act of 1934, as amended (the "Exchange Act"), and as such may involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Forward-looking statements, which are based on certain assumptions and describe our future plans, strategies and expectations are generally identifiable by use of the words "may," "will," "should," "expect," "anticipate," "estimate," "believe," "intend" or "project" or the negative thereof or other variations thereon or comparable terminology. Factors which could have a material adverse effect on our operations and future prospects include, but are not limited to those set forth under the headings "Item 1A. Risk Factors" and "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Report. These risks and uncertainties should be considered in evaluating any forward-looking statements contained or incorporated by reference herein.

SPECIAL NOTE REGARDING CERTAIN REFERENCES

All references to "Notes" throughout the document refer to the footnotes to the consolidated financial statements of the registrant referenced in Part I, Item 1. Financial Statements.

PART I – FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS.

ACADIA REALTY TRUST AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(dollars in thousands, except per share amounts)	September 30, 2019	December 31, 2018
ASSETS	(Unaudited)	
Investments in real estate, at cost		
Operating real estate, net	$ 3,288,377	$ 3,160,851
Real estate under development	250,278	120,297
Net investments in real estate	3,538,655	3,281,148
Notes receivable, net	94,807	109,613
Investments in and advances to unconsolidated affiliates	372,478	262,410
Other assets, net	200,588	208,570
Cash and cash equivalents	48,140	21,268
Restricted cash	12,867	13,580
Rents receivable	59,071	62,191
Assets of properties held for sale	2,939	—
Total assets	$ 4,329,545	$ 3,958,780
LIABILITIES		
Mortgage and other notes payable, net	$ 1,029,678	$ 1,017,288
Unsecured notes payable, net	625,677	533,257
Accounts payable and other liabilities	403,297	286,072
Dividends and distributions payable	26,017	24,593
Distributions in excess of income from, and investments in, unconsolidated affiliates	15,353	15,623
Total liabilities	2,100,022	1,876,833
Commitments and contingencies		
EQUITY		
Acadia Shareholders' Equity		
Common shares, $0.001 par value, authorized 200,000,000 shares, issued and outstanding 86,644,196 and 81,557,472 shares, respectively	87	82
Additional paid-in capital	1,692,659	1,548,603
Accumulated other comprehensive (loss) income	(44,138)	516
Distributions in excess of accumulated earnings	(129,026)	(89,696)
Total Acadia shareholders’ equity	1,519,582	1,459,505
Noncontrolling interests	709,941	622,442
Total equity	2,229,523	2,081,947
Total liabilities and equity	$ 4,329,545	$ 3,958,780

The accompanying notes are an integral part of these consolidated financial statements

ACADIA REALTY TRUST AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(in thousands except per share amounts)	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Revenues				
Rental income	$ 72,191	$ 51,003	$ 214,490	$ 150,838
Expense reimbursements	—	13,194	—	35,000
Other	1,136	1,330	3,053	4,116
Total revenues	73,327	65,527	217,543	189,954
Operating expenses				
Depreciation and amortization	32,170	28,676	92,807	86,755
General and administrative	8,222	7,982	25,579	24,359
Real estate taxes	10,225	11,538	29,680	27,528
Property operating	13,180	10,113	37,267	30,709
Impairment charge	321	—	1,721	—
Other operating	—	270	—	655
Total operating expenses	64,118	58,579	187,054	170,006
Gain on disposition of properties	12,056	5,107	14,070	5,140
Operating income	21,265	12,055	44,559	25,088
Equity in earnings of unconsolidated affiliates	1,299	376	7,129	7,079
Interest income	1,748	3,513	6,247	10,539
Other income	5,034	—	6,947	—
Interest expense	(19,103)	(18,077)	(56,721)	(50,882)
Income (loss) from continuing operations before income taxes	10,243	(2,133)	8,161	(8,176)
Income tax provision	(1,403)	(464)	(1,622)	(851)
Net income (loss)	8,840	(2,597)	6,539	(9,027)
Net loss attributable to noncontrolling interests	1,618	11,822	25,196	33,336
Net income attributable to Acadia	$ 10,458	$ 9,225	$ 31,735	$ 24,309
Basic and diluted earnings per share	$ 0.12	$ 0.11	$ 0.38	$ 0.29

The accompanying notes are an integral part of these consolidated financial statements

ACADIA REALTY TRUST AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	**2019**	**2018**	**2019**	**2018**
Net income (loss)	$ 8,840	$ (2,597)	$ 6,539	$ (9,027)
Other comprehensive (loss) income:				
Unrealized (loss) income on valuation of swap agreements	(15,388)	3,973	(51,347)	12,576
Reclassification of realized interest on swap agreements	(288)	(55)	(1,374)	417
Other comprehensive (loss) income	(15,676)	3,918	(52,721)	12,993
Comprehensive (loss) income	(6,836)	1,321	(46,182)	3,966
Comprehensive loss attributable to noncontrolling interests	2,726	11,033	33,263	30,996
Comprehensive (loss) income attributable to Acadia	$ (4,110)	$ 12,354	$ (12,919)	$ 34,962

The accompanying notes are an integral part of these consolidated financial statements.

ACADIA REALTY TRUST AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
Three Months Ended September 30, 2019 and 2018

	Acadia Shareholders							
(in thousands, except per share amounts)	**Common Shares**	**Share Amount**	**Additional Paid-in Capital**	**Accumulated Other Comprehensive Income (Loss)**	**Distributions in Excess of Accumulated Earnings**	**Total Common Shareholders' Equity**	**Noncontrolling Interests**	**Total Equity**
Balance at July 1, 2019	**84,453**	**$ 84**	**$ 1,625,906**	**$ (29,570)**	**$ (115,224)**	**$ 1,481,196**	**$ 618,910**	**$ 2,100,106**
Conversion of OP Units to Common Shares by limited partners of the Operating Partnership	42	—	720	—	—	720	(720)	—
Issuance of Common Shares	2,149	3	60,634	—	—	60,637	—	60,637
Dividends/distributions declared ($0.28 per Common Share/OP Unit)	—	—	—	—	(24,260)	(24,260)	(1,765)	(26,025)
Employee and trustee stock compensation, net	—	—	148	—	—	148	1,768	1,916
Noncontrolling interest distributions	—	—	—	—	—	—	(29,713)	(29,713)
Noncontrolling interest contributions	—	—	—	—	—	—	129,438	129,438
Comprehensive (loss) income	—	—	—	(14,568)	10,458	(4,110)	(2,726)	(6,836)
Reallocation of noncontrolling interests	—	—	5,251	—	—	5,251	(5,251)	—
Balance at September 30, 2019	**86,644**	**$ 87**	**$ 1,692,659**	**$ (44,138)**	**$ (129,026)**	**$ 1,519,582**	**$ 709,941**	**$ 2,229,523**
Balance at July 1, 2018	**81,503**	**$ 82**	**$ 1,543,651**	**$ 10,138**	**$ (61,196)**	**$ 1,492,675**	**$ 619,874**	**$ 2,112,549**
Conversion of OP Units to Common Shares by limited partners of the Operating Partnership	47	—	834	—	—	834	(834)	—
Dividends/distributions declared ($0.27 per Common Share/OP Unit)	—	—	—	—	(22,019)	(22,019)	(1,692)	(23,711)
Employee and trustee stock compensation, net	—	—	137	—	—	137	2,082	2,219
Noncontrolling interest distributions	—	—	—	—	—	—	(9,014)	(9,014)
Noncontrolling interest contributions	—	—	—	—	—	—	40,440	40,440
Comprehensive income (loss)	—	—	—	3,129	9,225	12,354	(11,033)	1,321
Reallocation of noncontrolling interests	—	—	1,783	—	—	1,783	(1,783)	—
Balance at September 30, 2018	**81,550**	**$ 82**	**$ 1,546,405**	**$ 13,267**	**$ (73,990)**	**$ 1,485,764**	**$ 638,040**	**$ 2,123,804**

ACADIA REALTY TRUST AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (Continued)
Nine Months Ended September 30, 2019 and 2018

	Acadia Shareholders							
(in thousands, except per share amounts)	**Common Shares**	**Share Amount**	**Additional Paid-in Capital**	**Accumulated Other Comprehensive Income (Loss)**	**Distributions in Excess of Accumulated Earnings**	**Total Common Shareholders' Equity**	**Noncontrolling Interests**	**Total Equity**
Balance at January 1, 2019	**81,557**	**$ 82**	**$ 1,548,603**	**$ 516**	**$ (89,696)**	**$ 1,459,505**	**$ 622,442**	**$ 2,081,947**
Conversion of OP Units to Common Shares by limited partners of the Operating Partnership	250	—	4,230	—	—	4,230	(4,230)	—
Issuance of Common Shares	4,816	5	135,746	—	—	135,751	—	135,751
Dividends/distributions declared ($0.84 per Common Share/OP Unit)	—	—	—	—	(71,065)	(71,065)	(5,322)	(76,387)
Employee and trustee stock compensation, net	21	—	396	—	—	396	6,965	7,361
Noncontrolling interest distributions	—	—	—	—	—	—	(34,595)	(34,595)
Noncontrolling interest contributions	—	—	—	—	—	—	161,628	161,628
Comprehensive (loss) income	—	—	—	(44,654)	31,735	(12,919)	(33,263)	(46,182)
Reallocation of noncontrolling interests	—	—	3,684	—	—	3,684	(3,684)	—
Balance at September 30, 2019	**86,644**	**$ 87**	**$ 1,692,659**	**$ (44,138)**	**$ (129,026)**	**$ 1,519,582**	**$ 709,941**	**$ 2,229,523**
Balance at January 1, 2018	**83,708**	**$ 84**	**$ 1,596,514**	**$ 2,614**	**$ (32,013)**	**$ 1,567,199**	**$ 648,440**	**$ 2,215,639**
Conversion of OP Units to Common Shares by limited partners of the Operating Partnership	111	—	1,957	—	—	1,957	(1,957)	—
Repurchase of Common Shares	(2,294)	(2)	(55,055)	—	—	(55,057)	—	(55,057)
Dividends/distributions declared ($0.81 per Common Share/OP Unit)	—	—	—	—	(66,286)	(66,286)	(5,126)	(71,412)
Employee and trustee stock compensation, net	25	—	408	—	—	408	7,924	8,332
Noncontrolling interest distributions	—	—	—	—	—	—	(24,654)	(24,654)
Noncontrolling interest contributions	—	—	—	—	—	—	46,990	46,990
Comprehensive income (loss)	—	—	—	10,653	24,309	34,962	(30,996)	3,966
Reallocation of noncontrolling interests	—	—	2,581	—	—	2,581	(2,581)	—
Balance at September 30, 2018	**81,550**	**$ 82**	**$ 1,546,405**	**$ 13,267**	**$ (73,990)**	**$ 1,485,764**	**$ 638,040**	**$ 2,123,804**

The accompanying notes are an integral part of these consolidated financial statements.

ACADIA REALTY TRUST AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended September 30,	
(in thousands)	**2019**	**2018**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$ 6,539	$ (9,027)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	92,807	86,755
Distributions of operating income from unconsolidated affiliates	8,654	12,906
Equity in earnings and gains of unconsolidated affiliates	(7,129)	(7,079)
Stock compensation expense	7,361	8,332
Amortization of financing costs	5,769	4,350
Impairment charge	1,721	—
Gain on disposition of properties	(14,070)	(5,140)
Deferred gain on tax credits	(5,034)	—
Other, net	(7,804)	(6,331)
Changes in assets and liabilities:		
Other liabilities	(6,071)	(61)
Prepaid expenses and other assets	10,271	(4,860)
Rents receivable	870	(7,452)
Accounts payable and accrued expenses	1,303	(5,210)
Net cash provided by operating activities	**95,187**	**67,183**
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of real estate	(256,647)	(104,902)
Development, construction and property improvement costs	(77,636)	(66,238)
Issuance of or advances on notes receivable	—	(3,002)
Proceeds from the disposition of properties, net	80,120	52,759
Investments in and advances to unconsolidated affiliates and other	(154,256)	(3,481)
Return of capital from unconsolidated affiliates and other	38,359	23,777
Proceeds from notes receivable	15,250	26,000
Return of deposits for properties under contract	1,060	1,750
Payment of deferred leasing costs	(5,874)	(2,981)
Net cash used in investing activities	**(359,624)**	**(76,318)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on mortgage and other notes	(166,865)	(69,050)
Principal payments on unsecured debt	(352,195)	(578,600)
Proceeds received on mortgage and other notes	183,556	122,332
Proceeds from unsecured debt	444,575	578,800
Payments for repurchase of Common Shares	—	(55,057)
Payments of finance lease obligations	(2,125)	—
Proceeds from the sale of Common Stock, net	135,750	—
Capital contributions from noncontrolling interests	161,628	46,990
Distributions to noncontrolling interests	(39,917)	(29,731)
Dividends paid to Common Shareholders	(69,641)	(66,869)
Deferred financing and other costs	(4,170)	(3,316)
Net cash provided by (used in) financing activities	**290,596**	**(54,501)**
Increase (decrease) in cash and restricted cash	26,159	(63,636)
Cash of $21,268 and $74,823 and restricted cash of $13,580 and $10,846, respectively, beginning of period	34,848	85,669
Cash of $48,140 and $9,525 and restricted cash of $12,867 and $12,508, respectively, end of period	$ 61,007	$ 22,033

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

	Nine Months Ended September 30,	
(in thousands)	**2019**	**2018**
Supplemental disclosure of cash flow information		
Cash paid during the period for interest, net of capitalized interest of $8,430 and $4,366 respectively	$ 53,586	$ 45,251
Cash paid for income taxes, net of refunds	$ 730	$ 1,227
Supplemental disclosure of non-cash investing and financing activities		
Assumption of accounts payable and accrued expenses through acquisition of real estate	$ 3,697	$ 1,014
Right-of-use assets, finance leases obtained in exchange for finance lease liabilities	$ 16,349	$ —
Right-of-use assets, finance leases obtained in exchange for assets under capital lease	$ 76,965	$ —
Right-of-use assets, operating leases obtained in exchange for operating lease liabilities	$ 57,165	$ —
Capital lease obligation exchanged for finance lease liability	$ 71,111	$ —
Other liabilities exchanged for operating lease liabilities	$ 946	$ —
Assumption of debt through investments in unconsolidated affiliates	$ 4,688	$ —
Acquisition of undivided interest in a property through conversion of notes receivable	$ —	$ 22,201
Debt exchanged for deferred gain on tax credits	$ (5,262)	$ —
Other assets exchanged for deferred gain on tax credits	$ 228	$ —

The accompanying notes are an integral part of these consolidated financial statements.

1. Organization, Basis of Presentation and Summary of Significant Accounting Policies

Organization

Acadia Realty Trust (collectively with its subsidiaries, the "Company") is a fully-integrated equity real estate investment trust ("REIT") focused on the ownership, acquisition, development, and management of retail properties located primarily in high-barrier-to-entry, supply-constrained, densely-populated metropolitan areas in the United States.

All of the Company's assets are held by, and all of its operations are conducted through, Acadia Realty Limited Partnership (the "Operating Partnership") and entities in which the Operating Partnership owns an interest. As of September 30, 2019 and December 31, 2018, the Company controlled approximately 94% of the Operating Partnership as the sole general partner and is entitled to share, in proportion to its percentage interest, in the cash distributions and profits and losses of the Operating Partnership. The limited partners primarily represent entities or individuals that contributed their interests in certain properties or entities to the Operating Partnership in exchange for common or preferred units of limited partnership interest ("Common OP Units" or "Preferred OP Units") and employees who have been awarded restricted Common OP Units ("LTIP Units") as long-term incentive compensation (Note 13). Limited partners holding Common OP and LTIP Units are generally entitled to exchange their units on a one-for-one basis for common shares of beneficial interest of the Company ("Common Shares"). This structure is referred to as an umbrella partnership REIT or "UPREIT."

As of September 30, 2019, the Company has ownership interests in 125 properties within its core portfolio, which consist of those properties either 100% owned, or partially owned through joint venture interests, by the Operating Partnership, or subsidiaries thereof, not including those properties owned through its funds ("Core Portfolio"). The Company also has ownership interests in 57 properties within its opportunity funds, Acadia Strategic Opportunity Fund II, LLC ("Fund II"), Acadia Strategic Opportunity Fund III LLC ("Fund III"), Acadia Strategic Opportunity Fund IV LLC ("Fund IV"), and Acadia Strategic Opportunity Fund V LLC ("Fund V" and, collectively with Fund II, Fund III and Fund IV, the "Funds"). The 182 Core Portfolio and Fund properties primarily consist of street and urban retail, and suburban shopping centers. In addition, the Company, together with the investors in the Funds, invested in operating companies through Acadia Mervyn Investors I, LLC ("Mervyns I," which was liquidated in 2018) and Acadia Mervyn Investors II, LLC ("Mervyns II"), all on a non-recourse basis. The Company consolidates the Funds as it has (i) the power to direct the activities that most significantly impact the Funds' economic performance, (ii) is obligated to absorb the Funds' losses and (iii) has the right to receive benefits from the Funds that could potentially be significant.

The Operating Partnership is the sole general partner or managing member of the Funds and Mervyns II and earns fees or priority distributions for asset management, property management, construction, development, leasing, and legal services. Cash flows from the Funds and Mervyns II are distributed pro-rata to their respective partners and members (including the Operating Partnership) until each receives a certain cumulative return ("Preferred Return") and the return of all capital contributions. Thereafter, remaining cash flow is distributed 20% to the Operating Partnership ("Promote") and 80% to the partners or members (including the Operating Partnership). All transactions between the Funds and the Operating Partnership have been eliminated in consolidation.

The following table summarizes the general terms and Operating Partnership's equity interests in the Funds and Mervyns II (dollars in millions):

Entity	Formation Date	Operating Partnership Share of Capital	Capital Called as of September 30, 2019	Unfunded Commitment	Equity Interest Held By Operating Partnership (a)	Preferred Return	Total Distributions as of September 30, 2019 (b)
Fund II and Mervyns II (c)	6/2004	28.33%	$ 347.1	$ 15.0	28.33%	8%	$ 146.6
Fund III	5/2007	24.54%	436.4	13.6	24.54%	6%	568.8
Fund IV	5/2012	23.12%	438.1	91.9	23.12%	6%	172.1
Fund V	8/2016	20.10%	258.6	261.4	20.10%	6%	2.0

(a) Amount represents the current economic ownership at September 30, 2019, which could differ from the stated legal ownership based upon the cumulative preferred returns of the respective Fund.
(b) Represents the total for the Funds, including the Operating Partnership and noncontrolling interests' shares.
(c) During April 2018, a distribution of $15.0 million was made to the Fund II investors, including $4.3 million to the Operating Partnership. This amount remains subject to re-contribution to Fund II until April 2021.

Basis of Presentation

Segments

At September 30, 2019, the Company had three reportable operating segments: Core Portfolio, Funds and Structured Financing. The Company's chief operating decision maker may review operational and financial data on a property-level basis and does not differentiate properties on a geographical basis for purposes of allocating resources or capital.

Principles of Consolidation

The interim consolidated financial statements include the consolidated accounts of the Company and its investments in partnerships and limited liability companies in which the Company has control in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 810 "Consolidation" ("ASC Topic 810"). The ownership interests of other investors in these entities are recorded as noncontrolling interests. All significant intercompany balances and transactions have been eliminated in consolidation. Investments in entities for which the Company has the ability to exercise significant influence over, but does not have financial or operating control, are accounted for using the equity method of accounting. Accordingly, the Company's share of the earnings (or losses) of these entities are included in consolidated net income.

The interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and the rules and regulations of the U.S. Securities and Exchange Commission ("SEC"). Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. Operating results for the interim periods presented are not necessarily indicative of the results that may be expected for the full fiscal year. The information furnished in the accompanying consolidated financial statements reflects all adjustments that, in the opinion of management, are necessary for a fair presentation of the aforementioned consolidated financial statements for the interim periods. Such adjustments consisted of normal recurring items.

These interim consolidated financial statements should be read in conjunction with the Company's 2018 Annual Report on Form 10-K, as filed with the SEC on February 19, 2019.

Use of Estimates

GAAP requires the Company's management to make estimates and assumptions that affect the amounts reported in the interim consolidated financial statements and accompanying notes. The most significant assumptions and estimates relate to the valuation of real estate, depreciable lives, revenue recognition and the collectability of notes receivable and rents receivable. Application of these estimates and assumptions requires the exercise of judgment as to future uncertainties and, as a result, actual results could differ from these estimates.

Reclassifications

Certain prior period amounts with regard to gains on dispositions of properties and credit losses have been reclassified to conform to the current period presentation.

Recently Adopted Accounting Pronouncements

Lease Accounting

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842).* ASU 2016-02 outlines a new model for accounting by lessees, whereby their rights and obligations under substantially all leases, existing and new, will be capitalized and recorded on the balance sheet. For lessors, however, the accounting remains largely unchanged from the former model, with the distinction between operating, sales-type and direct-financing leases retained, but updated to align with certain changes to the lessee model and the new revenue recognition standard, ASC Topic 606, *Revenue from Contracts with Customers* ("Topic 606"). To ease the transition, the new lease accounting guidance permits companies to utilize certain practical expedients in their implementation of the new standard:

- A package of three practical expedients that must be elected together for all leases and includes: (i) not reassessing expired or existing contracts as to whether they are or contain leases; (ii) not reassessing lease classification of existing leases and (iii) not reassessing the amount of capitalized initial direct costs for existing leases;
- A practical expedient to use hindsight in determining the lease term or assessing purchase options for existing leases and in assessing impairment of right of use assets;

- Lessees may make an accounting policy election by class of underlying asset not to separate lease components from non-lease components; and
- Lessees may make an accounting policy election not to apply the recognition and measurement requirements to short-term leases.

