

**UNITED STATES
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 March 31, 2017

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)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files).

YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer" and "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 April 25, 2017 there were 84,730,288 common shares of beneficial interest, par value \$0.001 per share, outstanding.

ACADIA REALTY TRUST AND SUBSIDIARIES
FORM 10-Q
INDEX

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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 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 Part II of 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, below.

PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

ACADIA REALTY TRUST AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

| (dollars in thousands, except per share amounts) | March 31, 2017 | December 31, 2016 |
|---|---------------------------|------------------------------|
| ASSETS | (Unaudited) | |
| Investments in real estate, at cost | | |
| Operating real estate, net | \$ 2,621,536 | \$ 2,551,448 |
| Real estate under development, at cost | 510,548 | 543,486 |
| Net investments in real estate | 3,132,084 | 3,094,934 |
| Notes receivable, net | 276,507 | 276,163 |
| Investments in and advances to unconsolidated affiliates | 260,497 | 272,028 |
| Other assets, net | 201,822 | 192,786 |
| Cash and cash equivalents | 47,707 | 71,805 |
| Rents receivable, net | 50,766 | 43,842 |
| Restricted cash | 24,021 | 22,904 |
| Assets of properties held for sale | 21,498 | 21,498 |
| Total assets | \$ 4,014,902 | \$ 3,995,960 |
| LIABILITIES | | |
| Mortgage and other notes payable, net | \$ 1,143,049 | \$ 1,055,728 |
| Unsecured notes payable, net | 358,847 | 432,990 |
| Accounts payable and other liabilities | 207,679 | 208,672 |
| Capital lease obligations | 70,247 | 70,129 |
| Dividends and distributions payable | 23,366 | 36,625 |
| Distributions in excess of income from, and investments in, unconsolidated affiliates | 15,221 | 13,691 |
| Total liabilities | 1,818,409 | 1,817,835 |
| Commitments and contingencies | | |
| EQUITY | | |
| Acadia shareholders' Equity | | |
| Common shares, \$0.001 par value, authorized 100,000,000 shares, issued and outstanding 83,630,051 and 83,597,741 shares, respectively | 84 | 84 |
| Additional paid-in capital | 1,589,765 | 1,594,926 |
| Accumulated other comprehensive income (loss) | 438 | (798) |
| Distributions in excess of accumulated earnings | (11,753) | (5,635) |
| Total Acadia shareholders' equity | 1,578,534 | 1,588,577 |
| Noncontrolling interests | 617,959 | 589,548 |
| Total equity | 2,196,493 | 2,178,125 |
| Total liabilities and equity | \$ 4,014,902 | \$ 3,995,960 |

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

ACADIA REALTY TRUST AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

| (in thousands except per share amounts) | Three Months Ended March 31, | |
|---|-------------------------------------|-------------|
| | 2017 | 2016 |
| Revenues | | |
| Rental income | \$ 48,585 | \$ 38,590 |
| Expense reimbursements | 12,316 | 7,959 |
| Other | 1,098 | 1,496 |
| Total revenues | 61,999 | 48,045 |
| Operating expenses | | |
| Depreciation and amortization | 24,536 | 16,849 |
| General and administrative | 8,469 | 9,352 |
| Real estate taxes | 10,606 | 6,165 |
| Property operating | 8,197 | 5,537 |
| Other operating | 294 | 291 |
| Total operating expenses | 52,102 | 38,194 |
| Operating income | 9,897 | 9,851 |
| Equity in earnings and gains of unconsolidated affiliates inclusive of gains on disposition of properties of \$11,486 and \$ - , respectively | 12,703 | 1,954 |
| Interest income | 8,984 | 4,638 |
| Interest expense | (11,488) | (8,038) |
| Income from continuing operations before income taxes | 20,096 | 8,405 |
| Income tax (provision) benefit | (125) | 77 |
| Income from continuing operations before gain on disposition of properties | 19,971 | 8,482 |
| Gain on disposition of properties, net of tax | — | 65,393 |
| Net income | 19,971 | 73,875 |
| Net income attributable to noncontrolling interests | (4,340) | (44,950) |
| Net income attributable to Acadia | \$ 15,631 | \$ 28,925 |
| Basic and diluted earnings per share | \$ 0.18 | \$ 0.40 |