ASU 2016-02 was modified by the following subsequently issued ASU's (together with ASU 2016-02, "Topic 842"), many of which provided additional transition practical expedients:

- ASU 2018-01, *Land Easements Practical Expedient for Transition to Topic 842* added a transition practical expedient to not reassess existing or expired land easement agreements not previously accounted for as leases
- ASU No. 2018-10, *Codification Improvements to Topic 842, Leases*. These amendments provide minor clarifications and corrections to ASU 2016-02.
- ASU 2018-11, *Leases (Topic 842): Targeted Improvements*.
  - The amendments in this Update provide entities with an additional optional transition method to adopt ASU 2016-02. Under this new transition method, an entity initially applies the new leases standard at the adoption date and recognizes a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. Consequently, an entity's reporting under this additional transition method for the comparative periods presented in the financial statements in which it adopts the new leases standard would continue to be in accordance with former GAAP (Topic 840, Leases).
  - The amendments in this Update also provide lessors with a practical expedient, by class of underlying asset, to make a policy election to not separate non-lease components from the associated lease component and, instead, to account for those components as a single component if the non-lease components otherwise would be accounted for under the new revenue guidance (Topic 606). Conditions are required to elect the practical expedient, and if met, the single component will be accounted for under either under Topic 842 or Topic 606 depending on which component(s) are predominant. The lessor practical expedient to not separate non-lease components from the associated component must be elected for all existing and new leases.
- ASU 2018-20, *Leases (Topic 842), Narrow-Scope Improvements for Lessors*. This ASU modifies ASU No. 2016-02 to permit lessors, as an accounting policy election, not to evaluate whether certain sales taxes and other similar taxes are lessor costs or lessee costs. Instead, those lessors will account for those costs as if they are lessee costs. Consequently, a lessor making this election will exclude from the consideration in the contract and from variable payments not included in the consideration in the contract all collections from lessees of taxes within the scope of the election and will provide certain disclosures (includes sales, use, value added, and some excise taxes and excludes real estate taxes).
- ASU 2019-01, *Leases (Topic 842), Codification Improvements*. There are three codification updates to Topic 842 covered by this ASU: Issue 1 provides guidance on how to compute fair value of leased items for lessors who are non-dealers or manufacturers; Issue 2 relates to cash flow presentation for lessors of sales-type and direct financing leases; and Issue 3 clarifies that certain transition disclosures will only be required in annual disclosures.

Under the new leasing guidance, contract consideration shall be allocated to its lease components (such as the lease of retail properties) and non-lease components (such as maintenance). For lessors, any non-lease components will be accounted for under Topic 606 unless the entity elects the lessor practical expedient to not separate the non-lease components from the associated lease component as described above. The new guidance also includes a definition of initial direct costs that is narrower than the prior definition in former GAAP (Topic 840, *Leases*). Topic 842 was effective for the Company beginning January 1, 2019.

The Company adopted Topic 842 effective January 1, 2019 utilizing the new transition method described in ASU 2018-11 and has availed itself of all the available practical expedients described above except it did not use hindsight in determining the lease term or assessing purchase options for existing leases and in assessing impairment of right of use assets.

As lessor, the Company has more than 1,000 leases primarily with retail tenants and to a lesser extent with office and residential tenants. A significant majority of its leases are on a triple-net basis. The impact of adoption of ASU 2016-02 for the Company as lessor was as follows:

- The Company has elected the lessor practical expedient to not separate common area maintenance from the associated lease for all existing and new leases and to account for the combined component as a single lease component. Common area maintenance is considered a non-lease component within the scope of Topic 606 and reimbursements of taxes and insurance are considered contractual payments that do not transfer a good or service to the tenant; however, such revenues related to leases, which were formerly reported as reimbursed expenses, will be reported within lease revenues in the presentation of the statement of income subsequent to the implementation of ASC 842. Prior year classifications under ASC 840 will not be adjusted.
- Due to its election of available practical expedients, the Company expects that post-adoption substantially all existing leases, and new leases compared to similar existing leases, will have no change in the timing of revenue recognition.
- The Company's internal leasing costs will be expensed as incurred, as opposed to being capitalized and deferred. Commissions subsequent to successful lease execution will continue to be capitalized. After adoption, the Company will no longer capitalize internal

leasing costs that were previously capitalized (the Company capitalized $1.8 million of internal leasing costs during the year ended December 31, 2018).

- The Company has existing easement arrangements that have not been previously identified as leases. The Company expects that its existing and similar future easement arrangements will not be classified as rental revenue but as other revenues as these arrangements do not transfer control to the counterparty.
- The Company makes a policy election to continue to account for only those taxes described under ASU 2018-20 that it pays on behalf of the tenant as reimbursable costs and will not account for those taxes paid directly by the lessee which are considered lessee costs.

As lessee, the Company was party to 13 ground, office and equipment leases with future payment obligations aggregating $203.1 million at December 31, 2018. The impact of adoption of ASU 2016-02 for the Company as lessee was as follows (Note 11):

- As lessee, the Company has applied the following practical expedients in the implementation ASU 2016-02: (i) to not separate non-lease components from the associated lease component as described above and (ii) to not apply the right-of-use recognition requirements to short-term leases. As such, there were no changes in the timing of recognition of expenses related to its operating leases.
- The Company recognized right-of-use assets and lease liabilities of $11.9 million and $12.8 million, respectively, related to its operating leases.
- The Company reclassified its existing capital lease asset of $77.0 million and capital lease liability of $71.1 million to a right-of-use asset and a lease liability, respectively, pertaining to finance leases.
- Subsequent to the adoption of and in accordance with Topic 842, the Company reassessed the circumstances surrounding three of its operating ground leases and determined that it had made significant leasehold improvements and was now reasonably certain to exercise their purchase options. Accordingly, the Company reclassified the existing right-of-use assets and lease liabilities from operating leases to finance leases and adjusted the leases' right-of-use assets and corresponding lease liabilities to $5.7 million and $5.7 million, respectively, to incorporate the present value of the purchase options, which totaled $4.7 million at January 1, 2019.
- With the adoption of ASC Topic 842, the Company will first apply the guidance under ASC 842 in assessing its rents receivable: if collection of rents under specific operating leases is not probable, then the Company recognizes the lesser of that lease's rental income on a straight-line basis or cash received, plus variable rents as earned. Once this initial assessment is completed, the Company may apply a general reserve, as provided under ASC 450-20, if applicable.

The Company did not record any cumulative effect of change in accounting principle upon the adoption of ASC Topic 842 as lessor or lessee. Consistent with the transition guidance under ASU 2018-11, all prior period disclosures remain in accordance with ASC Topic 840.

Other Accounting Topics

In February 2018, the FASB issued ASU No. 2018-02, *Income Statement-Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*. These amendments provide financial statement preparers with an option to reclassify stranded tax effects within accumulated other comprehensive income to retained earnings in each period in which the effect of the change in the U.S. federal corporate income tax rate in the Tax Cuts and Jobs Act is recorded. This guidance is effective for fiscal years beginning after December 15, 2018, and interim periods therein. The Company adopted this guidance effective January 1, 2019, which had no effect on the Company's financial statements.

In July 2018, the FASB issued ASU No. 2018-09, *Codification Improvements*. These amendments provide clarifications and corrections to certain ASC subtopics including the following: 220-10 (Income Statement - Reporting Comprehensive Income - Overall), 470-50 (Debt - Modifications and Extinguishments), 480-10 (Distinguishing Liabilities from Equity - Overall), 718-740 (Compensation - Stock Compensation - Income Taxes), 805-740 (Business Combinations - Income Taxes), 815-10 (Derivatives and Hedging - Overall), and 820-10 (Fair Value Measurement - Overall). Some of the amendments in ASU 2018-09 do not require transition guidance and were effective upon issuance; however, many of the amendments do have transition guidance with effective dates for annual periods beginning after December 15, 2018. For those amendments that were effective January 1, 2019 or earlier, there was no material effect on the Company's financial statements.

Recently Issued Accounting Pronouncements

In April 2019, the FASB issued ASU No. 2019-04 *Codification Improvements to Topic 326, Financial Instruments — Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments*, which provides updates and clarifications to three previously-issued ASUs: 2016-01 *Financial Instruments — Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities;* 2016-13 *Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, described further below and which the Company has not yet adopted; and 2017-12 *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*, which the Company early adopted effective January 1, 2018. The updates related to ASU 2016-13 have the same transition as ASU 2016-13 and are effective for periods beginning after December 15, 2019, with adoption permitted after the issuance of ASU 2019-04. The updates related to ASU 2017-12 are effective for the Company on January 1, 2020. The updates related to ASU 2016-01 are effective for fiscal years beginning after December 15, 2019. The Company is currently evaluating the impact of this new standard on its consolidated financial statements.

In May 2019, the FASB issued ASU No. 2019-05 *Financial Instruments — Credit Losses (Topic 326)* which provides relief to certain entities adopting ASU 2016-13 (discussed below). The amendments accomplish those objectives by providing entities with an option to irrevocably elect the fair value option in Subtopic 825-10, applied on an instrument-by-instrument basis for eligible instruments, that are within the scope of Subtopic 326-20, upon adoption of Topic 326. The fair value option election does not apply to held-to-maturity debt securities. ASU 2019-05 has the same transition as ASU 2016-13 and is effective for periods beginning after December 15, 2019, with adoption permitted after this update. The Company is currently evaluating the impact of this new standard on its consolidated financial statements.

In November 2018, the FASB issued ASU No. 2018-19 *Codification Improvements to Topic 326*, *Financial Instruments — Credit Losses*. This ASU modifies ASU 2016-13 (discussed below). The amendment clarifies that receivables arising from operating leases are not within the scope of Subtopic 326-20, *Financial Instruments – Credit Losses – Measure at Amortized Cost*. Instead, impairment of receivables arising from operating leases should be accounted for in accordance with Topic 842, *Leases.* ASU 2018-19 is effective for periods beginning after December 15, 2019, with adoption permitted for fiscal years beginning after December 15, 2018. The Company is currently evaluating the impact of this new standard on its consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments — Credit Losses*. ASU 2016-13 introduces a new model for estimating credit losses for certain types of financial instruments, including loans receivable, held-to-maturity debt securities, and net investments in direct financing leases, amongst other financial instruments. ASU 2016-13 also modifies the impairment model for available-for-sale debt securities and expands the disclosure requirements regarding an entity's assumptions, models, and methods for estimating the allowance for losses. ASU 2016-13 is effective for periods beginning after December 15, 2019, with adoption permitted for fiscal years beginning after December 15, 2018. Retrospective adjustments shall be applied through a cumulative-effect adjustment to retained earnings. The Company is currently evaluating the impact of this new standard on its consolidated financial statements.

In June 2018, the FASB issued ASU No. 2018-07, *Compensation — Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting.* These amendments provide specific guidance for transactions for acquiring goods and services from nonemployees and specify that Topic 718 applies to all share-based payment transactions in which a grantor acquires goods or services to be used or consumed in a grantor's own operations by issuing share-based payment awards. The amendments also clarify that Topic 718 does not apply to share-based payments used to effectively provide (i) financing to the issuer or (ii) awards granted in conjunction with selling goods or services to customers as part of a contract accounted for under Topic 606, *Revenue from Contracts with Customers*. This guidance is effective for fiscal years beginning after December 15, 2018, and interim periods beginning after December 15, 2020. Early adoption is permitted but not earlier than the adoption of Topic 606. The Company does not believe that this guidance will have a material effect on its consolidated financial statements as it has not historically issued share-based payments in exchange for goods or services to be consumed within its operations.

In August 2018, the FASB issued ASU No. 2018-13, *Disclosure Framework — Changes to the Disclosure Requirements for Fair Value Measurement* which removes, modifies, and adds certain disclosure requirements related to fair value measurements in ASC 820. This guidance is effective for public companies in fiscal years beginning after December 15, 2019 with early adoption permitted. The Company is currently evaluating the impact of this new standard on its consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-15 *Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract* to provide guidance on implementation costs incurred in a cloud computing arrangement that is a service contract. The ASU aligns the accounting for such costs with the guidance on capitalizing costs associated with developing or obtaining internal-use software. Specifically, the ASU amends ASC 350 to include in its scope implementation costs of such arrangements that are service contracts and clarifies that a customer should apply ASC 350-40 to determine which implementation costs should be capitalized. This ASU, which is effective for fiscal years beginning after December 15, 2019, is not expected to have a material impact on the Company's financial statements as the Company has not incurred any significant costs associated with cloud computing arrangements.

2. Real Estate

The Company’s consolidated real estate is comprised of the following (in thousands):

	September 30, 2019	December 31, 2018
Land	$ 733,679	$ 710,469
Buildings and improvements	2,669,992	2,594,828
Tenant improvements	170,214	151,154
Construction in progress	38,458	44,092
Properties under capital lease (Note 11)	—	76,965
Right-of-use assets - finance leases (Note 11)	93,796	—
Right-of-use assets - operating leases (Note 11)	55,717	—
Total	3,761,856	3,577,508
Less: Accumulated depreciation and amortization	(473,479)	(416,657)
Operating real estate, net	3,288,377	3,160,851
Real estate under development, at cost	250,278	120,297
Net investments in real estate	$ 3,538,655	$ 3,281,148

Acquisitions and Conversions

During the nine months ended September 30, 2019 and the year ended December 31, 2018, the Company acquired the following consolidated retail properties (dollars in thousands):

Property and Location	Percent Acquired	Date of Acquisition	Purchase Price
2019 Acquisitions			
Core			
Soho Acquisitions - 41, 47, 51 and 53 Greene Street - New York, NY (a)	100%	Mar 15, 2019 Mar 27, 2019 May 29, 2019 July 30, 2019	$ 74,638
849 and 912 W. Armitage - Chicago, IL	100%	Sept 11, 2019	7,802
Subtotal Core			82,440
Fund V			
Palm Coast Landing - Palm Coast, FL	100%	May 6, 2019	36,644
Lincoln Commons - Lincoln, RI	100%	June 21, 2019	54,299
Landstown Commons - Virginia Beach, VA	100%	Aug 2, 2019	86,961
Subtotal Fund V			177,904
Total 2019 Acquisitions			**$ 260,344**
2018 Acquisitions and Conversions			
Core			
Bedford Green Land Parcel - Bedford Hills, NY	100%	Mar 23, 2018	$ 1,337
Subtotal Core			1,337
Fund IV			
Broughton Street Partners I - Savannah, GA (Conversion) (Note 4)	100%	Oct 11, 2018	36,104
Subtotal Fund IV			36,104
Fund V			
Trussville Promenade - Trussville, AL	100%	Feb 21, 2018	45,259
Elk Grove Commons - Elk Grove, CA	100%	Jul 18, 2018	59,320
Hiram Pavilion - Hiram, GA	100%	Oct 23, 2018	44,443
Subtotal Fund V			149,022
Total 2018 Acquisitions and Conversions			**$ 186,463**

(a) The Soho Acquisitions are a collection of seven properties located in New York, NY with an aggregate purchase price of approximately $122.0 million under two separate contracts. The acquisitions of the remaining three properties are expected to be finalized through early 2020. No assurance can be given that the Company will successfully close on the remaining acquisitions under contract, which are subject to customary closing conditions.

The 2019 Acquisitions and 2018 Acquisitions and Conversions were considered asset acquisitions based on accounting guidance effective as of January 1, 2018. For the nine months ended September 30, 2019 and 2018, the Company capitalized $1.4 million and $0.2 million, respectively, of acquisition costs. No debt was assumed in any of the 2019 Acquisitions or 2018 Acquisitions or Conversions.

Purchase Price Allocations

The purchase prices for the 2019 Acquisitions and the 2018 Acquisitions and Conversions were allocated to the acquired assets and assumed liabilities based on their estimated fair values at the dates of acquisition. The following table summarizes the allocation of the purchase price of properties acquired during the nine months ended September 30, 2019 and the year ended December 31, 2018 (in thousands):

	Nine Months Ended September 30, 2019	Year Ended December 31, 2018
Net Assets Acquired		
Land	$ 54,171	$ 38,086
Buildings and improvements	183,829	129,586
Acquisition-related intangible assets (Note 6)	31,883	26,693
Acquisition-related intangible liabilities (Note 6)	(9,539)	(7,902)
Net assets acquired	$ 260,344	$ 186,463
Consideration		
Cash	$ 256,647	$ 147,985
Liabilities assumed	3,697	2,597
Existing interest in previously unconsolidated investment	—	35,881
Total consideration	$ 260,344	$ 186,463

Dispositions

During the nine months ended September 30, 2019 and the year ended December 31, 2018, the Company disposed of the following consolidated properties (in thousands):

Property and Location	Owner	Date Sold	Sale Price	Gain (Loss) on Sale
2019 Dispositions				
3104 M Street - Washington, DC (Note 4)	Fund III	Jan 24, 2019	$ 10,500	$ 2,014
210 Bowery - 2 Residential Condos - New York, NY	Fund IV	May 17, 2019, Sept 23, 2019	5,900	(242)
JFK Plaza - Waterville, ME	Fund IV	July 24, 2019	7,800	2,012
3780-3858 Nostrand Avenue - New York, NY	Fund III	Aug 22, 2019	27,650	3,079
938 W North Avenue - Chicago, IL	Fund IV	Sept 27, 2019	32,000	7,207
Total 2019 Dispositions			**$ 83,850**	**$ 14,070**
2018 Dispositions				
Sherman Avenue - New York, NY	Fund II	Apr 17, 2018	$ 26,000	$ 33
Lake Montclair - Dumfries, VA	Fund IV	Aug 27, 2018	22,450	2,923
1861 Union Street - San Francisco, CA	Fund IV	Aug 29, 2018	6,000	2,184
210 Bowery - 4 Residential Condos - New York, NY	Fund IV	Nov 30, 2018, Dec 10, 2018, Dec 17, 2018, Dec 21, 2018	12,050	—
Total 2018 Dispositions			**$ 66,500**	**$ 5,140**

The aggregate rental revenue, expenses and pre-tax income reported within continuing operations for the aforementioned consolidated properties that were sold during the nine months ended September 30, 2019 and year ended December 31, 2018 were as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Revenues	$ 1,071	$ 2,919	$ 5,652	$ 7,542
Expenses	(1,322)	(2,192)	(4,595)	(6,368)
Gain on disposition of properties	12,056	5,107	14,070	5,140
Net income attributable to noncontrolling interests	(8,675)	(4,089)	(11,045)	(4,155)
Net income attributable to Acadia	$ 3,130	$ 1,745	$ 4,082	$ 2,159

Properties Held for Sale

At June 30, 2019, the Company had one property in Fund IV classified as held-for-sale, JFK Plaza, with total assets of $6.3 million. The property, which was sold during the third quarter of 2019, had insignificant net income for each of the nine months ended September 30, 2019 and 2018.

At September 30, 2019, the Company had one property in Fund IV classified as held-for-sale, a residential condo at 210 Bowery, with total assets of $2.9 million. The property had an insignificant loss for each of the nine months ended September 30, 2019 and 2018.

Real Estate Under Development and Construction in Progress

Real estate under development represents the Company's consolidated properties that have not yet been placed into service while undergoing substantial development or construction.

Development activity for the Company's consolidated properties comprised the following during the periods presented (dollars in thousands):

	December 31, 2018		Nine Months Ended 2019			September 30, 2019	
	Number of Properties	Carrying Value	Transfers In	Capitalized Costs	Transfers Out	Number of Properties	Carrying Value
Core	1	$ 7,759	$ 57,342	$ 9,663	$ 9,819	1	$ 64,945
Fund II	—	7,462	—	1,626	—	—	9,088
Fund III	1	21,242	12,313	1,969	—	1	35,524
Fund IV	1	83,834	47,166	9,721	—	2	140,721
Total	3	$ 120,297	$ 116,821	$ 22,979	$ 9,819	4	$ 250,278

The number of properties in the table above refers to projects comprising the entire property; however, certain projects represent a portion of a property. During the nine months ended September 30, 2019, the Company placed the following projects into development:

- a portion of City Center (Core)
- a portion of Cortlandt Crossing (Fund III)
- its 1238 Wisconsin Avenue property (Core, Note 11)
- a portion of 110 University Place (Fund IV, Note 11)
- its 146 Geary Street property (Fund IV)

During the nine months ended September 30, 2019, the Company placed one Core development project, 56 E. Walton, into service. Fund II amounts relate to the City Point Phase III project.

During the year ended December 31, 2018, the Company placed one Core development project into service. In addition to the consolidated projects noted above, the Company had one unconsolidated project in development at December 31, 2017, which it placed into service during the year ended December 31, 2018.

Construction in progress pertains to construction activity at the Company's operating properties that are in service and continue to operate during the construction period.

3. Notes Receivable, Net

The Company's notes receivable, net were generally collateralized either by the underlying properties or the borrower's ownership interest in the entities that own the properties, and were as follows (dollars in thousands):

Description	September 30, 2019	December 31, 2018	September 30, 2019 Number	Maturity Date	Interest Rate
Core Portfolio	$ 56,475	$ 56,475	2	Oct 2019 - Apr 2020	6.0% - 8.1%
Fund II	33,026	32,582	1	Dec 2020	1.75%
Fund III	5,306	5,306	1	Jul 2020	18.0%
Fund IV	—	15,250	—	Feb 2021	15.3%
	$ 94,807	$ 109,613	4		

During the nine months ended September 30, 2019, the Company:

- increased the balance of a Fund II note receivable by the interest accrued of $0.4 million;
- redeemed its $15.25 million Fund IV investment plus accrued interest of $10.0 million;
- stopped accruing interest on one Fund III loan, due to the estimated market value of the collateral. The note had $4.7 million of accrued interest at each of December 31, 2018 and September 30, 2019;
- extended the maturity for Brandywine's note receivable to October 31, 2019; and
- modified one Core loan to defer $0.4 million of interest until maturity.

During the year ended December 31, 2018, the Company:

- exchanged $22.0 million of a Core note receivable plus accrued interest thereon of $0.3 million for an additional undivided interest in the Town Center property (Note 4);
- received full payment on $26.0 million of Core notes receivable plus accrued interest of $0.2 million;
- funded an additional $2.8 million to its existing $15.0 million Core note receivable and entered into an agreement to extend the maturity to April 1, 2020;
- advanced an additional $0.2 million on a Fund III note receivable; and
- increased the balance of a Fund II note receivable by the interest accrued of $0.8 million.

The Company monitors the credit quality of its notes receivable on an ongoing basis and considers indicators of credit quality such as loan payment activity, the estimated fair value of the underlying collateral, the seniority of the Company's loan in relation to other debt secured by the collateral and the prospects of the borrower.

Earnings from these notes and mortgages receivable are reported within the Company's Structured Financing segment (Note 12).

4. Investments in and Advances to Unconsolidated Affiliates

The Company accounts for its investments in and advances to unconsolidated affiliates primarily under the equity method of accounting as it has the ability to exercise significant influence, but does not have financial or operating control over the investment, which is maintained by each of the unaffiliated partners who co-invest with the Company. The Company's investments in and advances to unconsolidated affiliates consist of the following (dollars in thousands):

Portfolio	Property	Ownership Interest September 30, 2019	September 30, 2019	December 31, 2018
Core:				
	840 N. Michigan (a)	88.43%	$ 63,925	$ 65,013
	Renaissance Portfolio	20%	32,458	32,458
	Gotham Plaza	49%	29,463	29,550
	Town Center (a, b)	75.22%	98,243	99,758
	Georgetown Portfolio	50%	4,738	4,653
			228,827	231,432
Mervyns I & II:	KLA/Mervyn's, LLC (c)	10.5%	—	—
Fund III:				
	Fund III Other Portfolio	90%	17	21
	Self Storage Management (d)	95%	206	206
			223	227
Fund IV:				
	Broughton Street Portfolio (e)	50%	12,650	3,236
	Fund IV Other Portfolio	90%	14,353	14,540
	650 Bald Hill Road	90%	12,504	12,880
			39,507	30,656
Fund V:	Family Center at Riverdale (a)	89.42%	13,818	—
	Tri-City Plaza	90%	36,106	—
	Washington REIT Portfolio	90%	52,463	—
			102,387	—
Various:	Due (to) from Related Parties		(827)	(461)
	Other (f)		2,361	556
	Investments in and advances to unconsolidated affiliates		**$ 372,478**	**$ 262,410**
Core:				
	Crossroads (g)	49%	$ 15,353	$ 15,623
	Distributions in excess of income from, and investments in, unconsolidated affiliates		**$ 15,353**	**$ 15,623**

(a) Represents a tenancy-in-common interest.
(b) During November 2017 and March 2018, as discussed below, the Company increased its ownership in Town Center.
(c) Distributions, discussed below, have exceeded the Company's non-recourse investment, therefore the carrying value is zero.
(d) Represents a variable interest entity for which the Company was determined not to be the primary beneficiary.
(e) The Company is entitled to a 15% return on its cumulative capital contribution which was $5.9 million and $3.0 million at September 30, 2019 and December 31, 2018, respectively. In addition, the Company is entitled to a 9% preferred return on a portion of its equity, which was $9.4 million and $2.8 million at September 30, 2019 and December 31, 2018, respectively.
(f) Includes cost-method investments in Albertson's (Note 8), Storage Post, Fifth Wall and other investments.
(g) Distributions have exceeded the Company's investment; however, the Company recognizes a liability balance as it may be required to return distributions to fund future obligations of the entity.

Core Portfolio

2019 Acquisition of Unconsolidated Investments

On January 24, 2019, the Renaissance Portfolio, in which the Company owns a 20% noncontrolling interest, acquired a 7,300 square foot property in Fund III's 3104 M Street property located in Washington, D.C. for $10.7 million (Note 2) less the assumption of the outstanding mortgage of $4.7 million.

On August 8, 2019, the Company invested $1.8 million in Fifth Wall Ventures Retail Fund, L.P. The Company's total commitment is $5.0 million. The Company accounts for its interest using the cost method of accounting given its ownership is approximately five percent and it does not have significant influence over the investment.

Brandywine Portfolio, Market Square and Town Center

The Company owns an interest in an approximately one million square foot retail portfolio (the "Brandywine Portfolio" joint venture) located in Wilmington, Delaware, which includes two properties referred to as "Market Square" and "Town Center." Prior to the second quarter of 2016, the Company had a controlling interest in the Brandywine Portfolio, and it was therefore consolidated within the Company's financial statements. During April 2016, the arrangement with the partners of the Brandywine Portfolio was modified to change the legal ownership from a partnership to a tenancy-in-common interest, as well as to provide certain participating rights to the outside partners. As a result of these modifications, the Company de-consolidated the Brandywine Portfolio and accounted for its interest under the equity method of accounting effective May 1, 2016. Furthermore, as the owners of the Brandywine Portfolio had consistent ownership interests before and after the modification and the underlying net assets were unchanged, the Company reflected the change from consolidation to equity method based upon its historical cost. The Brandywine Portfolio and Market Square ventures do not include the property held by Acadia Brandywine Holdings, LLC ("Brandywine Holdings"), an entity in which the Company has a 22.22% interest and which is consolidated by the Company.

Additionally, in April 2016, the Company repaid the outstanding balance of $140.0 million of non-recourse debt collateralized by the Brandywine Portfolio and provided a note receivable collateralized by the partners' tenancy-in-common interest in the Brandywine Portfolio for their proportionate share of the repayment. On May 1, 2017, the Company exchanged $16.0 million of the $153.4 million notes receivable (the "Brandywine Notes Receivable") (Note 3) plus accrued interest of $0.3 million for one of the partner's 38.89% tenancy-in-common interests in Market Square. The Company already had a 22.22% interest in Market Square and continued to apply the equity method of accounting for its aggregate 61.11% noncontrolling interest in Market Square and its 22.22% interest in Town Center through November 16, 2017. The incremental investment in Market Square was recorded at $16.3 million and the excess of this amount over the venture's book value associated with this interest, or $9.8 million, was being amortized over the remaining depreciable lives of the venture's assets through November 16, 2017. On November 16, 2017, the Company exchanged an additional $16.0 million of Brandywine Notes Receivable plus accrued interest of $0.6 million for the remaining 38.89% interest in Market Square, thereby obtaining a 100% controlling interest in the property. The exchange was deemed to be a business combination and as a result, the property was consolidated and a gain on change of control of $5.6 million was recorded (Note 2).

On November 16, 2017, the Company exchanged $60.7 million of the Brandywine Notes Receivable plus accrued interest of $0.9 million for one of the partner's 38.89% tenancy-in-common interests in Town Center. The incremental investment in Town Center was recorded at $61.6 million and the excess of this amount over the venture's book value associated with this interest, or $34.5 million, is being amortized over the remaining depreciable lives of the venture's assets. The Company previously had a 22.22% interest in Town Center which then became 61.11% following the November 2017 transaction.

On March 28, 2018, the Company exchanged $22.0 million of its Brandywine Notes Receivable plus accrued interest of $0.3 million for one of the partner's 14.11% tenancy-in-common interests in Town Center. The incremental investment in Town Center was recorded at $ 22.3 million and the excess of this amount over the venture's book value associated with this interest, or $12.7 million, is being amortized over the remaining depreciable lives of the venture's assets. The Company continues to apply the equity method of accounting for its aggregate 75.22% noncontrolling interest in Town Center after the March 2018 transaction.

At September 30, 2019, $38.7 million of the Brandywine Note Receivable remains outstanding (Note 3), which is collateralized by the remaining 24.78% undivided interest in Town Center.

Fund Investments

2019 Acquisitions of Unconsolidated Investments

On March 19, 2019, Fund V obtained an 99.35% interest in a joint venture which in turn obtained a 90% undivided interest in the property and invested in a 428,000 square-foot property located in Riverdale, Utah referred to as “Family Center at Riverdale” for $48.5 million. The property is held by the venture as a tenancy in common. The Company accounts for its interest in the Family Center at Riverdale under the equity method of accounting as it does not control but exercises significant influence over the investment.

On April 30, 2019, Fund V acquired an interest in a venture which invested in a 300,000 square-foot property located in Vernon, Connecticut referred to as “Tri-City Plaza” for $36.7 million. The Company accounts for its interest in Tri-City Plaza under the equity method of accounting as it does not control but exercises significant influence over the investment.

On August 21, 2019, Fund V acquired an interest in a venture which invested in a 225,000 square foot property and a 300,000 square foot property, both located in Frederick County, Maryland collectively referred to as the “Washington REIT Portfolio” for $21.8 million and $33.1 million, respectively. The Company accounts for its interest in the Washington REIT Portfolio under the equity method of accounting as it does not control but exercises significant influence over the investment.

Broughton Street Portfolio

During 2014, Fund IV acquired 50% interests in two joint ventures referred to as “BSP I” and “BSP II” with the same venture partner to acquire and operate a total of 23 properties in Savannah, Georgia referred to as the “Broughton Street Portfolio.” Since that time, as described below, the ventures have sold eight of the properties and terminated the master leases on two of the properties. In October 2018, the venture partner relinquished its interest in BSP I resulting in Fund IV becoming the 100% owner of the BSP I venture, which holds 11 consolidated properties (Note 2). Fund IV accounted for this transaction as an asset purchase at fair value whereby its existing preferred and common interests were deemed consideration for the properties and no gain or loss was recognized. At September 30, 2019, the Broughton Street portfolio had 13 remaining properties, two of which are unconsolidated and are held within the BSP II venture.

Storage Post

On June 29, 2019, Fund III’s Storage Post venture, which is a cost-method investment with no carrying value, distributed $1.6 million of which the Operating Partnership’s share was $0.4 million. On May 15, 2018, the Storage Post venture, distributed $3.2 million of which the Operating Partnership’s share was $0.8 million.

2018 Dispositions of Unconsolidated Investments

On January 18, 2018, Fund IV’s Broughton Street Portfolio venture sold two properties for aggregate proceeds of $8.0 million, resulting in a net loss of $0.4 million at the property level of which the Fund’s share and the Operating Partnership’s proportionate share of the loss was zero, due to Fund IV’s preferred return.

On June 29, 2018, Fund IV’s Broughton Street Portfolio venture terminated its master leases on two of its properties resulting in a net loss of $1.0 million at the property level for which the Operating Partnership’s share was less than $0.1 million.

On August 29, 2018, Fund IV’s Broughton Street Portfolio venture sold a property for proceeds of $2.1 million, resulting in a net loss of $0.3 million at the property level, of which the Operating Partnership’s share was less than $0.1 million.

Fees from Unconsolidated Affiliates

The Company earned property management, construction, development, legal and leasing fees from its investments in unconsolidated partnerships totaling $0.2 million and $0.3 million for each of the three months ended September 30, 2019 and 2018, respectively, and $0.7 million and $0.8 million for each of the nine months ended September 30, 2019 and 2018, respectively, which is included in other revenues in the consolidated financial statements.

In addition, the Company paid to certain unaffiliated partners of its joint ventures, $0.3 million and $0.4 million for the three months ended September 30, 2019 and 2018, and $1.0 million and $1.3 million for the nine months ended September 30, 2019 and 2018, respectively, for leasing commissions, development, management, construction and overhead fees.

Summarized Financial Information of Unconsolidated Affiliates

The following combined and condensed Balance Sheets and Statements of Income, in each period, summarize the financial information of the Company's investments in unconsolidated affiliates (in thousands):

	September 30, 2019	December 31, 2018
Combined and Condensed Balance Sheets		
Assets:		
Rental property, net	$ 644,970	$ 487,846
Investment in unconsolidated affiliates	—	—
Other assets	82,302	89,890
Total assets	$ 727,272	$ 577,736
Liabilities and partners' equity:		
Mortgage notes payable	$ 496,371	$ 408,967
Other liabilities	63,478	54,585
Partners' equity	167,423	114,184
Total liabilities and partners' equity	$ 727,272	$ 577,736
Company's share of accumulated equity	$ 249,480	$ 139,028
Basis differential	101,658	103,812
Deferred fees, net of portion related to the Company's interest	4,247	3,646
Amounts payable by the Company	(827)	(461)
Investments in and advances to unconsolidated affiliates, net of Company's share of distributions in excess of income from and investments in unconsolidated affiliates	354,558	246,025
Cost method investments	2,567	762
Company's share of distributions in excess of income from and investments in unconsolidated affiliates	15,353	15,623
Investments in and advances to unconsolidated affiliates	$ 372,478	$ 262,410

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Combined and Condensed Statements of Income				
Total revenues	$ 22,310	$ 19,971	$ 65,023	$ 59,730
Operating and other expenses	(6,746)	(6,028)	(17,088)	(17,479)
Interest expense	(5,888)	(5,240)	(16,303)	(15,365)
Depreciation and amortization	(7,321)	(5,502)	(17,908)	(17,340)
Loss on disposition of properties	—	(263)	—	(1,673)
Net income attributable to unconsolidated affiliates	$ 2,355	$ 2,938	$ 13,724	$ 7,873
Company's share of equity in net income of unconsolidated affiliates	$ 2,006	$ 1,136	$ 9,283	$ 9,396
Basis differential amortization	(707)	(760)	(2,154)	(2,317)
Company's equity in earnings of unconsolidated affiliates	$ 1,299	$ 376	$ 7,129	$ 7,079

5. Other Assets, Net and Accounts Payable and Other Liabilities

Other assets, net and accounts payable and other liabilities are comprised of the following for the periods presented:

(in thousands)	September 30, 2019	December 31, 2018
Other Assets, Net:		
Lease intangibles, net (Note 6)	$ 121,171	$ 115,939
Deferred charges, net [(a)]	28,520	28,619
Prepaid expenses	18,301	18,422
Other receivables	10,361	5,058
Accrued interest receivable	9,898	17,046
Due from seller	3,682	4,000
Deposits	3,673	4,611
Corporate assets	1,666	1,953
Income taxes receivable	1,443	2,070
Derivative financial instruments (Note 8)	1,217	7,018
Deferred tax assets	656	2,032
Due from related parties	—	1,802
	$ 200,588	$ 208,570
(a) Deferred Charges, Net:		
Deferred leasing and other costs	$ 47,984	$ 45,011
Deferred financing costs related to line of credit	9,489	8,960
	57,473	53,971
Accumulated amortization	(28,953)	(25,352)
Deferred charges, net	$ 28,520	$ 28,619
Accounts Payable and Other Liabilities:		
Lease intangibles, net (Note 6)	$ 89,832	$ 95,045
Lease liability - finance leases, net (Note 11)	88,137	—
Accounts payable and accrued expenses	71,732	65,215
Lease liability - operating leases, net (Note 11)	57,093	—
Derivative financial instruments (Note 8)	53,194	7,304
Deferred income	31,392	34,052
Tenant security deposits, escrow and other	11,780	10,588
Other	137	2,757
Capital lease obligations (Note 11)	—	71,111
	$ 403,297	$ 286,072

6. Lease Intangibles

Upon acquisitions of real estate (Note 2), the Company assesses the fair value of acquired assets (including land, buildings and improvements, and identified intangibles such as above- and below-market leases, including below-market options and acquired in-place leases) and assumed liabilities. The lease intangibles are amortized over the remaining terms of the respective leases, including option periods where applicable.

Intangible assets and liabilities are included in other assets and other liabilities (Note 5) on the consolidated balance sheet and summarized as follows (in thousands):

	September 30, 2019			December 31, 2018		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortizable Intangible Assets						
In-place lease intangible assets	$ 245,221	$ (128,237)	$ 116,984	$ 216,021	$ (105,972)	$ 110,049
Above-market rent	17,118	(12,931)	4,187	18,169	(12,279)	5,890
	$ 262,339	$ (141,168)	$ 121,171	$ 234,190	$ (118,251)	$ 115,939
Amortizable Intangible Liabilities						
Below-market rent	$ (159,814)	$ 70,516	$ (89,298)	$ (152,188)	$ 57,721	$ (94,467)
Above-market ground lease	(671)	137	(534)	(671)	93	(578)
	$ (160,485)	$ 70,653	$ (89,832)	$ (152,859)	$ 57,814	$ (95,045)

During the nine months ended September 30, 2019, the Company acquired in-place lease intangible assets of $31.4 million, above-market rents of $0.5 million, and below-market rents of $9.5 million with weighted-average useful lives of 8.5, 6.7, and 23.4 years, respectively.

During the year ended December 31, 2018, the Company acquired in-place lease intangible assets of $24.2 million, above-market rents of $2.5 million, and below-market rents of $7.9 million with weighted-average useful lives of 5.2, 5.1, and 20.5 years, respectively.

Amortization of in-place lease intangible assets is recorded in depreciation and amortization expense and amortization of above-market rent and below-market rent is recorded as a reduction to and increase to rental income, respectively, in the consolidated statements of income. Amortization of above-market ground leases are recorded as a reduction to rent expense in the consolidated statements of income.

The scheduled amortization of acquired lease intangible assets and assumed liabilities as of September 30, 2019 is as follows (in thousands):

Years Ending December 31,	Net Increase in Lease Revenues	Increase to Amortization	Reduction of Rent Expense	Net (Expense) Income
2019 (Remainder)	$ 2,233	$ (8,454)	$ 15	$ (6,206)
2020	8,120	(27,446)	58	(19,268)
2021	7,672	(20,486)	58	(12,756)
2022	7,312	(14,970)	58	(7,600)
2023	7,386	(11,432)	58	(3,988)
Thereafter	52,388	(34,196)	287	18,479
Total	$ 85,111	$ (116,984)	$ 534	$ (31,339)

7. Debt

A summary of the Company's consolidated indebtedness is as follows (dollars in thousands):

	Interest Rate at			Carrying Value at	
	September 30, 2019	December 31, 2018	Maturity Date at September 30, 2019	September 30, 2019	December 31, 2018
Mortgages Payable					
Core Fixed Rate	3.88%-6.00%	3.88%-6.00%	Feb 2024 - Apr 2035	$ 176,714	$ 178,271
Core Variable Rate - Swapped (a)	3.41%-5.67%	3.41%-5.67%	Jan 2023 - Nov 2028	81,819	82,583
Total Core Mortgages Payable				**258,533**	**260,854**
Fund II Fixed Rate	4.75%	1.00%-4.75%	May 2020	200,000	205,262
Fund II Variable Rate	LIBOR+3.00%	—	March 2022	23,925	—
Fund II Variable Rate - Swapped (a)	4.27%	4.27%	Nov 2021	19,138	19,325
Total Fund II Mortgages Payable				**243,063**	**224,587**
Fund III Variable Rate	LIBOR+3.00%-LIBOR+3.10%	Prime+0.50%-LIBOR+4.65%	Jan 2020 - Jun 2020	**74,145**	**90,096**
Fund IV Fixed Rate	3.40%-4.50%	3.40%-4.50%	Oct 2025 - Jun 2026	8,189	8,189
Fund IV Variable Rate	LIBOR+1.60%-LIBOR+3.40%	LIBOR+1.60%-LIBOR+3.95%	Dec 2019 - Apr 2022	157,200	233,065
Fund IV Variable Rate - Swapped (a)	3.67%-4.61%	3.67%-4.23%	Mar 2020 - Dec 2022	88,601	71,841
Total Fund IV Mortgages Payable				**253,990**	**313,095**
Fund V Variable Rate	LIBOR+2.15%-LIBOR+2.25%	LIBOR+2.25%	Oct 2020 - Jan 2021	51,506	51,506
Fund V Variable Rate - Swapped (a)	4.01%-4.78%	4.61%-4.78%	Feb 2021 - Mar 2024	156,900	86,570
Total Fund V Mortgage Payable				**208,406**	**138,076**
Net unamortized debt issuance costs				(9,135)	(10,173)
Unamortized premium				676	753
Total Mortgages Payable				**$ 1,029,678**	**$ 1,017,288**
Unsecured Notes Payable					
Core Term Loans	—	LIBOR+1.25%	Mar 2023	$ —	$ 383
Core Variable Rate Unsecured Term Loans - Swapped (a)	2.49%-4.05%	2.54%-3.59%	Mar 2023	350,000	349,617
Total Core Unsecured Notes Payable				**350,000**	**350,000**
Fund II Unsecured Notes Payable	LIBOR+1.65%	LIBOR+1.40%	Sep 2020	**40,000**	**40,000**
Fund IV Term Loan/Subscription Facility	LIBOR+1.65%-LIBOR+2.00%	LIBOR+1.65%-LIBOR+2.75%	Dec 2019 - June 2021	**87,625**	**40,825**
Fund V Subscription Facility	LIBOR+1.60%	LIBOR+1.60%	May 2020	**148,380**	**102,800**
Net unamortized debt issuance costs				(328)	(368)
Total Unsecured Notes Payable				**$ 625,677**	**$ 533,257**
Unsecured Line of Credit					
Core Unsecured Line of Credit	—	—	—	**$ —**	**$ —**
Total Debt - Fixed Rate (b)(c)				$ 1,236,805	$ 1,001,658
Total Debt - Variable Rate (d)				427,337	558,675
Total Debt				1,664,142	1,560,333
Net unamortized debt issuance costs				(9,463)	(10,541)
Unamortized premium				676	753
Total Indebtedness				**$ 1,655,355**	**$ 1,550,545**

(a) At September 30, 2019, the stated rates ranged from LIBOR + 1.50% to LIBOR +1.90% for Core variable-rate debt; LIBOR + 1.39% for Fund II variable-rate debt; LIBOR + 3.00% to LIBOR + 3.10% for Fund III variable-rate debt; LIBOR + 1.60% to LIBOR +3.40% for Fund IV variable-rate debt; LIBOR + 2.15% to LIBOR + 2.25% for Fund V variable-rate debt; LIBOR + 1.25% for Core variable-rate unsecured term loans; and LIBOR + 1.35% for Core variable-rate unsecured lines of credit.