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

ACADIA REALTY TRUST AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

| (in thousands) | Three Months Ended March 31, | |
|---|-------------------------------------|-------------|
| | 2017 | 2016 |
| Net income | \$ 19,971 | \$ 73,875 |
| Other comprehensive income (loss): | | |
| Unrealized income (loss) on valuation of swap agreements | 118 | (8,819) |
| Reclassification of realized interest on swap agreements | 963 | 1,046 |
| Other comprehensive income (loss) | 1,081 | (7,773) |
| Comprehensive income | 21,052 | 66,102 |
| Comprehensive income attributable to noncontrolling interests | (4,185) | (44,181) |
| Comprehensive income attributable to Acadia | \$ 16,867 | \$ 21,921 |

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

ACADIA REALTY TRUST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (Unaudited)
Three Months Ended March 31, 2017 and 2016

| (in thousands, except per share amounts) | Acadia Shareholders | | | | | | | |
|--|---------------------|--------------|----------------------------|---|---|-----------------------------------|--------------------------|---------------------|
| | Common Shares | Share Amount | Additional Paid-in Capital | Accumulated Other Comprehensive (Loss) Income | (Distributions in Excess of Accumulated Earnings) Retained Earnings | Total Common Shareholders' Equity | Noncontrolling Interests | Total Equity |
| Balance at January 1, 2017 | 83,598 | \$ 84 | \$ 1,594,926 | \$ (798) | \$ (5,635) | \$ 1,588,577 | \$ 589,548 | \$ 2,178,125 |
| Conversion of OP Units to Common Shares by limited partners of the Operating Partnership | 25 | — | 438 | — | — | 438 | (438) | — |
| Dividends/distributions declared (\$0.26 per Common Share/OP Unit) | — | — | — | — | (21,749) | (21,749) | (1,617) | (23,366) |
| Employee and trustee stock compensation, net | 7 | — | 94 | — | — | 94 | 4,141 | 4,235 |
| Noncontrolling interest distributions | — | — | — | — | — | — | (3,822) | (3,822) |
| Noncontrolling interest contributions | — | — | — | — | — | — | 20,269 | 20,269 |
| Reallocation of noncontrolling interests | — | — | (5,693) | — | — | (5,693) | 5,693 | — |
| Comprehensive income | — | — | — | 1,236 | 15,631 | 16,867 | 4,185 | 21,052 |
| Balance at March 31, 2017 | 83,630 | \$ 84 | \$ 1,589,765 | \$ 438 | \$ (11,753) | \$ 1,578,534 | \$ 617,959 | \$ 2,196,493 |
| Balance at January 1, 2016 | 70,258 | \$ 70 | \$ 1,092,239 | \$ (4,463) | \$ 12,642 | \$ 1,100,488 | \$ 420,866 | \$ 1,521,354 |
| Conversion of OP Units to Common Shares by limited partners of the Operating Partnership | 249 | 1 | 5,679 | — | — | 5,680 | (5,680) | — |
| Issuance of Common Shares, net of issuance costs | 1,050 | 1 | 35,219 | — | — | 35,220 | — | 35,220 |
| Issuance of OP Units to acquire real estate | — | — | — | — | — | — | 29,336 | 29,336 |
| Dividends/distributions declared (\$0.25 per Common Share/OP Unit) | — | — | — | — | (17,872) | (17,872) | (1,473) | (19,345) |
| Acquisition of noncontrolling interests | — | — | 7,569 | — | — | 7,569 | (25,948) | (18,379) |
| Employee and trustee stock compensation, net | 9 | — | 208 | — | — | 208 | 3,811 | 4,019 |
| Noncontrolling interest distributions | — | — | — | — | — | — | (36,174) | (36,174) |
| Noncontrolling interest contributions | — | — | — | — | — | — | 46,343 | 46,343 |
| Comprehensive (loss) income | — | — | — | (7,004) | 28,925 | 21,921 | 44,181 | 66,102 |
| Balance at March 31, 2016 | 71,566 | \$ 72 | \$ 1,140,914 | \$ (11,467) | \$ 23,695 | \$ 1,153,214 | \$ 475,262 | \$ 1,628,476 |