(b) Includes $696.5 million and $609.9 million, respectively, of variable-rate debt that has been fixed with interest rate swap agreements as of the periods presented.

(c) Fixed-rate debt at September 30, 2019 includes $155.4 million of Core swaps that may be used to hedge debt instruments of the Funds.

(d) Includes $143.0 million and $143.8 million, respectively, of variable-rate debt that is subject to interest cap agreements.

Credit Facility

On February 20, 2018, the Company entered into a $500.0 million senior unsecured credit facility (the “Credit Facility”), comprised of a $150.0 million senior unsecured revolving credit facility (the “Revolver”) which bears interest at LIBOR + 1.35%, and a $350.0 million senior unsecured term loan (the “Term Loan”) which bears interest at LIBOR + 1.25%. The Credit Facility refinanced the Company’s existing $300.0 million credit facility (comprised of the $150.0 million Core unsecured revolving line of credit and the $150.0 million term loan), $150.0 million in Core unsecured term loans and repaid a $40.4 million mortgage secured by its 664 North Michigan Property. The Revolver and Term Loans mature on March 31, 2022 and March 31, 2023, respectively.

The Company’s Credit Facility was amended, and the capacity of the unsecured revolving line of credit was increased on October 8, 2019 (Note 15).

Mortgages Payable

During the nine months ended September 30, 2019:

- The Company obtained four new Fund mortgages totaling $118.3 million with a weighted-average interest rate of LIBOR + 1.65% collateralized by four properties and maturing in 2022 through 2024.
- The Company refinanced a Fund IV loan in the amount of $23.8 million, of which $18.9 million had been drawn at September 30, 2019, and which bears interest at a rate of LIBOR + 1.75% and matures in 2022.
- Fund III mortgage, which had a balance of $4.7 million and an interest rate of Prime + 0.5%, was assumed by the purchasing venture in a property sale (Note 2). The Company also repaid a Fund IV loan in full, which had a balance of $38.2 million and an interest rate of LIBOR + 2.35%. The Company repaid one Fund III loan in the amount of $9.8 million and two Fund IV loans in the aggregate amount of $18.4 million in connection with the sale of the properties. The Company also made scheduled principal payments of $4.6 million.
- The Company re-borrowed $49.0 million in the third quarter pursuant to the requirements of a loan amendment entered into during the second quarter and the Company also drew down $8.7 million on a Fund III construction loan
- The Company modified two Fund IV loans to increase the commitment of BSP Venture I’s mortgage by $9.4 million; and to decrease the 717 North Michigan Avenue mortgage balance by $9.9 million, decrease future availability by $3.9 million and reduce the interest rate to LIBOR + 3.10%. The Company also modified a Fund III loan to decrease the balance by $10.0 million to $39.5 million and reduce the interest rate to LIBOR plus 3.10% from LIBOR plus 4.65%.
- The Company entered into interest rate swap contracts to effectively fix the variable portion of the interest rates of four of the new obligations with a notional value of $91.5 million at a weighted-average interest rate of 2.74%.

At September 30, 2019 and December 31, 2018, the Company’s mortgages were collateralized by 41 and 43 properties, respectively, and the related tenant leases. Certain loans are cross-collateralized and contain cross-default provisions. The loan agreements contain customary representations, covenants and events of default. Certain loan agreements require the Company to comply with affirmative and negative covenants, including the maintenance of debt service coverage and leverage ratios. A portion of the Company’s variable-rate mortgage debt has been effectively fixed through certain cash flow hedge transactions (Note 8).

The mortgage loan collateralized by the property held by Brandywine Holdings in the Core Portfolio, was in default and subject to litigation at September 30, 2019 and December 31, 2018. This loan was originated in June 2006 and had an original principal amount of $26.3 million and a scheduled maturity of July 1, 2016. The loan bears interest at a stated rate of approximately 6.00%, and is subject to additional default interest of 5%. In April 2017, the successor to the lender, Wilmington – 5190 Brandywine Parkway, LLC, initiated lawsuits against Brandywine Holdings in Delaware Superior Court and Delaware Chancery Court for, among other things, judgment on the note (the “Note Complaint”) and foreclosure on the property. In a contemporaneously filed action in Delaware Superior Court (the “Guaranty Complaint”), the successor lender initiated a lawsuit against the Operating Partnership as guarantor of certain guaranteed obligations of Brandywine Holdings set forth in a non-recourse carve-out guaranty executed by the Operating Partnership. The Guaranty Complaint alleges that the Operating Partnership is liable for the full balance of the principal, accrued interest as well as fees and costs under the note, which the lender alleges was approximately $33.0 million as of November 9, 2017 (exclusive of accruing interest, default interest, fees and costs). In August 2019, the Delaware Superior Court heard arguments on the parties’ cross-motions for summary judgement regarding both the Guaranty Complaint and the Note Complaint. The Company believes it has valid defenses regarding the Guaranty Complaint and the Note Complaint and has been vigorously defending itself. A decision on the cross-motions for summary judgment is expected before the end of 2019.

During the third quarter of 2019, the company recognized income of $5.0 million related to Fund II’s New Market Tax Credit transaction (“NMTC”) involving its City Point project. NMTCs were created to encourage economic development in low income communities and provided for a 39% tax credit on certain qualifying invested equity/loans. In 2012, the NMTCs were transferred to a group of investors (“Investors”) in exchange for $5.2 million. The NMTCs were subject to recapture under various circumstances, including redemption of the loan/investment prior to a requisite seven-year hold period, and recognition of income was deferred. Upon the expiration of the seven-year period and no further obligations, the Company recognized income of $5.0 million during the three months ended September 30, 2019, which is included in Other income in the consolidated statements of income.

Unsecured Notes Payable

Unsecured notes payable for which total availability was $17.6 million and $62.3 million at September 30, 2019 and December 31, 2018, respectively, are comprised of the following:

- As discussed above, the Core unsecured term loans totaling $300.0 million were refinanced in February 2018, into one $350.0 million term loan with an interest rate of LIBOR+ 1.25% and maturing in March 2023. The outstanding balance of the Core term loans was $350.0 million at September 30, 2019 and December 31, 2018. During the nine months ended September 30, 2019, the Company entered into interest rate swap contracts to effectively fix the variable portion of the interest rate with a notional value of $156.0 million at a weighted-average interest rate of 2.43%, which may be used to swap the Company's unhedged, unsecured, LIBOR-based variable-rate debt. The Company previously entered into swap agreements fixing the rates of the remaining Core term loan balance.
- Fund II has a $40.0 million term loan secured by the real estate assets of City Point Phase II and guaranteed by the Company and the Operating Partnership. The outstanding balance of the Fund II term loan was $40.0 million at each of September 30, 2019 and December 31, 2018. Total availability was $0.0 million at each of September 30, 2019 and December 31, 2018.
- At Fund IV there is a $80.2 million bridge facility and a $27.0 million subscription line, which were modified from their previous limits of $41.8 million and $15.0 million, respectively, during the second quarter of 2019. The outstanding balance of the Fund IV bridge facility was $79.2 million at September 30, 2019 and $40.8 million at December 31, 2018. Total availability was $1.0 million at each of September 30, 2019 and December 31, 2018. The outstanding balance of the Fund IV subscription line was $8.4 million at September 30, 2019 and $0 at December 31, 2018. Total availability was $15.0 million at both September 30, 2019 and December 31, 2018, reflecting letters of credit of $3.6 million and $7.4 million, respectively.
- Fund V has a $150.0 million subscription line collateralized by Fund V's unfunded capital commitments and guaranteed by the Operating Partnership. The outstanding balance and total available credit of the Fund V subscription line was $148.4 million and $1.6 million, respectively at September 30, 2019. The outstanding balance and total available credit of the Fund V subscription line was $102.8 million and $47.2 million, respectively at December 31, 2018.

Unsecured Revolving Line of Credit

The Company had a total of $133.2 million and $137.7 million available under its $150.0 million Core unsecured revolving line of credit reflecting the issuance of letters of credit of $16.8 million and $12.3 million at September 30, 2019 and December 31, 2018, respectively. At each of September 30, 2019 and December 31, 2018, all of the Core unsecured revolving line of credit was swapped to a fixed rate.

The capacity of the Company's unsecured revolving line of credit was increased on October 8, 2019 (Note 15).

Scheduled Debt Principal Payments

The scheduled principal repayments of the Company's consolidated indebtedness, as of September 30, 2019 are as follows (in thousands):

Year Ending December 31,		
2019 (Remainder)	$	121,846
2020		561,472
2021		240,659
2022		91,357
2023		412,305
Thereafter		236,503
		1,664,142
Unamortized premium		676
Net unamortized debt issuance costs		(9,463)
Total indebtedness	$	1,655,355

See Note 4 for information about liabilities of the Company's unconsolidated affiliates.

8. Financial Instruments and Fair Value Measurements

The fair value of an asset is defined as the exit price, which is the amount that would either be received when an asset is sold or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The guidance establishes a three-tier fair value hierarchy based on the inputs used in measuring fair value. These tiers are: Level 1, for which quoted market prices for identical instruments are available in active markets, such as money market funds, equity securities, and U.S. Treasury securities; Level 2, for which there are inputs other than quoted prices included within Level 1 that are observable for the instrument, such as certain derivative instruments including interest rate caps and interest rate swaps; and Level 3, for financial instruments or other assets/liabilities that do not fall into Level 1 or Level 2 and for which little or no market data exists, therefore requiring the Company to develop its own assumptions.

Items Measured at Fair Value on a Recurring Basis

The methods and assumptions described below were used to estimate the fair value of each class of financial instrument. For significant Level 3 items, the Company has also provided the unobservable inputs along with their weighted-average ranges.

Money Market Funds — The Company has money market funds, which are included in Cash and cash equivalents in the consolidated financial statements, are comprised of government securities and/or U.S. Treasury bills. These funds were classified as Level 1 as we used quoted prices from active markets to determine their fair values.

Derivative Assets — The Company has derivative assets, which are included in Other assets, net in the consolidated financial statements, and comprised of interest rate swaps and caps. The derivative instruments were measured at fair value using readily observable market inputs, such as quotations on interest rates, and were classified as Level 2 as these instruments are custom, over-the-counter contracts with various bank counterparties that are not traded in an active market. See “Derivative Financial Instruments,” below.

Derivative Liabilities — The Company has derivative liabilities, which are included in Accounts payable and other liabilities in the consolidated financial statements, and comprised of interest rate swaps. These derivative instruments were measured at fair value using readily observable market inputs, such as quotations on interest rates, and were classified as Level 2 because they are custom, over-the-counter contracts with various bank counterparties that are not traded in an active market. See “Derivative Financial Instruments,” below.

The Company did not have any transfers into or out of Level 1, Level 2, and Level 3 measurements during the nine months ended September 30, 2019 or 2018.

The following table presents the Company’s fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis (in thousands):

	September 30, 2019			December 31, 2018		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Assets						
Money Market Funds	$ 10,000	$ —	$ —	$ 4,504	$ —	$ —
Derivative financial instruments	—	1,217	—	—	7,018	—
Liabilities						
Derivative financial instruments	—	53,194	—	—	7,304	—

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Company’s assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

Items Measured at Fair Value on a Nonrecurring Basis (Including Impairment Charges)

During 2018, the Company began selling the residential units of its 210 Bowery property in Fund IV. As the projected aggregate selling prices net of selling costs were in line with the carrying amount of the property through the first quarter 2019, no gain or loss had been recognized on the units sold through that date and no impairment was previously deemed necessary. During the second quarter 2019, the Company revised its estimate of the expected selling price of the remaining three units. Accordingly, the Company recognized a $1.4 million impairment charge, inclusive of an amount attributable to a noncontrolling interest of $1.1 million, to adjust the carrying value to the estimated selling price less estimated costs to sell. During the third quarter 2019, upon execution of a contract for sale (Note 2) the Company recognized an additional $0.3

million impairment charge for the remaining condominium unit, inclusive of an amount attributable to a noncontrolling interest of $0.2 million, to adjust the carrying value to the estimated selling price less estimated costs to sell.

The Company did not record any impairment charges during the nine months ended September 30, 2018.

Derivative Financial Instruments

The Company had the following interest rate swaps and caps for the periods presented (dollars in thousands):

Derivative Instrument	Aggregate Notional Amount	Effective Date	Maturity Date	Strike Rate Low		Strike Rate High	Balance Sheet Location	Fair Value September 30, 2019	Fair Value December 31, 2018
Core									
Interest Rate Swaps	$ 423,761	Dec 2012-July 2020	Mar 2022-July 2030	1.71%	—	3.77%	Other Liabilities (a)	$ (46,395)	$ (6,332)
Interest Rate Swaps	163,500	Oct 2014 - July 2016	Nov 2019-June 2021	1.24%	—	1.70%	Other Assets	581	6,022
	$ 587,261							$ (45,814)	$ (310)
Fund II									
Interest Rate Swap	$ 19,138	Oct 2014	Nov 2021	2.88%	—	2.88%	Other Liabilities	$ (180)	$ —
Interest Rate Swap	—	—	—	—	—	—	Other Assets	—	108
Interest Rate Cap	23,300	Mar 2019	Mar 2022	3.50%	—	3.50%	Other Assets	3	—
	$ 42,438							$ (177)	$ 108
Fund III									
Interest Rate Cap	$ 58,000	Dec 2016	Jan 2020	3.00%	—	3.00%	Other Assets	$ —	$ 8
Fund IV									
Interest Rate Swap	$ 23,100	Mar 2017	Mar 2020	1.82%	—	1.82%	Other Assets	$ 2	$ 851
Interest Rate Swaps	65,501	Mar 2017 - May 2019	Apr 2022 - Dec 2022	1.97%	—	4.00%	Other Liabilities	(1,068)	—
Interest Rate Caps	104,400	Nov 2016 - July 2019	Dec 2019 - July 2021	3.00%	—	3.50%	Other Assets	—	8
	$ 193,001							$ (1,066)	$ 859
Fund V									
Interest Rate Swaps	$ —	Nov 2019	Sept 2024 - Oct 2024	1.25%	—	1.28%	Other Assets (b)	$ 631	$ 21
Interest Rate Swaps	156,900	Jan 2018-Oct 2019	Feb 2021-Oct 2024	1.45%	—	2.88%	Other Liabilities (c)	(5,551)	(972)
	$ 156,900							$ (4,920)	$ (951)
Total asset derivatives								$ 1,217	$ 7,018
Total liability derivatives								$ (53,194)	$ (7,304)

(a) Includes two swaps with an aggregate fair value of ($15.7) million and ($2.9) million at September 30, 2019 and December 31, 2018, respectively, which were acquired during July 2018 and are not effective until July 2020. At September 30, 2019 and December 31, 2018, $155.4 million and $0.0 million of the Core swaps were available, respectively to hedge debt at the Funds.

(b) Includes three swaps with an aggregate fair value of $0.6 million at September 30, 2019, which were acquired during August 2019 and are not effective until November 2019.

(c) Includes two swaps with an aggregate fair value of ($0.1) million at September 30, 2019, which were acquired during September 2019 and are not effective until October 2019.

All of the Company's derivative instruments have been designated as cash flow hedges and hedge the future cash outflows on variable-rate debt (Note 7). It is estimated that approximately $4.8 million included in accumulated other comprehensive (loss) income related to derivatives will be reclassified to interest expense within the next twelve months. As of September 30, 2019 and December 31, 2018, no derivatives were designated as fair value hedges or hedges of net investments in foreign operations. Additionally, the Company does not use derivatives for trading or speculative purposes and currently does not have any derivatives that are not designated hedges.

Risk Management Objective of Using Derivatives

The Company is exposed to certain risks arising from both its business operations and economic conditions. The Company manages economic risks, including interest rate, liquidity and credit risk, primarily by managing the amount, sources and duration of its debt funding and, from time to time, through the use of derivative financial instruments. The Company enters into derivative financial instruments to manage exposures that result in the receipt or payment of future known and uncertain cash amounts, the values of which are determined by interest rates. The Company's derivative financial instruments are used to manage differences in the amount, timing and duration of the Company's known or expected cash receipts and its known or expected cash payments principally related to the Company's investments and borrowings.

The Company is exposed to credit risk in the event of non-performance by the counterparties to the swaps if the derivative position has a positive balance. The Company believes it mitigates its credit risk by entering into swaps with major financial institutions. The Company continually monitors and actively manages interest costs on its variable-rate debt portfolio and may enter into additional interest rate swap positions or other derivative interest rate instruments based on market conditions.

Credit Risk-Related Contingent Features

The Company has agreements with each of its swap counterparties that contain a provision whereby if the Company defaults on certain of its unsecured indebtedness, the Company could also be declared in default on its swaps, resulting in an acceleration of payment under the swaps.

Other Financial Instruments

The Company's other financial instruments had the following carrying values and fair values as of the dates shown (dollars in thousands, inclusive of amounts attributable to noncontrolling interests where applicable):

		September 30, 2019		December 31, 2018	
	Level	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Notes Receivable (a)	3	$ 94,807	$ 94,180	$ 109,613	$ 107,370
Mortgage and Other Notes Payable (a)	3	1,038,137	1,048,580	1,026,708	1,021,075
Investment in non-traded equity securities (b)	3	—	56,337	—	56,337
Unsecured notes payable and Unsecured line of credit (c)	2	626,005	626,785	533,625	533,954

(a) The Company determined the estimated fair value of these financial instruments using a discounted cash flow model with rates that take into account the credit of the borrower or tenant, where applicable, and interest rate risk. The Company also considered the value of the underlying collateral, taking into account the quality of the collateral, the credit quality of the borrower, the time until maturity and the current market interest rate environment.

(b) Represents Fund II's cost-method investment in Albertson's supermarkets (Note 4). The fair values for September 30, 2019 and December 31, 2018 are based on a valuation at December 31, 2018.

(c) The Company determined the estimated fair value of the unsecured notes payable and unsecured line of credit using quoted market prices in an open market with limited trading volume where available. In cases where there was no trading volume, the Company determined the estimated fair value using a discounted cash flow model using a rate that reflects the average yield of similar market participants.

The Company's cash and cash equivalents, restricted cash, accounts receivable, accounts payable and certain financial instruments included in other assets and other liabilities had fair values that approximated their carrying values due to their short maturity profiles at September 30, 2019.

9. Commitments and Contingencies

The Company is involved in various matters of litigation arising out of, or incident to, its business, including the litigation described in Note 7. While the Company is unable to predict with certainty the outcome of any particular matter, management does not expect, when such litigation is resolved, that the Company's resulting exposure to loss contingencies, if any, will have a material adverse effect on its consolidated financial position.

Commitments and Guaranties

In conjunction with the development and expansion of various properties, the Company has entered into agreements with general contractors for the construction or development of properties aggregating approximately $42.9 million and $55.5 million as of September 30, 2019 and December 31, 2018, respectively.

At September 30, 2019 and December 31, 2018, the Company had letters of credit outstanding of $20.4 million and $19.7 million, respectively. The Company has not recorded any obligation associated with these letters of credit. The majority of the letters of credit are collateral for existing indebtedness and other obligations of the Company.

10. Shareholders' Equity, Noncontrolling Interests and Other Comprehensive Income

Common Shares and Units

In addition to the ATM Program activity discussed below, the Company completed the following transactions in its common shares during the nine months ended September 30, 2019:

- The Company withheld 2,468 Restricted Shares to pay the employees' statutory minimum income taxes due on the value of the portion of their Restricted Shares that vested.
- The Company recognized Common Share and Common OP Unit-based compensation totaling $5.4 million and $6.3 million in connection with Restricted Shares and Units (Note 13) for the nine months ended September 30, 2019 and 2018, respectively.

In addition to the share repurchase activity discussed below, the Company completed the following transactions in its common shares during the year ended December 31, 2018:

- The Company withheld 3,288 Restricted Shares to pay the employees' statutory minimum income taxes due on the value of the portion of their Restricted Shares that vested.
- The Company recognized Common Share and Common OP Unit-based compensation totaling $8.4 million in connection with Restricted Shares and Units (Note 13).

ATM Program

The Company has an at-the-market equity issuance program ("ATM Program") which provides the Company an efficient and low-cost vehicle for raising public equity to fund its capital needs. The Company entered into its current $250.0 million ATM Program (which replaced its prior program) in the second quarter of 2019 and also added an optional "forward purchase" component. The Company has not issued any shares on a forward basis during the nine months ended September 30, 2019. During the three months ended September 30, 2019, the Company sold 2,149,154 Common Shares under its ATM Program for gross proceeds of $61.6 million, or $60.6 million net of issuance costs, at a weighted-average gross price per share of $28.64. During the nine months ended September 30, 2019, the Company sold 4,816,505 Common Shares under its ATM Program for gross proceeds of $137.8 million, or $135.8 million net of issuance costs, at a weighted-average gross price per share of $28.61.

Share Repurchase Program

During 2018, the Company's board of trustees approved a new share repurchase program, which authorizes management, at its discretion, to repurchase up to $200.0 million of its outstanding Common Shares. The program does not obligate the Company to repurchase any specific number of Common Shares, and may be discontinued or extended at any time. The Company repurchased 2,294,235 Common Shares for $55.1 million, inclusive of $0.1 million of fees, during the year ended December 31, 2018. The Company repurchased 2,294,235 shares for $55.1 million, inclusive of $0.1 million of fees, during the nine months ended September 30, 2018. During the nine months ended September 30, 2019 the Company made no repurchases under the share repurchase program, under which $144.9 million currently remains available.

Dividends and Distributions

The following table sets forth the dividends declared and/or paid during the nine months ended September 30, 2019:

Date Declared	Amount Per Share	Record Date	Payment Date
November 15, 2018	$ 0.28	December 31, 2018	January 15, 2019
February 28, 2019	$ 0.28	March 29, 2019	April 15, 2019
May 9, 2019	$ 0.28	June 28, 2019	July 15, 2019
August 13, 2019	$ 0.28	September 30, 2019	October 15, 2019

Accumulated Other Comprehensive Income

The following tables set forth the activity in accumulated other comprehensive income for the three and nine months ended September 30, 2019 and 2018 (in thousands):

	Gains or Losses on Derivative Instruments
Balance at July 1, 2019	**$ (29,570)**
Other comprehensive loss before reclassifications	(15,388)
Reclassification of realized interest on swap agreements	(288)
Net current period other comprehensive loss	(15,676)
Net current period other comprehensive loss attributable to noncontrolling interests	1,108
Balance at September 30, 2019	**$ (44,138)**
Balance at July 1, 2018	**$ 10,138**
Other comprehensive income before reclassifications	3,973
Reclassification of realized interest on swap agreements	(55)
Net current period other comprehensive income	3,918
Net current period other comprehensive income attributable to noncontrolling interests	(789)
Balance at September 30, 2018	**$ 13,267**

	Gains or Losses on Derivative Instruments
Balance at January 1, 2019	**$ 516**
Other comprehensive loss before reclassifications	(51,347)
Reclassification of realized interest on swap agreements	(1,374)
Net current period other comprehensive loss	(52,721)
Net current period other comprehensive loss attributable to noncontrolling interests	8,067
Balance at September 30, 2019	**$ (44,138)**
Balance at January 1, 2018	**$ 2,614**
Other comprehensive income before reclassifications	12,576
Reclassification of realized interest on swap agreements	417
Net current period other comprehensive income	12,993
Net current period other comprehensive income attributable to noncontrolling interests	(2,340)
Balance at September 30, 2018	**$ 13,267**

Noncontrolling Interests

The following tables summarize the change in the noncontrolling interests for the three and nine months ended September 30, 2019 and 2018 (dollars in thousands):

	Noncontrolling Interests in Operating Partnership (a)	Noncontrolling Interests in Partially-Owned Affiliates (b)	Total
Balance at July 1, 2019	**$ 103,705**	**$ 515,205**	**$ 618,910**
Distributions declared of $0.28 per Common OP Unit	(1,765)	—	(1,765)
Net income (loss) for the three months ended September 30, 2019	785	(2,403)	(1,618)
Conversion of 41,646 Common OP Units to Common Shares by limited partners of the Operating Partnership	(720)	—	(720)
Other comprehensive loss - unrealized loss on valuation of swap agreements	(864)	(251)	(1,115)
Reclassification of realized interest expense on swap agreements	(16)	23	7
Noncontrolling interest contributions	—	129,438	129,438
Noncontrolling interest distributions	—	(29,713)	(29,713)
Employee Long-term Incentive Plan Unit Awards	1,768	—	1,768
Reallocation of noncontrolling interests (c)	(5,251)	—	(5,251)
Balance at September 30, 2019	**$ 97,642**	**$ 612,299**	**$ 709,941**
Balance at July 1, 2018	**$ 105,100**	**$ 514,774**	**$ 619,874**
Distributions declared of $0.27 per Common OP Unit	(1,692)	—	(1,692)
Net income (loss) for the three months ended September 30, 2018	732	(12,554)	(11,822)
Conversion of 46,950 Common OP Units to Common Shares by limited partners of the Operating Partnership	(834)	—	(834)
Other comprehensive income - unrealized gain on valuation of swap agreements	197	505	702
Reclassification of realized interest expense on swap agreements	(9)	96	87
Noncontrolling interest contributions	—	40,440	40,440
Noncontrolling interest distributions	—	(9,014)	(9,014)
Employee Long-term Incentive Plan Unit Awards	2,082	—	2,082
Reallocation of noncontrolling interests (c)	(1,783)	—	(1,783)
Balance at September 30, 2018	**$ 103,793**	**$ 534,247**	**$ 638,040**

	Noncontrolling Interests in Operating Partnership (a)	Noncontrolling Interests in Partially-Owned Affiliates (b)	Total
Balance at January 1, 2019	**$ 104,223**	**$ 518,219**	**$ 622,442**
Distributions declared of $0.84 per Common OP Unit	(5,322)	—	(5,322)
Net income (loss) for the nine months ended September 30, 2019	2,437	(27,633)	(25,196)
Conversion of 249,464 Common OP Units to Common Shares by limited partners of the Operating Partnership	(4,230)	—	(4,230)
Other comprehensive loss - unrealized loss on valuation of swap agreements	(2,686)	(5,320)	(8,006)
Reclassification of realized interest expense on swap agreements	(61)	—	(61)
Noncontrolling interest contributions	—	161,628	161,628
Noncontrolling interest distributions	—	(34,595)	(34,595)
Employee Long-term Incentive Plan Unit Awards	6,965	—	6,965
Reallocation of noncontrolling interests (c)	(3,684)	—	(3,684)
Balance at September 30, 2019	**$ 97,642**	**$ 612,299**	**$ 709,941**
Balance at January 1, 2018	**$ 102,921**	**$ 545,519**	**$ 648,440**
Distributions declared of $0.81 per Common OP Unit	(5,126)	—	(5,126)
Net income (loss) for the nine months ended September 30, 2018	1,977	(35,313)	(33,336)
Conversion of 111,588 Common OP Units to Common Shares by limited partners of the Operating Partnership	(1,957)	—	(1,957)
Other comprehensive income - unrealized gain on valuation of swap agreements	625	1,435	2,060
Reclassification of realized interest expense on swap agreements	10	270	280
Noncontrolling interest contributions	—	46,990	46,990
Noncontrolling interest distributions	—	(24,654)	(24,654)
Employee Long-term Incentive Plan Unit Awards	7,924	—	7,924
Reallocation of noncontrolling interests (c)	(2,581)	—	(2,581)
Balance at September 30, 2018	**$ 103,793**	**$ 534,247**	**$ 638,040**

(a) Noncontrolling interests in the Operating Partnership are comprised of (i) the limited partners' 3,306,879 and 3,331,440 Common OP Units at September 30, 2019 and September 30, 2018; (ii) 188 Series A Preferred OP Units at September 30, 2019 and September 30, 2018; (iii) 136,593 Series C Preferred OP Units at September 30, 2019 and September 30, 2018; and (iv) 2,673,608 and 2,547,002 LTIP units at September 30, 2019 and September 30, 2018, respectively, as discussed in Share Incentive Plan (Note 13). Distributions declared for Preferred OP Units are reflected in net income (loss) in the table above.

(b) Noncontrolling interests in partially-owned affiliates comprise third-party interests in Funds II, III, IV and V, and Mervyns II, and six other subsidiaries.

(c) Adjustment reflects the difference between the fair value of the consideration received or paid and the book value of the Common Shares, Common OP Units, Preferred OP Units, and LTIP Units involving changes in ownership.

Preferred OP Units

There were no issuances of Preferred OP Units during the nine months ended September 30, 2019.

In 1999, the Operating Partnership issued 1,580 Series A Preferred OP Units in connection with the acquisition of a property, which have a stated value of $1,000 per unit, and are entitled to a preferred quarterly distribution of the greater of (i) $22.50 (9% annually) per Series A Preferred OP Unit or (ii) the quarterly distribution attributable to a Series A Preferred OP Unit if such unit was converted into a Common OP Unit. Through September 30, 2019, 1,392 Series A Preferred OP Units were converted into 185,600 Common OP Units and then into Common Shares. The 188 remaining Series A Preferred OP Units are currently convertible into Common OP Units based on the stated value divided by $7.50. Either the Company or the holders can currently call for the conversion of the Series A Preferred OP Units at the lesser of $7.50 or the market price of the Common Shares as of the conversion date.

During 2016, the Operating Partnership issued 442,478 Common OP Units and 141,593 Series C Preferred OP Units to a third party to acquire Gotham Plaza (Note 4). The Series C Preferred OP Units have a value of $100.00 per unit and are entitled to a preferred quarterly distribution of $0.9375 per unit and are convertible into Common OP Units at a rate based on the share price at the time of conversion. If the share price is below $28.80 on the conversion date, each Series C Preferred OP Unit will be convertible into 3.4722 Common OP Units. If the share price is between $28.80 and $35.20 on the conversion date, each Series C Preferred OP Unit will be convertible into a number of Common OP Units equal to $100.00 divided by the closing share price. If the share price is above $35.20 on the conversion date, each Series C Preferred OP Unit will be convertible into 2.8409 Common OP Units. The Series C Preferred OP Units have a mandatory conversion date of December 31, 2025, at which time all units that have not been converted will automatically be converted into Common OP Units based on the same calculations. Through September 30, 2019, 5,000 Series C Preferred OP Units were converted into 17,165 Common OP Units and then into Common Shares.

11. Leases

As Lessor

The Company implemented ASC Topic 842, *Leases*, effective January 1, 2019 (Note 1). As lessor, there were no accounting adjustments required, however, the presentation of the Company's lease revenues in 2019 includes amounts previously reported as reimbursed expenses. There was no cumulative effect adjustment to retained earnings required upon adoption of the new standard. In addition, the Company began expensing internal leasing costs, which have historically been capitalized.

The Company is engaged in the operation of shopping centers and other retail properties that are either owned or, with respect to certain shopping centers, operated under long-term ground leases (see below) that expire at various dates through June 20, 2066, with renewal options. Space in the shopping centers is leased to tenants pursuant to agreements that provide for terms ranging generally from one month to sixty years and generally provide for additional rents based on certain operating expenses as well as tenants' sales volumes. During the three and nine months ended September 30, 2019, the Company earned $14.7 million and $41.2 million, respectively, in variable lease revenues, primarily for real estate taxes and common area maintenance charges, which are included in lease revenues in the consolidated statements of income.

As Lessee

As lessee, upon implementation of ASC Topic 842, the Company recorded right-of-use assets and corresponding lease liabilities of $11.9 million and $12.8 million, respectively, for nine existing operating leases (for ground, office and equipment leases) and $82.6 million and $76.6 million, respectively, for four finance leases related to ground rentals including an existing capital lease which represented $77.0 million and $71.1 million, respectively, of the total. Three finance leases were recorded post-implementation upon assessment of triggering events whereby the Company's cumulative leasehold investment made it reasonably certain that the Company would exercise its purchase options.

During the three months ended June 30, 2019, the Company

- Entered into a new master lease that is a finance lease, (1238 Wisconsin Avenue, acquired on May 2, 2019 within the Core Portfolio) and recorded a Right-of-use asset–finance lease of $11.2 million and a corresponding Lease liability–finance lease of $10.7 million; and
- Entered into a new master lease that is an operating lease (110 University Place, acquired on May 1, 2019 by Fund IV for $10.5 million) and recorded a Right of use asset–operating lease of $45.3 million and a corresponding Lease liability–operating lease of $45.3 million.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Lease Cost		(Not applicable)		(Not applicable)
Finance lease cost:				
Amortization of right-of-use assets	$ 565		$ 1,603	
Interest on lease liabilities	978		2,755	
Subtotal	1,543		4,358	
Operating lease cost	1,394		3,037	
Variable lease cost	62		119	
Total lease cost	$ 2,999		$ 7,514	
Other Information				
Weighted-average remaining lease term - finance leases (years)			42.9	
Weighted-average remaining lease term - operating leases (years)			33.7	
Weighted-average discount rate - finance leases			4.5%	
Weighted-average discount rate - operating leases			5.8%	

Right-of-use assets are included in Operating real estate (Note 2) in the consolidated balance sheet. Lease liabilities are included in Accounts payable and other liabilities in the consolidated balance sheet (Note 5). Operating lease cost comprises amortization of right-of-use assets for operating properties (related to ground rents) or amortization of right-of-use assets for office and corporate assets and is included in Property operating expense or General and administrative expense, respectively, in the consolidated statements of income. Finance lease cost comprises amortization of right-of-use assets for certain ground leases, which is included in Property operating expense, as well as interest on lease liabilities, which is included in Interest expense in the consolidated statements of income.

Lease Disclosures Related to Prior Periods

The Company leased land at six of its shopping centers, which were accounted for as operating leases through December 31, 2018 which generally provided the Company with renewal options. Ground rent expense was $1.2 million (including capitalized ground rent at a property under development of $0.5 million) for the nine months ended September 30, 2018. The leases terminate at various dates between 2020 and 2066. These leases provide the Company with options to renew for additional terms aggregating up to 25 to 71 years. The Company also leases space for its corporate office. Office rent expense under this lease was $0.7 million for the nine months ended September 30, 2018.

During 2016, the Company entered into a 49-year master lease, which was accounted for as a capital lease through December 31, 2018 and was later reclassified as a finance lease upon implementation of ASC 842 as described above. During the nine months ended September 30, 2018, payments for this lease totaled $1.9 million. The property under the capital lease is included in Note 2.

Lease Obligations

The scheduled future minimum (i) rental revenues from rental properties under the terms of non-cancelable tenant leases greater than one year (assuming no new or renegotiated leases or option extensions for such premises) and (ii) rental payments under the terms of all non-cancelable operating and finance leases in which the Company is the lessee, principally for office space, land and equipment, as of September 30, 2019, are summarized as follows (in thousands):

Year Ending December 31,	Minimum Rental Revenues	Minimum Rental Payments (a, b)
2019 (Remainder)	$ 48,697	$ 1,821
2020	205,710	7,139
2021	193,653	7,073
2022	173,664	7,082
2023	152,273	7,075
Thereafter	652,003	334,761
Total	$ 1,426,000	$ 364,951

(a) A ground lease expiring during 2078 provides the Company with an option to purchase the underlying land during 2031. If the Company does not exercise the option, the rents that will be due are based on future values and as such are not determinable at this time. Accordingly, the above table does not include rents for this lease beyond 2031.
(b) Minimum rental payments include $220.8 million of interest related to finance leases.

During the three and nine months ended September 30, 2019 and 2018, no single tenant or property collectively comprised more than 10% of the Company's consolidated total revenues.

12. Segment Reporting

The Company has three reportable segments: Core Portfolio, Funds and Structured Financing. The Company's Core Portfolio consists primarily of high-quality retail properties located primarily in high-barrier-to-entry, densely-populated metropolitan areas with a long-term investment horizon. The Company's Funds hold primarily retail real estate in which the Company co-invests with high-quality institutional investors. The Company's Structured Financing segment consists of earnings and expenses related to notes and mortgages receivable which are held within the Core Portfolio or the Funds (Note 3). Fees earned by the Company as the general partner or managing member of the Funds are eliminated in the Company's consolidated financial statements and are not presented in the Company's segments.

The following tables set forth certain segment information for the Company (in thousands):

	For the Three Months Ended September 30, 2019				
	Core Portfolio	Funds	Structured Financing	Unallocated	Total
Revenues	$ 42,142	$ 31,185	$ —	$ —	$ 73,327
Depreciation and amortization	(15,179)	(16,991)	—	—	(32,170)
Property operating expenses, other operating and real estate taxes	(11,205)	(12,200)	—	—	(23,405)
General and administrative expenses	—	—	—	(8,222)	(8,222)
Impairment charge	—	(321)	—	—	(321)
Gain on disposition of properties	—	12,056	—	—	12,056
Operating income (loss)	15,758	13,729	—	(8,222)	21,265
Interest income	—	—	1,748	—	1,748
Other income	—	5,034	—	—	5,034
Equity in earnings (losses) of unconsolidated affiliates	1,798	(499)	—	—	1,299
Interest expense	(7,333)	(11,770)	—	—	(19,103)
Income tax provision	—	—	—	(1,403)	(1,403)
Net income (loss)	10,223	6,494	1,748	(9,625)	8,840
Net loss attributable to noncontrolling interests	263	1,355	—	—	1,618
Net income attributable to Acadia	$ 10,486	$ 7,849	$ 1,748	$ (9,625)	$ 10,458

	For the Three Months Ended September 30, 2018				
	Core Portfolio	Funds	Structured Financing	Unallocated	Total
Revenues	$ 41,742	$ 23,785	$ —	$ —	$ 65,527
Depreciation and amortization	(14,856)	(13,820)	—	—	(28,676)
Property operating expenses, other operating and real estate taxes	(11,910)	(10,011)	—	—	(21,921)
General and administrative expenses	—	—	—	(7,982)	(7,982)
Gain on disposition of properties	—	5,107	—	—	5,107
Operating income (loss)	14,976	5,061	—	(7,982)	12,055
Interest income	—	—	3,513	—	3,513
Equity in earnings (losses) of unconsolidated affiliates	2,005	(1,629)	—	—	376
Interest expense	(6,972)	(11,105)	—	—	(18,077)
Income tax provision	—	—	—	(464)	(464)
Net income (loss)	10,009	(7,673)	3,513	(8,446)	(2,597)
Net loss attributable to noncontrolling interests	115	11,707	—	—	11,822
Net income attributable to Acadia	$ 10,124	$ 4,034	$ 3,513	$ (8,446)	$ 9,225

	As of or for the Nine Months Ended September 30, 2019				
	Core Portfolio	Funds	Structured Financing	Unallocated	Total
Revenues	$ 131,356	$ 86,187	$ —	$ —	$ 217,543
Depreciation and amortization	(45,949)	(46,858)	—	—	(92,807)
Property operating expenses, other operating and real estate taxes	(34,730)	(32,217)	—	—	(66,947)
General and administrative expenses	—	—	—	(25,579)	(25,579)
Impairment charge	—	(1,721)	—	—	(1,721)
Gain on disposition of properties	—	14,070	—	—	14,070
Operating income (loss)	50,677	19,461	—	(25,579)	44,559
Interest income	—	—	6,247	—	6,247
Other income	327	6,620	—	—	6,947
Equity in earnings (losses) of unconsolidated affiliates	7,322	(193)	—	—	7,129
Interest expense	(20,866)	(35,855)	—	—	(56,721)
Income tax provision	—	—	—	(1,622)	(1,622)
Net income (loss)	37,460	(9,967)	6,247	(27,201)	6,539
Net loss attributable to noncontrolling interests	648	24,548	—	—	25,196
Net income attributable to Acadia	$ 38,108	$ 14,581	$ 6,247	$ (27,201)	$ 31,735
Real estate at cost	$ 2,190,281	$ 1,821,853	$ —	$ —	$ 4,012,134
Total assets	$ 2,316,683	$ 1,918,055	$ 94,807	$ —	$ 4,329,545
Cash paid for acquisition of real estate	$ 82,125	$ 174,522	$ —	$ —	$ 256,647
Cash paid for development and property improvement costs	$ 19,059	$ 58,577	$ —	$ —	$ 77,636

	As of or for the Nine Months Ended September 30, 2018				
	Core Portfolio	Funds	Structured Financing	Unallocated	Total
Revenues	$ 122,959	$ 66,995	$ —	$ —	$ 189,954
Depreciation and amortization	(45,283)	(41,472)	—	—	(86,755)
Property operating expenses, other operating and real estate taxes	(32,102)	(26,790)	—	—	(58,892)
General and administrative expenses	—	—	—	(24,359)	(24,359)
Gain on disposition of properties	—	5,140	—	—	5,140
Operating income (loss)	45,574	3,873	—	(24,359)	25,088
Interest and other income	—	—	10,539	—	10,539
Equity in earnings of unconsolidated affiliates	5,171	1,908	—	—	7,079
Interest expense	(20,475)	(30,407)	—	—	(50,882)
Income tax provision	—	—	—	(851)	(851)
Net income (loss)	30,270	(24,626)	10,539	(25,210)	(9,027)
Net loss attributable to noncontrolling interests	241	33,095	—	—	33,336
Net income attributable to Acadia	$ 30,511	$ 8,469	$ 10,539	$ (25,210)	$ 24,309
Real estate at cost	$ 2,060,024	$ 1,553,150	$ —	$ —	$ 3,613,174
Total assets	$ 2,234,521	$ 1,574,785	$ 109,410	$ —	$ 3,918,716
Cash paid for acquisition of real estate	$ 1,343	$ 103,559	$ —	$ —	$ 104,902
Cash paid for development and property improvement costs	$ 22,892	$ 43,346	$ —	$ —	$ 66,238

13. Share Incentive and Other Compensation

Share Incentive Plan

The Second Amended and Restated 2006 Incentive Plan (the “Share Incentive Plan”) authorizes the Company to issue options, Restricted Shares, LTIP Units and other securities (collectively “Awards”) to, among others, the Company’s officers, trustees and employees. At September 30, 2019 a total of 704,479 shares remained available to be issued under the Share Incentive Plan.

Restricted Shares and LTIP Units

During the nine months ended September 30, 2019, the Company issued 330,718 LTIP Units and 8,041 Restricted Share Units to employees of the Company pursuant to the Share Incentive Plan. These awards were measured at their fair value on the grant date, incorporating the following factors:

- A portion of these annual equity awards is granted in performance-based Restricted Share Units or LTIP Units that may be earned based on the Company’s attainment of specified relative total shareholder returns (“Relative TSR”) hurdles.
- In the event the Relative TSR percentile falls between the 25th percentile and the 50th percentile, the Relative TSR vesting percentage is determined using a straight-line linear interpolation between 50% and 100% and in the event that the Relative TSR percentile falls between the 50th percentile and 75th percentile, the Relative TSR vesting percentage is determined using a straight-line linear interpolation between 100% and 200%.
- Two-thirds (2/3) of the performance-based LTIP Units will vest based on the Company’s total shareholder return (“TSR”) for the three-year forward-looking performance period ending December 31, 2021 relative to the constituents of the SNL U.S. REIT Retail Shopping Center Index and one-third (1/3) on the Company’s TSR for the three-year forward-looking performance period as compared to the constituents of the SNL U.S. REIT Retail Index (both on a non-weighted basis).
- If the Company’s performance fails to achieve the aforementioned hurdles at the culmination of the three-year performance period, all performance-based shares will be forfeited. Any earned performance-based shares vest 60% at the end of the performance period, with the remaining 40% of shares vesting ratably over the next two years.

For valuation of the 2019 Performance Shares, a Monte Carlo simulation was used to estimate the fair values based on probability of satisfying the market conditions and the projected share prices at the time of payments, discounted to the valuation dates over the three-year performance periods. The assumptions include volatility (19.60%) and risk-free interest rates (2.5%).

The total value of the above Restricted Share Units and LTIP Units as of the grant date was $ 11.1 million. Total long-term incentive compensation expense, including the expense related to the Share Incentive Plan, was $1.7 million, $5.4 million, $2.0 million and $6.3 million for the three and nine months ended September 30, 2019 and 2018, respectively and is recorded in General and Administrative on the Consolidated Statements of Income.

In addition, members of the Board of Trustees (the "Board") have been issued shares and units under the Share Incentive Plan. During 2019, the Company issued 18,009 LTIP Units and 17,318 Restricted Shares to Trustees of the Company in connection with Trustee fees. Vesting with respect to 6,463 of the LTIP Units and 3,996 of the Restricted Shares will be on the first anniversary of the date of issuance and 11,546 of the LTIP Units and 13,322 of the Restricted Shares vest over three years with 33% vesting on each of the next three anniversaries of the issuance date. The Restricted Shares do not carry voting rights or other rights of Common Shares until vesting and may not be transferred, assigned or pledged until the recipients have a vested non-forfeitable right to such shares. Dividends are not paid currently on unvested Restricted Shares, but are paid cumulatively from the issuance date through the applicable vesting date of such Restricted Shares. Total trustee fee expense, including the expense related to the Share Incentive Plan, was $1.7 million and $0.9 million for the nine months ended September 30, 2019 and 2018.

In 2009, the Company adopted the Long-Term Investment Alignment Program (the "Program") pursuant to which the Company may grant awards to employees, entitling them to receive up to 25% of any potential future payments of Promote to the Operating Partnership from Funds III, IV and V. The Company has granted such awards to employees representing 25% of the potential Promote payments from Fund III to the Operating Partnership, 22.8% of the potential Promote payments from Fund IV to the Operating Partnership and 2.2% of the potential Promote payments from Fund V to the Operating Partnership. Payments to senior executives under the Program require further Board approval at the time any potential payments are due pursuant to these grants. Compensation relating to these awards will be recognized in each reporting period in which Board approval is granted.

As payments to other employees are not subject to further Board approval, compensation relating to these awards will be recorded based on the estimated fair value at each reporting period in accordance with ASC Topic 718, *Compensation– Stock Compensation.* The awards in connection with Fund IV and Fund V were determined to have no intrinsic value as of September 30, 2019.

No compensation expense was recognized for the nine months ended September 30, 2019 and 2018, respectively, related to the Program in connection with Fund III, Fund IV or Fund V.

A summary of the status of the Company's unvested Restricted Shares and LTIP Units is presented below:

Unvested Restricted Shares and LTIP Units	**Common Restricted Shares**	**Weighted Grant-Date Fair Value**	**LTIP Units**	**Weighted Grant-Date Fair Value**
Unvested at January 1, 2018	**41,327**	**$ 26.92**	**910,099**	**$ 28.28**
Granted	22,817	23.65	425,880	26.80
Vested	(25,261)	30.79	(431,827)	29.72
Forfeited	(428)	27.25	(12,266)	28.57
Unvested at December 31, 2018	**38,455**	**22.44**	**891,886**	**26.87**
Granted	25,359	28.56	348,726	32.78
Vested	(21,424)	27.12	(290,753)	29.30
Forfeited	—	—	(15,679)	31.49
Unvested at September 30, 2019	**42,390**	**$ 23.73**	**934,180**	**$ 28.24**

The weighted-average grant date fair value for Restricted Shares and LTIP Units granted for the nine months ended September 30, 2019 and the year ended December 31, 2018 were $32.50 and $26.64, respectively. As of September 30, 2019, there was $18.2 million of total unrecognized compensation cost related to unvested share-based compensation arrangements granted under the Share Incentive Plan. That cost is expected to be recognized over a weighted-average period of 1.9 years. The total fair value of Restricted Shares that vested for the nine months ended September 30, 2019 and the year ended December 31, 2018, was $0.6 million and $0.8 million, respectively. The total fair value of LTIP Units that vested (LTIP units vest primarily during the first quarter) during the nine months ended September 30, 2019 and the year ended December 31, 2018, was $8.5 million and $12.8 million, respectively.

Other Plans

On a combined basis, the Company incurred a total of $0.3 million related to the following employee benefit plans for each of the nine months ended September 30, 2019 and 2018:

Employee Share Purchase Plan

The Acadia Realty Trust Employee Share Purchase Plan (the "Purchase Plan"), allows eligible employees of the Company to purchase Common Shares through payroll deductions. The Purchase Plan provides for employees to purchase Common Shares on a quarterly basis at a 15% discount to the closing price of the Company's Common Shares on either the first day or the last day of the quarter, whichever is lower. A participant may not purchase more the $25,000 in Common Shares per year. Compensation expense will be recognized by the Company to the extent of the above discount to the closing price of the Common Shares with respect to the applicable quarter. A total of 1,803 and 2,836 Common Shares were purchased by employees under the Purchase Plan for the nine months ended September 30, 2019 and 2018, respectively.

Deferred Share Plan

During 2006, the Company adopted a Trustee Deferral and Distribution Election, under which the participating Trustees earn deferred compensation.

Employee 401(k) Plan

The Company maintains a 401(k) plan for employees under which the Company currently matches 50% of a plan participant's contribution up to 6% of the employee's annual salary. A plan participant may contribute up to a maximum of 15% of their compensation, up to $19,000, for the year ending December 31, 2019.

14. Earnings Per Common Share

Basic earnings per Common Share is computed by dividing net income attributable to Common Shareholders by the weighted-average Common Shares outstanding (Note 10). During the periods presented, the Company had unvested LTIP Units which provide for non-forfeitable rights to dividend equivalent payments. Accordingly, these unvested LTIP Units are considered participating securities and are included in the computation of basic earnings per Common Share pursuant to the two-class method.

Diluted earnings per Common Share reflects the potential dilution of the conversion of obligations and the assumed exercises of securities including the effects of restricted share units ("Restricted Share Units") issued under the Company's Share Incentive Plans (Note 13). The effect of such shares is excluded from the calculation of earnings per share when anti-dilutive as indicated in the table below.

The effect of the conversion of Common OP Units is not reflected in the computation of basic and diluted earnings per share, 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 noncontrolling interests in the accompanying consolidated financial statements. As such, the assumed conversion of these units would have no net impact on the determination of diluted earnings per share.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(dollars in thousands)	**2019**	**2018**	**2019**	**2018**
Numerator:				
Net income attributable to Acadia	$ 10,458	$ 9,225	$ 31,735	$ 24,309
Less: net income attributable to participating securities	(38)	(66)	(134)	(158)
Income from continuing operations net of income attributable to participating securities	$ 10,420	$ 9,159	$ 31,601	$ 24,151
Denominator:				
Weighted average shares for basic earnings per share	84,888,445	81,565,805	83,552,182	82,245,020
Effect of dilutive securities:				
Employee unvested restricted shares	—	—	—	—
Denominator for diluted earnings per share	84,888,445	81,565,805	83,552,182	82,245,020
Basic and diluted earnings per Common Share from continuing operations attributable to Acadia	$ 0.12	$ 0.11	$ 0.38	$ 0.29
Anti-Dilutive Shares Excluded from Denominator:				
Series A Preferred OP Units	188	188	188	188
Series A Preferred OP Units - Common share equivalent	25,067	25,067	25,067	25,067
Series C Preferred OP Units	136,593	136,593	136,593	136,593
Series C Preferred OP Units - Common share equivalent	474,278	474,278	474,278	474,278
Restricted shares	40,821	38,450	40,821	37,180

15. Subsequent Events

Financings

On October 8, 2019, the Operating Partnership amended its revolving senior unsecured credit facility which it originally entered into on February 20, 2018 (Note 7). Prior to this amendment, the credit agreement provided for a principal amount of up to $500.0 million, which consisted of a $150.0 million revolving credit facility and a $350.0 million term loan facility. The amendment provides for a $100.0 million increase in the revolving credit facility, resulting in borrowing capacity of up to $600.0 million in principal amount, which includes the $250.0 million revolving credit facility and the $350.0 million term loan facility. In addition, the amendment provides for an accordion feature, which allows for one or more increases in the revolving credit facility or term loan facility, for a maximum aggregate principal amount not to exceed $750.0 million.

During October 2019, Fund V's property entities entered into new mortgages for certain of its consolidated (Note 2) and unconsolidated (Note 4) properties totaling $140.4 million for which Fund V had previously entered into forward swaps effective November 1 (Note 8) as follows:

- Landstown Commons – $60.9 million at LIBOR plus 1.7%, swapped to a fixed rate of 2.949%, maturing on October 24, 2024.
- Lincoln Commons – $40.8 million at LIBOR plus 1.7%, swapped to a fixed rate of 2.949%, maturing on October 24, 2024. At closing, $38.8 million was funded.
- Tri-City Plaza – $38.7 million at LIBOR plus 1.9%, swapped to a fixed rate of 3.0935%, maturing on October 18, 2024. At closing, $25.4 million was funded.

Fund Distribution

On October 11, 2019, Fund V distributed $6.3 million to investors, of which the Company's share was $1.3 million.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

OVERVIEW

As of September 30, 2019, we own or have an ownership interest in 182 properties held through our Core Portfolio and Funds. Our Core Portfolio consists of those properties either 100% owned, or partially owned through joint venture interests, by the Operating Partnership or its subsidiaries, not including those properties owned through our Funds. These properties primarily consist of street and urban retail, and dense suburban shopping centers. Our Funds are investment vehicles through which our Operating Partnership and outside institutional investors invest in primarily opportunistic and value-add retail real estate. Currently, we have active investments in four Funds. A summary of our wholly-owned and partially-owned retail properties and their physical occupancies at September 30, 2019 is as follows:

	Number of Properties		Operating Properties	
	Development or Redevelopment	Operating	GLA	Occupancy
Core Portfolio:				
Chicago Metro	—	36	707,911	88.0%
New York Metro	—	24	335,239	92.4%
San Francisco Metro	1	1	148,832	100.0%
Washington DC Metro	1	28	323,189	91.8%
Boston Metro	—	3	55,276	100.0%
Suburban	2	29	4,257,989	93.7%
Total Core Portfolio	4	121	5,828,436	93.0%
Acadia Share of Total Core Portfolio	4	121	5,207,696	93.5%
Fund Portfolio:				
Fund II	—	1	469,518	65.2%
Fund III	1	3	134,434	75.2%
Fund IV	3	35	2,487,995	85.5%
Fund V	—	14	4,381,658	90.9%
Total Fund Portfolio	4	53	7,473,605	87.2%
Acadia Share of Total Fund Portfolio	4	53	1,598,960	87.0%
Total Core and Funds	8	174	13,302,041	89.8%
Acadia Share of Total Core and Funds	8	174	6,806,656	92.0%

The majority of our operating income is derived from rental revenues from operating properties, including expense recoveries from tenants, offset by operating and overhead expenses.

Our primary business objective is to acquire and manage commercial retail properties that will provide cash for distributions to shareholders while also creating the potential for capital appreciation to enhance investor returns. We focus on the following fundamentals to achieve this objective:

- Own and operate a Core Portfolio of high-quality retail properties located primarily in high-barrier-to-entry, densely-populated metropolitan areas and create value through accretive development and re-tenanting activities coupled with the acquisition of high-quality assets that have the long-term potential to outperform the asset class as part of our Core asset recycling and acquisition initiative.
- Generate additional external growth through an opportunistic yet disciplined acquisition program within our Funds. We target transactions with high inherent opportunity for the creation of additional value through:

  - value-add investments in street retail properties, located in established and "next generation" submarkets, with re-tenanting or repositioning opportunities,
  - opportunistic acquisitions of well-located real-estate anchored by distressed retailers, and
  - other opportunistic acquisitions which may include high-yield acquisitions and purchases of distressed debt.

Some of these investments historically have also included, and may in the future include, joint ventures with private equity investors for the purpose of making investments in operating retailers with significant embedded value in their real estate assets.

- Maintain a strong and flexible balance sheet through conservative financial practices while ensuring access to sufficient capital to fund future growth.

SIGNIFICANT DEVELOPMENTS DURING THE NINE MONTHS ENDED SEPTEMBER 30, 2019

Investments

During the nine months ended September 30, 2019, within our Core portfolio we invested in eight properties aggregating $93.2 million as follows:

- On January 24, 2019, our unconsolidated Renaissance Portfolio venture acquired Fund III's 3104 M Street property located in Washington, D.C. for $10.7 million (Note 4) for which our share was $2.1 million as discussed further below.
- On March 15, March 27, May 29, 2019 and July 30, 2019, we acquired four retail condominiums located in the Soho section of New York City for a total of $74.7 million as part of a collection of seven properties referred to as the "Soho Acquisitions" with an aggregate purchase price of approximately $122.0 million (Note 2). The acquisitions of the remaining three properties are expected to be finalized through early 2020. No assurance can be given that we will successfully close on the remaining acquisitions under contract, which are subject to customary closing conditions.
- On May 2, 2019, we entered into a ground lease (Note 11) on a development property in Washington, D.C. referred to as "1238 Wisconsin Avenue."
- On September 11, we acquired two mixed-use buildings in Chicago, Illinois, referred to as "849 and 912 W. Armitage" for a total of $7.8 million (Note 2).

During the nine months ended September 30, 2019, within our Fund portfolio we invested in eight properties aggregating $328.5 million as follows:

- On March 19, 2019, Fund V's unconsolidated venture (Note 4) acquired a suburban shopping center in Riverdale, Utah for $48.5 million referred to as "Family Center at Riverdale" for which Fund V's share was $43.7 million.
- On April 30, 2019, Fund V's unconsolidated venture (Note 4) acquired a suburban shopping center in Vernon, Connecticut for $36.7 million referred to as "Tri-City Plaza" for which Fund V's share was $33.0 million
- On May 1, 2019, Fund IV acquired a leasehold interest (Note 11) in a retail and parking condominium in a building in New York, New York for $10.5 million referred to as "110 University Place."
- On May 6, 2019, Fund V acquired a suburban shopping center (Note 2) in Palm Coast, Florida for $36.6 million referred to as "Palm Coast Landing."
- On June 21, 2019, Fund V acquired a suburban shopping center (Note 2) in Lincoln, Rhode Island for $54.3 million referred to as "Lincoln Commons."
- On August 2, Fund V acquired a suburban shopping center (Note 2) in Virginia Beach, Virginia for $87.0 million referred to as "Landstown Commons."
- On August 21, Fund V's unconsolidated venture (Note 4) acquired two suburban shopping centers in Frederick County, Maryland for a total of $54.9 million collectively referred to as the "Washington REIT Portfolio" for which Fund V's share was $49.4 million.

Dispositions of Real Estate

During the nine months ended September 30, 2019, we sold four consolidated properties (Note 2) from our Fund Portfolio for gross proceeds totaling $83.9 million as follows:

- On January 24, 2019, a venture in which Fund III holds an 80% interest sold its 3104 M Street property to an unconsolidated venture (Note 4) in which the Core Portfolio holds a 20% interest for $10.5 million. The acquiring venture assumed the property's mortgage in the amount of $4.7 million.
- On July 24, 2019, Fund IV sold its JFK Plaza property for $7.8 million.
- On August 22, 2019, Fund III sold its Nostrand Avenue property for $27.7 million.
- On May 17 and September 23, 2019, Fund IV sold two residential condominium units for a total of $5.9 million.
- On September 27, 2019 Fund IV sold its 938 W. North Street property for $32.0 million.

The Funds recognized a net aggregate gain on the sales of these consolidated properties of $14.1 million and our share was $3.1 million, net of noncontrolling interests.

Financings

During the nine months ended September 30, 2019, we obtained aggregate new financing of $137.2 million including (Note 7):

- An aggregate of $70.3 million in financings with two new mortgages for Fund V.
- An aggregate of $21.9 million in financings, with one new mortgage of $3.0 million and a refinancing of an $18.9 million mortgage for Fund IV.
- A $45.0 million loan for Fund II, of which $23.9 million was drawn at September 30, 2019.

In addition, Funds III and IV modified two mortgages by repaying a total of $14.8 million and reducing borrowing costs (Note 7).

Structured Financing

During the nine months ended September 30, 2019, the Company redeemed its $15.3 million Fund IV Structured Financing investment (Note 3).

Equity Issuance

During the three months ended September 30, 2019, the Company sold 2,149,154 shares under its ATM program (Note 10) for gross proceeds of $61.6 million, or $60.6 million net of issuance costs, at a weighted-average gross price per share of $28.64. During the nine months ended September 30, 2019, the Company sold 4,816,505 shares under its ATM program for gross proceeds of $137.8 million, or $135.8 million net of issuance costs, at a weighted-average gross price per share of $28.61.

RESULTS OF OPERATIONS

See Note 12 in the Notes to Consolidated Financial Statements for an overview of our three reportable segments.

Comparison of Results for the Three Months Ended September 30, 2019 to the Three Months Ended September 30, 2018

The results of operations by reportable segment for the three months ended September 30, 2019 compared to the three months ended September 30, 2018 are summarized in the table below (in millions, totals may not add due to rounding):

	Three Months Ended September 30, 2019				Three Months Ended September 30, 2018				Increase (Decrease)			
	Core	**Funds**	**SF**	**Total**	**Core**	**Funds**	**SF**	**Total**	**Core**	**Funds**	**SF**	**Total**
Revenues	$ 42.1	$ 31.2	$ —	$ 73.3	$ 41.7	$ 23.8	$ —	$ 65.5	$ 0.4	$ 7.4	$ —	$ 7.8
Depreciation and amortization	(15.2)	(17.0)	—	(32.2)	(14.9)	(13.8)	—	(28.7)	0.3	3.2	—	3.5
Property operating expenses, other operating and real estate taxes	(11.2)	(12.2)	—	(23.4)	(11.9)	(10.0)	—	(21.9)	(0.7)	2.2	—	1.5
General and administrative expenses	—	—	—	(8.2)	—	—	—	(8.0)	—	—	—	0.2
Impairment charge	—	(0.3)	—	(0.3)	—	—	—	—	—	0.3	—	0.3
Gain on disposition of properties	—	12.1	—	12.1	—	5.1	—	5.1	—	7.0	—	7.0
Operating income	15.8	13.7	—	21.3	15.0	5.1	—	12.1	0.8	8.6	—	9.2
Interest income	—	—	1.7	1.7	—	—	3.5	3.5	—	—	(1.8)	(1.8)
Other income	—	5.0	—	5.0	—	—	—	—	—	5.0	—	(5.0)
Equity in earnings (losses) of unconsolidated affiliates	1.8	(0.5)	—	1.3	2.0	(1.6)	—	0.4	(0.2)	1.1	—	0.9
Interest expense	(7.3)	(11.8)	—	(19.1)	(7.0)	(11.1)	—	(18.1)	0.3	0.7	—	1.0
Income tax provision	—	—	—	(1.4)	—	—	—	(0.5)	—	—	—	(0.9)
Net income (loss)	10.2	6.5	1.7	8.8	10.0	(7.7)	3.5	(2.6)	0.2	14.2	(1.8)	11.4
Net loss attributable to noncontrolling interests	0.3	1.4	—	1.6	0.1	11.7	—	11.8	0.2	(10.3)	—	(10.2)
Net income attributable to Acadia	$ 10.5	$ 7.8	$ 1.7	$ 10.5	$ 10.1	$ 4.0	$ 3.5	$ 9.2	$ 0.4	$ 3.8	$ (1.8)	$ 1.3

Core Portfolio

The results of operations for our Core Portfolio segment are depicted in the table above under the headings labeled "Core." Segment net income attributable to Acadia for our Core Portfolio increased $0.4 million for the three months ended September 30, 2019 compared to the prior year period.

Funds

The results of operations for our Funds segment are depicted in the table above under the headings labeled "Funds." Segment net income attributable to Acadia for the Funds increased $3.8 million for the three months ended September 30, 2019 compared to the prior year period as a result of the changes described below.

Revenues for the Funds increased $7.4 million for the three months ended September 30, 2019 compared to the prior year period primarily due to Fund property acquisitions in 2019 and 2018.

Depreciation and amortization expense for the Funds increased $3.2 million for the three months ended September 30, 2019 compared to the prior year period primarily due to Fund property acquisitions in 2019 and 2018.

Property operating expenses, other operating and real estate taxes for the Funds increased $2.2 million for the three months ended September 30, 2019 compared to the prior year period primarily due to Fund property acquisitions in 2019 and 2018.

Other income for the Funds increased $5.0 million for the three months ended September 30, 2019 compared to the prior year period due to the recognition of income associated with its New Market Tax Credit transaction within Fund II's City Point investment (Note 7).

Equity in earnings of unconsolidated affiliates for our Funds increased $1.1 million for the three months ended September 30, 2019 compared to the prior period primarily due to the recognition of 100% of the net loss generated from Broughton Street portfolio venture (Note 4) in 2018 as our partner is no longer being allocated their share of the losses.

Interest expense for the Funds increased $0.7 million for the three months ended September 30, 2019 compared to the prior year period due to a $2.0 million increase related to higher average outstanding borrowings in 2019 partially offset by $1.1 million of additional interest capitalized in 2019.

Net loss attributable to noncontrolling interests for the Funds decreased $10.3 million for the three months ended September 30, 2019 compared to the prior year period based on the noncontrolling interests' share of the variances discussed above. Net loss attributable to noncontrolling interests in the Funds includes asset management fees earned by the Company of $4.4 million and $4.5 million for the three months ended September 30, 2019 and 2018, respectively.

Structured Financing

The results of operations for our Structured Financing segment are depicted in the table above under the headings labeled "SF." Interest income for the Structured Financing portfolio decreased $1.8 million for the three months ended September 30, 2019 compared to the prior year period primarily due to $1.0 million from the payoff of a Fund IV note in 2019 along with the conversion of a portion of a note receivable into increased ownership in the real estate in 2018 (Note 4).

Unallocated

The Company does not allocate general and administrative expense and income taxes to its reportable segments. These unallocated amounts are depicted in the table above under the headings labeled "Total."

Comparison of Results for the Nine Months Ended September 30, 2019 to the Nine Months Ended September 30, 2018

The results of operations by reportable segment for the nine months ended September 30, 2019 compared to the nine months ended September 30, 2018 are summarized in the table below (in millions, totals may not add due to rounding):

	Nine Months Ended September 30, 2019				Nine Months Ended September 30, 2018				Increase (Decrease)			
	Core	**Funds**	**SF**	**Total**	**Core**	**Funds**	**SF**	**Total**	**Core**	**Funds**	**SF**	**Total**
Revenues	$ 131.4	$ 86.2	$ —	$ 217.5	$ 123.0	$ 67.0	$ —	$ 190.0	$ 8.4	$ 19.2	$ —	$ 27.5
Depreciation and amortization	(45.9)	(46.9)	—	(92.8)	(45.3)	(41.5)	—	(86.8)	0.6	5.4	—	6.0
Property operating expenses, other operating and real estate taxes	(34.7)	(32.2)	—	(66.9)	(32.1)	(26.8)	—	(58.9)	2.6	5.4	—	8.0
General and administrative expenses	—	—	—	(25.6)	—	—	—	(24.4)	—	—	—	1.2
Impairment charge	—	(1.7)	—	(1.7)	—	—	—	—	—	1.7	—	1.7
Gain on disposition of properties	—	14.1	—	14.1	—	5.1	—	5.1	—	9.0	—	9.0
Operating income	50.7	19.5	—	44.6	45.6	3.9	—	25.1	5.1	15.6	—	19.5
Interest income	—	—	6.2	6.2	—	—	10.5	10.5	—	—	(4.3)	(4.3)
Other income	0.3	6.6	—	6.9	—	—	—	—	(0.3)	6.6	—	(6.9)
Equity in earnings (losses) of unconsolidated affiliates	7.3	(0.2)	—	7.1	5.2	1.9	—	7.1	2.1	(2.1)	—	-
Interest expense	(20.9)	(35.9)	—	(56.7)	(20.5)	(30.4)	—	(50.9)	0.4	5.5	—	5.8
Income tax provision	—	—	—	(1.6)	—	—	—	(0.9)	—	—	—	(0.7)
Net income	37.5	(10.0)	6.2	6.5	30.3	(24.6)	10.5	(9.0)	7.2	14.6	(4.3)	15.5
Net loss attributable to noncontrolling interests	0.6	24.5	—	25.2	0.2	33.1	—	33.3	0.4	(8.6)	—	(8.1)
Net income attributable to Acadia	$ 38.1	$ 14.6	$ 6.2	$ 31.7	$ 30.5	$ 8.5	$ 10.5	$ 24.3	$ 7.6	$ 6.1	$ (4.3)	$ 7.4

Core Portfolio

Segment net income attributable to Acadia for our Core Portfolio increased $7.6 million for the nine months ended September 30, 2019 compared to the prior year period as a result of the changes further described below.

Revenues for our Core Portfolio increased $8.4 million for the nine months ended September 30, 2019 compared to the prior year period primarily due to $5.8 million from the write-off of a below market lease related to a tenant that vacated in 2019, a $1.3 million related to Core property acquisitions and approximately $1.0 million from improved credit loss experience and recoveries.

Property operating expenses, other operating and real estate taxes for our Core Portfolio increased $2.6 million for the nine months ended September 30, 2019 compared to the prior year period primarily due to $1.3 million from a reduced real estate tax assessment at City Center in 2018 and $1.1 million from increased legal expenses in the portfolio in 2019.

Equity in earnings of unconsolidated affiliates for our Core Portfolio increased $2.1 million for the nine months ended September 30, 2019 compared to the prior year period due to $1.1 million from lease up at various joint ventures in 2019 along with $1.0 million from the conversion of a portion of a note receivable into increased ownership in real estate during 2018.

Funds

Segment net income attributable to Acadia for the Funds increased $6.1 million for the nine months ended September 30, 2019 compared to the prior year period as a result of the changes described below.

Revenues for the Funds increased $19.2 million for the nine months ended September 30, 2019 compared to the prior year period due to $13.0 million from Fund property acquisitions in 2019 and 2018, $4.7 million from lease up at City Point and 938 W North, $2.2 million from the consolidation of the Broughton Street Portfolio and $2.5 million related to Cortlandt Crossing being placed into service. These increases were partially offset $1.8 million due to property sales in 2019 and $1.4 million from a write off of a below market lease related to a bankruptcy in 2018.

Depreciation and amortization for the Funds increased $5.4 million for the nine months ended September 30, 2019 compared to the prior year period due to Fund property acquisitions in 2019 and 2018.

Property operating expenses, other operating and real estate taxes for the Funds increased $5.4 million for the nine months ended September 30, 2019 compared to the prior year period due to Fund property acquisitions in 2019 and 2018.

The $1.7 million impairment charge in 2019 relates to residential condominium units at Fund IV's 210 Bowery (Note 8).

Gain on disposition of properties for the Funds increased $9.0 million for the nine months ended September 30, 2019 compared to the prior year period due to the sale of 938 W North and JFK Plaza in Fund IV and Nostrand Avenue and 3104 M Street in Fund III during 2019 compared to the sales of Lake Montclair and 1861 Union in Fund IV in 2018. (Note 2, Note 4).

Other income for the Funds increased $6.6 million for the nine months ended September 30, 2019 compared to the prior year period due to $5.0 million from the New Market Tax Credit transaction at Fund II's City Point investment (Note 7) and $1.6 million from an incentive fee earned from Fund III's Storage investment.

Equity in earnings of unconsolidated affiliates for the Funds decreased $2.1 million for the nine months ended September 30, 2019 compared to the prior year period due to a $3.2 million distribution from Fund III's Storage Post venture in 2018 (Note 4) offset by $1.1 million from the recognition of 100% of the net loss from the Broughton Street Portfolio venture in 2018 as our partner is no longer being allocated their share of the losses.

Interest expense for the Funds increased $5.5 million for the nine months ended September 30, 2019 compared to the prior year period due to a $4.9 million increase related to higher average outstanding borrowings in 2019, a $1.5 million increase related to higher average interest rates during 2019 and $1.4 million from higher loan cost amortization in 2019. These increases were partially offset by $2.4 million more interest capitalized in 2019.

Net loss attributable to noncontrolling interests for the Funds decreased $8.6 million for the nine months ended September 30, 2019 compared to the prior year period based on the noncontrolling interests' share of the variances discussed above. Net loss attributable to noncontrolling interests in the Funds includes asset management fees earned by the Company of $13.2 million and $13.5 million for the nine months ended September 30, 2019 and 2018, respectively.

Structured Financing

Interest income for the Structured Financing portfolio decreased $4.3 million for the nine months ended September 30, 2019 compared to the prior year period due to the conversion of a portion of two notes receivable into increased ownership in the real estate (Note 4) during 2018 along with the payoff of a note made by Fund IV during 2019.

Unallocated

Unallocated general and administrative expense increased $1.2 million for the nine months ended September 30, 2019 compared to the prior year period primarily due to internal leasing salaries no longer being capitalized in 2019.

SUPPLEMENTAL FINANCIAL MEASURES

Net Property Operating Income

The following discussion of net property operating income ("NOI") and rent spreads on new and renewal leases includes the activity from both our consolidated and our pro-rata share of unconsolidated properties within our Core Portfolio. Our Funds invest primarily in properties that typically require significant leasing and development. Given that the Funds are finite-life investment vehicles, these properties are sold following stabilization. For these reasons, we believe NOI and rent spreads are not meaningful measures for our Fund investments.

NOI represents property revenues less property expenses. We consider NOI and rent spreads on new and renewal leases for our Core Portfolio to be appropriate supplemental disclosures of portfolio operating performance due to their widespread acceptance and use within the REIT investor and analyst communities. NOI and rent spreads on new and renewal leases are presented to assist investors in analyzing our property performance, however, our method of calculating these may be different from methods used by other REITs and, accordingly, may not be comparable to such other REITs.

A reconciliation of consolidated operating income to net operating income - Core Portfolio follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Consolidated operating income	$ 21,265	$ 12,055	$ 44,559	$ 25,088
Add back:				
General and administrative	8,222	7,982	25,579	24,359
Depreciation and amortization	32,170	28,676	92,807	86,755
Impairment charge	321	—	1,721	—
Less:				
Above/below market rent, straight-line rent and other adjustments	(4,338)	(4,387)	(16,970)	(15,491)
Gain on disposition of properties	(12,056)	(5,107)	(14,070)	(5,140)
Consolidated NOI	45,584	39,219	133,626	115,571
Noncontrolling interest in consolidated NOI	(13,157)	(9,482)	(38,217)	(26,913)
Less: Operating Partnership's interest in Fund NOI included above	(3,480)	(2,477)	(10,292)	(6,938)
Add: Operating Partnership's share of unconsolidated joint ventures NOI (a)	6,288	6,280	19,553	18,356
NOI - Core Portfolio	$ 35,235	$ 33,540	$ 104,670	$ 100,076

(a) Does not include the Operating Partnership's share of NOI from unconsolidated joint ventures within the Funds.

Same-Property NOI includes Core Portfolio properties that we owned for both the current and prior periods presented, but excludes those properties which we acquired, sold or expected to sell, and developed during these periods. The following table summarizes Same-Property NOI for our Core Portfolio (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Core Portfolio NOI	$ 35,235	$ 33,540	$ 104,670	$ 100,076
Less properties excluded from Same-Property NOI	(4,046)	(3,286)	(11,737)	(10,844)
Same-Property NOI	$ 31,189	$ 30,254	$ 92,933	$ 89,232
Percent change from prior year period	3.1%		4.1%	
Components of Same-Property NOI:				
Same-Property Revenues	$ 41,678	$ 42,056	$ 125,893	$ 121,990
Same-Property Operating Expenses	(10,489)	(11,802)	(32,960)	(32,758)
Same-Property NOI	$ 31,189	$ 30,254	$ 92,933	$ 89,232

Rent Spreads on Core Portfolio New and Renewal Leases

The following table summarizes rent spreads on both a cash basis and straight-line basis for new and renewal leases based on leases executed within our Core Portfolio for the three and nine months ended September 30, 2019. Cash basis represents a comparison of rent most recently paid on the previous lease as compared to the initial rent paid on the new lease. Straight-line basis represents a comparison of rents as adjusted for contractual escalations, abated rent and lease incentives for the same comparable leases.

	Three Months Ended September 30, 2019		Nine Months Ended September 30, 2019	
Core Portfolio New and Renewal Leases	**Cash Basis**	**Straight-Line Basis**	**Cash Basis**	**Straight-Line Basis**
Number of new and renewal leases executed	17	17	33	33
GLA commencing	254,531	254,531	492,444	492,444
New base rent	$ 22.96	$ 24.17	$ 17.08	$ 17.80
Expiring base rent	$ 21.97	$ 20.37	$ 16.32	$ 15.43
Percent growth in base rent	4.5%	18.7%	4.7%	15.4%
Average cost per square foot (a)	$ 7.87	$ 7.87	$ 5.18	$ 5.18
Weighted average lease term (years)	8.4	8.4	7.0	7.0

(a) The average cost per square foot includes tenant improvement costs, leasing commissions and tenant allowances.

Funds from Operations

We consider 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 our performance. 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, depreciation and amortization, and impairment of depreciable real estate. Our 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 our performance or to cash flows as a measure of liquidity. Consistent with the NAREIT definition, we define FFO as net income (computed in accordance with GAAP), excluding gains (losses) from sales of depreciated property and impairment of depreciable real estate, plus depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. A reconciliation of net income attributable to Acadia to FFO follows (dollars in thousands, except per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
(dollars in thousands except per share data)	2019	2018	2019	2018
Net income attributable to Acadia	$ 10,458	$ 9,225	$ 31,735	$ 24,309
Depreciation of real estate and amortization of leasing costs (net of noncontrolling interests' share)	22,436	21,141	66,157	63,812
Impairment charge (net of noncontrolling interests' share)	74	—	395	—
Gain on disposition of properties (net of noncontrolling interests' share)	(2,758)	(994)	(3,142)	(994)
Income attributable to Common OP Unit holders	649	596	2,031	1,572
Distributions - Preferred OP Units	135	135	405	404
Funds from operations attributable to Common Shareholders and Common OP Unit holders	$ 30,994	$ 30,103	$ 97,581	$ 89,103
Funds From Operations per Share - Diluted				
Basic weighted-average shares outstanding, GAAP earnings	84,888,445	81,565,805	83,552,182	82,245,020
Weighted-average OP Units outstanding	5,082,189	4,928,636	5,139,545	4,953,549
Basic weighted-average shares outstanding, FFO	89,970,634	86,494,441	88,691,727	87,198,569
Assumed conversion of Preferred OP Units to common shares	499,345	499,345	499,345	499,345
Assumed conversion of LTIP units and restricted share units to common shares	212,776	257,658	212,776	201,675
Diluted weighted-average number of Common Shares and Common OP Units outstanding, FFO	90,682,755	87,251,444	89,403,848	87,899,589
Diluted Funds from operations, per Common Share and Common OP Unit	$ 0.34	$ 0.35	$ 1.09	$ 1.01

LIQUIDITY AND CAPITAL RESOURCES

Uses of Liquidity and Cash Requirements

Our principal uses of liquidity are (i) distributions to our shareholders and OP unit holders, (ii) investments which include the funding of our capital committed to the Funds and property acquisitions and development/re-tenanting activities within our Core Portfolio, (iii) distributions to our Fund investors, (iv) debt service and loan repayments and (v) share repurchases.

Distributions

In order to qualify as a REIT for federal income tax purposes, we must distribute at least 90% of our taxable income to our shareholders. During the nine months ended September 30, 2019, we paid dividends and distributions on our Common Shares, Common OP Units and Preferred OP Units totaling $74.9 million.

Investments in Real Estate

During the nine months ended September 30, 2019, within our Core portfolio we invested in eight properties aggregating $93.2 million and within our Fund portfolio we invested in eight properties aggregating $328.5 million as follows:

- On January 24, 2019, our unconsolidated Renaissance portfolio venture acquired Fund III’s 3104 M Street property located in Washington, D.C. for $10.7 million (Note 4).
- On March 15, March 27, May 29, and July 30, 2019, we acquired four retail condominiums located in the Soho section of New York City for a total of $74.7 million as part of a collection of seven properties referred to as the “Soho Acquisitions” with an aggregate purchase price of approximately $122.0 million (Note 2). The acquisitions of the remaining three properties are expected to be finalized through early 2020. No assurance can be given that we will successfully close on the remaining acquisitions under contract, which are subject to customary closing conditions.
- On March 19, 2019, Fund V acquired an interest in an unconsolidated suburban shopping center (Note 4) in Riverdale, Utah for $48.5 million.
- On April 30, 2019, Fund V acquired an interest in an unconsolidated (Note 4) suburban shopping center in Vernon, Connecticut for $36.7 million.
- On May 1, 2019, Fund IV acquired a leasehold interest (Note 11) in a retail and parking condominium in a building in New York, New York for $10.5 million.
- On May 2, 2019, we entered into a ground lease (Note 11) on a development property in Washington, D.C.
- On May 6, 2019, Fund V acquired a suburban shopping center (Note 2) in Palm Coast, Florida for $36.6 million.
- On June 21, 2019, Fund V acquired a suburban shopping center (Note 2) in Lincoln, Rhode Island for $54.3 million.
- On August 2, Fund V acquired a suburban shopping center (Note 2) in Virginia Beach, Virginia for $87.0 million.
- On August 21, Fund V acquired an interest in a two unconsolidated suburban shopping centers (Note 4) in Frederick County, Maryland for a total of $54.9 million.
- On September 11, we acquired two buildings (Note 2) in in Chicago, Illinois for a total of $7.8 million.

Capital Commitments

During the nine months ended September 30, 2019, we made capital contributions aggregating $41.9 million to our Funds. At September 30, 2019, our share of the remaining capital commitments to our Funds aggregated $77.0 million as follows:

- $3.3 million to Fund III. Fund III was launched in May 2007 with total committed capital of $450.0 million, of which our original share was $89.6 million. During 2015, we acquired an additional interest, which had an original capital commitment of $20.9 million.
- $21.3 million to Fund IV. Fund IV was launched in May 2012 with total committed capital of $530.0 million, of which our original share was $122.5 million.
- $52.5 million to Fund V. Fund V was launched in August 2016 with total committed capital of $520.0 million, of which our initial share is $104.5 million.

During April 2018, a distribution was made to the Fund II investors, including $4.3 million to the Operating Partnership, which amount remains subject to re-contribution to Fund II until April 2021.

Development Activities

During the nine months ended September 30, 2019, capitalized costs associated with development activities totaled $23.0 million. At September 30, 2019, we had a total of eight consolidated properties under development and redevelopment and the estimated total cost to complete these projects through 2020 was $160.1 million to $201.4 million and our estimated share was approximately $95.5 million to $117.4 million.

Debt

A summary of our consolidated debt, which includes the full amount of Fund related obligations and excludes our pro rata share of debt at our unconsolidated subsidiaries, is as follows (in thousands):

	September 30, 2019	December 31, 2018
Total Debt - Fixed and Effectively Fixed Rate	$ 1,236,805	$ 1,001,658
Total Debt - Variable Rate	427,337	558,675
	1,664,142	1,560,333
Net unamortized debt issuance costs	(9,463)	(10,541)
Unamortized premium	676	753
Total Indebtedness	$ 1,655,355	$ 1,550,545

As of September 30, 2019, our consolidated outstanding mortgage and notes payable aggregated $1,664.1 million, excluding unamortized premium of $0.7 million and unamortized loan costs of $9.5 million, and were collateralized by 41 properties and related tenant leases. Interest rates on our outstanding indebtedness ranged from 3.40% to 6.00% with maturities that ranged from December 9, 2019 to April 15, 2035. Taking into consideration $696.5 million of notional principal under variable to fixed-rate swap agreements currently in effect, $1,236.8 million of the portfolio debt, or 74.3%, was fixed at a 3.41% weighted-average interest rate and $427.3 million, or 25.7% was floating at a 4.46% weighted average interest rate as of September 30, 2019. Our variable-rate debt includes $143.0 million of debt subject to interest rate caps.

There is $120.5 million of debt maturing in 2019 at a weighted-average interest rate of 5.32%; there is $1.3 million of scheduled principal amortization due in 2019; and our share of scheduled remaining 2019 principal payments and maturities on our unconsolidated debt was $0.3 million at September 30, 2019. In addition, $561.5 million of our total consolidated debt and $10.1 million of our pro-rata share of unconsolidated debt will come due in 2020. As it relates to the maturing debt in 2019 and 2020, we may not have sufficient cash on hand to repay such indebtedness, and, therefore, we expect to refinance at least a portion of this indebtedness or select other alternatives based on market conditions as these loans mature; however, there can be no assurance that we will be able to obtain financing at acceptable terms.

A mortgage loan in the Company’s Core Portfolio for $26.3 million was in default and subject to litigation at September 30, 2019 and December 31, 2018 (Note 7).

Share Repurchase Program

During the nine months ended September 30, 2019, we made no repurchases under the share repurchase program (Note 10), under which $144.9 million currently remains available.

Sources of Liquidity

Our primary sources of capital for funding our liquidity needs include (i) the issuance of both public equity and OP Units, (ii) the issuance of both secured and unsecured debt, (iii) unfunded capital commitments from noncontrolling interests within our Funds, (iv) future sales of existing properties, (v) repayments of structured financing investments, and (vi) cash on hand and future cash flow from operating activities. Our cash on hand in our consolidated subsidiaries at September 30, 2019 totaled $48.1 million. Our remaining sources of liquidity are described further below.

ATM Program

We have an ATM Program (Note 10) which provides us an efficient and low-cost vehicle for raising public equity to fund our capital needs. Through this program, we have been able to effectively “match-fund” the required equity for our Core Portfolio and Fund acquisitions through the issuance of Common Shares over extended periods employing a price averaging strategy. In addition, from time to time, we have issued and intend to continue to issue, equity in follow-on offerings separate from our ATM Program. Net proceeds raised through our ATM Program and follow-on offerings are primarily used for acquisitions, both for our Core Portfolio and our pro-rata share of Fund acquisitions, and for general corporate purposes. During the three months ended September 30, 2019, the Company sold 2,149,154 shares under its ATM Program for gross proceeds of $61.6 million, or $60.6 million net of issuance costs, at a weighted-average gross price per share of $28.64. During the nine months ended September 30, 2019, the Company sold 4,816,505 shares under its ATM Program for gross proceeds of $137.8 million, or $135.8 million net of issuance costs, at a weighted-average gross price per share of $28.61.

Fund Capital

During the nine months ended September 30, 2019, Funds III, IV and V called capital contributions of $12.5 million, $17.3 million and $173.5 million, respectively, of which our aggregate share was $41.9 million. At September 30, 2019, unfunded capital commitments from noncontrolling interests within our Funds III, IV and V were $10.3 million, $70.6 million and $208.9 million, respectively.

Asset Sales

As previously discussed, during the nine months ended September 30, 2019 the Funds made the following dispositions:

- On January 24, 2019, a venture in which Fund III holds an 80% interest sold its 3104 M Street property to an unconsolidated venture (Note 4) in which the Core Portfolio holds a 20% interest for $10.5 million. The acquiring venture assumed the property's mortgage in the amount of $4.7 million.
- On July 24, 2019, Fund IV sold its JFK Plaza property (Note 2) for $7.8 million.
- On August 22, 2019, Fund III sold its Nostrand Avenue property (Note 2) for $27.7 million.
- On May 17 and September 23, 2019, Fund IV sold two residential condominium units for a total of $5.9 million.
- On September 27, 2019 Fund IV sold its 938 W. North Street property (Note 2) for $32.0 million.

We recognized an aggregate net gain on the sales of these consolidated properties of $14.1 million, for which our share was $3.1 million net of noncontrolling interests.

Structured Financing Repayments

During the nine months ended September 30, 2019, Fund IV received full payment of $15.3 million plus accrued interest of $10.0 million on its Structured Financing investment. Notes receivable aggregating $38.7 million are scheduled to be redeemed or converted during the remainder of 2019.

Financing and Debt

As of September 30, 2019, we had $150.8 million of additional capacity under existing Core and Fund revolving debt facilities. In addition, at that date within our Core and Fund portfolios, we had 78 unleveraged consolidated properties with an aggregate carrying value of approximately $1.5 billion and one unleveraged unconsolidated property for which our share of the carrying value was $99.1 million, although there can be no assurance that we would be able to obtain financing for these properties at favorable terms, if at all.

HISTORICAL CASH FLOW

The following table compares the historical cash flow for the nine months ended September 30, 2019 with the cash flow for the nine months ended September 30, 2018 (in millions):

	Nine Months Ended September 30,		
	2019	**2018**	**Variance**
Net cash provided by operating activities	$ 95.2	$ 67.2	$ 28.0
Net cash used in investing activities	(359.6)	(76.3)	(283.3)
Net cash provided by (used in) financing activities	290.6	(54.5)	345.1
Increase (decrease) in cash and restricted cash	$ 26.2	$ (63.6)	$ 89.8

Operating Activities

Our operating activities provided $28.0 million more cash during the nine months ended September 30, 2019 as compared to the nine months ended September 30, 2018, primarily due to property acquisitions along with $10.0 million from the collection of accrued interest on a note receivable.

Investing Activities

During the nine months ended September 30, 2019 as compared to the nine months ended September 30, 2018, our investing activities used $283.3 million more cash, primarily due to (i) $152.4 million more cash used in acquisition of properties, (ii) $150.8 million more cash used in investments in unconsolidated affiliates, (iii) $10.8 million less cash received from repayments of notes receivable and (iv) $11.4 million more cash used in development, construction and property improvement costs. These uses of cash were partially offset by (i) $27.4 million more cash received from disposition of properties and (ii) $14.6 million more cash received from return of capital from unconsolidated affiliates.

Financing Activities

Our financing activities provided $345.1 million more cash during the nine months ended September 30, 2019 as compared to the nine months ended September 30, 2018, primarily from (i) $135.8 million more cash received from the sale of Common Shares, (ii) an increase of $114.6 million of cash provided from contributions from noncontrolling interests, (iii) $55.6 million more cash provided from net borrowings, and (iv) $55.1 million less cash used to repurchase Common Shares. These sources of cash were partially offset by $10.2 million more cash used in distributions to noncontrolling interests.

CONTRACTUAL OBLIGATIONS

The following table summarizes: (i) principal and interest obligations under mortgage and other notes, (ii) rents due under non-cancelable operating and capital leases, which includes ground leases at seven of our properties and the lease for our corporate office and (iii) construction commitments as of September 30, 2019 (in millions):

	Payments Due by Period				
Contractual Obligations	**Total**	**Less than 1 Year**	**1 to 3 Years**	**3 to 5 Years**	**More than 5 Years**
Principal obligations on debt	$ 1,664.1	$ 613.4	$ 395.5	$ 456.0	$ 199.2
Interest obligations on debt	238.8	71.7	85.0	39.3	42.8
Lease obligations (a)	365.0	1.8	14.2	14.2	334.8
Construction commitments (b)	42.9	42.9	—	—	—
Total	$ 2,310.8	$ 729.8	$ 494.7	$ 509.5	$ 576.8

(a) A ground lease expiring during 2078 provides the Company with an option to purchase the underlying land during 2031. If we do not exercise the option, the rents that will be due are based on future values and as such are not determinable at this time. Accordingly, the above table does not include rents for this lease beyond 2020.
(b) In conjunction with the development of our Core Portfolio and Fund properties, we have entered into construction commitments with general contractors. We intend to fund these requirements with existing liquidity.

OFF-BALANCE SHEET ARRANGEMENTS

We have the following investments made through joint ventures for the purpose of investing in operating properties. We account for these investments using the equity method of accounting. As such, our financial statements reflect our investment and our share of income and loss from, but not the individual assets and liabilities, of these joint ventures.

See Note 4 in the Notes to Consolidated Financial Statements, for a discussion of our unconsolidated investments. The Operating Partnership's pro-rata share of unconsolidated non-recourse debt related to those investments is as follows (dollars in millions):

	Operating Partnership		September 30, 2019	
Investment	Ownership Percentage	Pro-rata Share of Mortgage Debt	Interest Rate	Maturity Date
650 Bald Hill	20.8%	$ 3.5	4.74%	Apr 2020
Eden Square (a)	22.8%	5.6	4.24%	Jun 2020
Promenade at Manassas (b)	22.8%	5.9	3.84%	Dec 2021
3104 M Street	20.0%	0.9	5.75%	Dec 2021
Family Center at Riverdale (c)	18.0%	5.8	3.79%	May 2022
Gotham Plaza (d)	49.0%	9.6	3.69%	Jun 2023
Renaissance Portfolio	20.0%	32.0	3.79%	Aug 2023
Crossroads	49.0%	32.0	3.94%	Oct 2024
840 N. Michigan	88.4%	65.0	4.36%	Feb 2025
Georgetown Portfolio	50.0%	8.0	4.72%	Dec 2027
Total		$ 168.3		

(a) Our unconsolidated affiliate is a party to two interest rate LIBOR caps. One of the interest rate LIBOR caps effectively fixes the interest rate at 3.00%. The second interest rate LIBOR cap effectively fixes the interest rate at 3.85%.
(b) Our unconsolidated affiliate is a party to an interest rate LIBOR swap, which effectively fixes the all-in interest rate at 4.57%.
(c) Our unconsolidated affiliate is a party to an interest rate LIBOR swap, which effectively fixes the all-in interest rate at 3.68%.
(d) Our unconsolidated affiliate is a party to an interest rate LIBOR swap, which effectively fixes the all-in interest rate at 5.09%.

CRITICAL ACCOUNTING POLICIES

Management's discussion and analysis of financial condition and results of operations is based upon our Consolidated Financial Statements, which have been prepared in accordance with U.S. GAAP. The preparation of these Consolidated Financial Statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. We base our estimates on historical experience and assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. We believe there have been no material changes to the items that we disclosed as our critical accounting policies under Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," in our 2018 Annual Report on Form 10-K.

Recently Issued and Adopted Accounting Pronouncements

Reference is made to Note 1 for information about recently issued accounting pronouncements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Information as of September 30, 2019

Our primary market risk exposure is to changes in interest rates related to our mortgage and other debt. See Note 7 in the Notes to Consolidated Financial Statements, for certain quantitative details related to our mortgage and other debt.

Currently, we manage our exposure to fluctuations in interest rates primarily through the use of fixed-rate debt and interest rate swap and cap agreements. As of September 30, 2019, we had total mortgage and other notes payable of $1,664.1 million, excluding the unamortized premium of $0.7 million and unamortized debt issuance costs of $9.5 million, of which $1,236.8 million, or 74.3% was fixed-rate, inclusive of debt with rates fixed through the use of derivative financial instruments, and $427.3 million, or 25.7%, was variable-rate based upon LIBOR or Prime rates plus certain spreads. As of September 30, 2019, we were party to 34 interest rate swap and four interest rate cap agreements to hedge our exposure to changes in interest rates with respect to $696.5 million and $143.0 million of LIBOR-based variable-rate debt, respectively.

The following table sets forth information as of September 30, 2019 concerning our long-term debt obligations, including principal cash flows by scheduled maturity and weighted average interest rates of maturing amounts (dollars in millions):

Core Consolidated Mortgage and Other Debt

Year	Scheduled Amortization	Maturities	Total	Weighted-Average Interest Rate
2019 (Remainder)	$ 0.8	$ 26.2	$ 27.0	6.0%
2020	3.2	—	3.2	—%
2021	3.4	—	3.4	—%
2022	3.5	—	3.5	—%
2023	2.9	367.8	370.7	3.4%
Thereafter	15.4	185.3	200.7	3.9%
	$ 29.2	$ 579.3	$ 608.5	

Fund Consolidated Mortgage and Other Debt

Year	Scheduled Amortization	Maturities	Total	Weighted-Average Interest Rate
2019 (Remainder)	$ 0.5	$ 94.3	$ 94.8	5.1%
2020	2.0	556.3	558.3	4.3%
2021	1.6	235.7	237.3	4.2%
2022	1.5	86.4	87.9	4.3%
2023	0.7	40.9	41.6	3.6%
Thereafter	0.1	35.6	35.7	3.9%
	$ 6.4	$ 1,049.2	$ 1,055.6	

Mortgage Debt in Unconsolidated Partnerships (at our Pro-Rata Share)

Year	Scheduled Amortization	Maturities	Total	Weighted-Average Interest Rate
2019 (Remainder)	$ 0.3	$ —	$ 0.3	0.0%
2020	1.1	9.0	10.1	4.4%
2021	1.1	6.8	7.9	4.1%
2022	1.2	5.8	7.0	3.8%
2023	1.0	40.6	41.6	3.8%
Thereafter	1.6	99.8	101.4	4.3%
	$ 6.3	$ 162.0	$ 168.3	

In 2019, $121.8 million of our total consolidated debt and $0.3 million of our pro-rata share of unconsolidated outstanding debt will become due. In addition, $561.5 million of our total consolidated debt and $10.1 million of our pro-rata share of unconsolidated debt will become due in 2020. As we intend on refinancing some or all of such debt at the then-existing market interest rates, which may be greater than the current interest rate, our interest expense would increase by approximately $6.9 million annually if the interest rate on the refinanced debt increased by 100 basis points. After giving effect to noncontrolling interests, our share of this increase would be $1.6 million. Interest expense on our variable-rate debt of $427.3 million, net of variable to fixed-rate swap agreements currently in effect, as of September 30, 2019, would increase $4.3 million if LIBOR increased by 100 basis points. After giving effect to noncontrolling interests, our share of this increase would be $0.8 million. We may seek additional variable-rate financing if and when pricing and other commercial and financial terms warrant. As such, we would consider hedging against the interest rate risk related to such additional variable-rate debt through interest rate swaps and protection agreements, or other means.

Based on our outstanding debt balances as of September 30, 2019, the fair value of our total consolidated outstanding debt would decrease by approximately $12.2 million if interest rates increase by 1%. Conversely, if interest rates decrease by 1%, the fair value of our total outstanding debt would increase by approximately $14.5 million.

As of September 30, 2019, and December 31, 2018, we had consolidated notes receivable of $94.8 million and $109.6 million, respectively. We determined the estimated fair value of our notes receivable by discounting future cash receipts utilizing a discount rate equivalent to the rate at which similar notes receivable would be originated under conditions then existing.

Based on our outstanding notes receivable balances as of September 30, 2019, the fair value of our total outstanding notes receivable would decrease by approximately $0.5 million if interest rates increase by 1%. Conversely, if interest rates decrease by 1%, the fair value of our total outstanding notes receivable would increase by approximately $0.5 million.

Summarized Information as of December 31, 2018

As of December 31, 2018, we had total mortgage and other notes payable of $1,560.3 million, excluding the unamortized premium of $0.8 million and unamortized debt issuance costs of $10.5 million, of which $1,001.7 million, or 64.2% was fixed-rate, inclusive of debt with rates fixed through the use of derivative financial instruments, and $558.7 million, or 35.8%, was variable-rate based upon LIBOR or Prime rates plus certain spreads. As of December 31, 2018, we were party to 29 interest rate swap and three interest rate cap agreements to hedge our exposure to changes in interest rates with respect to $609.9 million and $143.8 million of LIBOR-based variable-rate debt, respectively.

Interest expense on our variable-rate debt of $558.7 million as of December 31, 2018, would have increased $5.6 million if LIBOR increased by 100 basis points. Based on our outstanding debt balances as of December 31, 2018, the fair value of our total outstanding debt would have decreased by approximately $13.5 million if interest rates increased by 1%. Conversely, if interest rates decreased by 1%, the fair value of our total outstanding debt would have increased by approximately $14.7 million.

Changes in Market Risk Exposures from December 31, 2018 to September 30, 2019

Our interest rate risk exposure from December 31, 2018, to September 30, 2019, has decreased on an absolute basis, as the $558.7 million of variable-rate debt as of December 31, 2018, has decreased to $427.3 million as of September 30, 2019. As a percentage of our overall debt, our interest rate risk exposure has decreased as our variable-rate debt accounted for 35.8% of our consolidated debt as of December 31, 2018 compared to 25.7% as of September 30, 2019.

ITEM 4. CONTROLS AND PROCEDURES.

Disclosure Controls and Procedures

Our disclosure controls and procedures include internal controls and other procedures designed to provide reasonable assurance that information required to be disclosed in this and other reports filed under the Exchange Act, is recorded, processed, summarized, and reported within the required time periods specified in the SEC's rules and forms; and that such information is accumulated and communicated to management, including our chief executive officer and chief financial officer, to allow timely decisions regarding required disclosures. It should be noted that no system of controls can provide complete assurance of achieving a company's objectives and that future events may impact the effectiveness of a system of controls. Our chief executive officer and chief financial officer, after conducting an evaluation, together with members of our management, of the effectiveness of the design and operation of our disclosure controls and procedures as of September 30, 2019, have concluded that our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) were effective as of September 30, 2019, at a reasonable level of assurance.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting during our most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

We are involved in various matters of litigation arising out of, or incident to, our business, including the litigation described in Note 7. While we are unable to predict with certainty the outcome of any particular matter, management does not expect, when such litigation is resolved, that our resulting exposure to loss contingencies, if any, will have a material adverse effect on our consolidated financial position.

ITEM 1A. RISK FACTORS.

The most significant risk factors applicable to us are described in Item 1A. of our 2018 Annual Report on Form 10-K. There have been no material changes to those previously-disclosed risk factors.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

Not applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

ITEM 5. OTHER INFORMATION.

Not applicable.

ITEM 6. EXHIBITS.

The following is an index to all exhibits including (i) those filed with this Quarterly Report on Form 10-Q and (ii) those incorporated by reference herein:

Exhibit No.	Description	Method of Filing
10.1	Second Amendment dated October 8, 2019 to Acadia Realty Limited Partnership Credit Agreement dated February 20, 2018	Incorporated by reference to the copy thereof filed as Exhibit 10.01 to the Company's Current Report on Form 8-K filed on October 11, 2019.
10.2	Second Amended and Restated Limited Partnership Agreement dated July 23, 2019	Incorporated by reference to the copy thereof filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed on July 25, 2019.
31.1	Certification of Chief Executive Officer pursuant to rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
31.2	Certification of Chief Financial Officer pursuant to rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Filed herewith
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Filed herewith
101.INS	XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.	Filed herewith
101.SCH	XBRL Taxonomy Extension Schema Document	Filed herewith
101.CAL	XBRL Taxonomy Extension Calculation Document	Filed herewith
101.DEF	XBRL Taxonomy Extension Definitions Document	Filed herewith
101.LAB	XBRL Taxonomy Extension Labels Document	Filed herewith
101.PRE	XBRL Taxonomy Extension Presentation Document	Filed herewith
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)	Filed herewith

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Exchange Act, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereto duly authorized.

ACADIA REALTY TRUST
(Registrant)

By: /s/ Kenneth F. Bernstein
Kenneth F. Bernstein
Chief Executive Officer,
President and Trustee

By: /s/ John Gottfried
John Gottfried
Senior Vice President and
Chief Financial Officer

By: /s/ Richard Hartmann
Richard Hartmann
Senior Vice President and
Chief Accounting Officer

Dated: October 24, 2019

EXHIBIT 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO RULE 13a - 14(a)

(SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002)

I, Kenneth F. Bernstein, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Acadia Realty Trust;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Kenneth F. Bernstein

Kenneth F. Bernstein
President and Chief Executive Officer
October 24, 2019

EXHIBIT 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO RULE 13a - 14(a)

(SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002)

I, John Gottfried, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Acadia Realty Trust;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ John Gottfried

John Gottfried
Senior Vice President and
Chief Financial Officer
October 24, 2019

EXHIBIT 32.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. SECTION 1350

(SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)

In connection with the Quarterly Report on Form 10-Q of Acadia Realty Trust (the “Company”) for the quarter ended September 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Kenneth F. Bernstein, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

/s/ Kenneth F. Bernstein

Kenneth F. Bernstein
President and Chief Executive Officer
October 24, 2019

EXHIBIT 32.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350

(SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)

In connection with the Quarterly Report on Form 10-Q of Acadia Realty Trust (the "Company") for the quarter ended September 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John Gottfried, Senior Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

/s/ John Gottfried

John Gottfried
Senior Vice President and
Chief Financial Officer
October 24, 2019