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

ACADIA REALTY TRUST AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

| (in thousands) | Three Months Ended March 31, | |
|---|-------------------------------------|---------------|
| | 2017 | 2016 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income | \$ 19,971 | \$ 73,875 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Gain on disposition of properties | — | (65,393) |
| Depreciation and amortization | 24,536 | 16,849 |
| Distributions of operating income from unconsolidated affiliates | 1,299 | 1,082 |
| Equity in earnings and gains of unconsolidated affiliates | (12,703) | (1,954) |
| Stock compensation expense | 4,235 | 4,019 |
| Amortization of financing costs | 1,169 | 625 |
| Other, net | (2,908) | (2,031) |
| Changes in assets and liabilities: | | |
| Other liabilities | 1,076 | (8,849) |
| Prepaid expenses and other assets | (5,736) | 881 |
| Rents receivable, net | (6,723) | (3,596) |
| Restricted cash | (1,010) | 3,259 |
| Accounts payable and accrued expenses | 273 | (792) |
| Net cash provided by operating activities | 23,479 | 17,975 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of real estate | (34,688) | (12,287) |
| Development and property improvement costs | (27,015) | (37,463) |
| Issuance of or advances on notes receivable | (150) | (27,800) |
| Proceeds from the disposition of properties | — | 104,458 |
| Investments in and advances to unconsolidated affiliates | (3,174) | (8,034) |
| Return of capital from unconsolidated affiliates | 2,677 | 34,235 |
| Proceeds from notes receivable | — | 20,500 |
| Proceeds from disposition of properties of unconsolidated affiliates | 25,080 | — |
| Payment of deferred leasing costs | (2,033) | (847) |
| Net cash (used in) provided by investing activities | (39,303) | 72,762 |

ACADIA REALTY TRUST AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

| (in thousands) | Three Months Ended March 31, | |
|--|------------------------------|-----------------|
| | 2017 | 2016 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Principal payments on mortgage and other notes | (5,236) | (99,501) |
| Principal payments on unsecured debt | (94,100) | (101,500) |
| Proceeds received on mortgage and other notes | 93,044 | 1,945 |
| Proceeds from unsecured debt | 20,000 | 134,616 |
| Proceeds from issuance of Common Shares, net of issuance costs of \$0 and \$1,654 respectively | — | 32,026 |
| Capital contributions from noncontrolling interests | 20,264 | 46,343 |
| Distributions to noncontrolling interests | (6,163) | (56,995) |
| Dividends paid to Common Shareholders | (34,275) | (35,112) |
| Deferred financing and other costs | (1,701) | (475) |
| Loan proceeds held as restricted cash | (107) | — |
| Net cash used in financing activities | (8,274) | (78,653) |
| (Decrease) increase in cash and cash equivalents | (24,098) | 12,084 |
| Cash and cash equivalents, beginning of the period | 71,805 | 72,776 |
| Cash and cash equivalents, end of the period | \$ 47,707 | \$ 84,860 |
| Supplemental disclosure of cash flow information | | |
| Cash paid during the period for interest, net of capitalized interest of \$5,009 and \$5,115, respectively | \$ 9,629 | \$ 8,437 |
| Cash paid for income taxes, net of (refunds) | \$ 220 | \$ (256) |
| Supplemental disclosure of non-cash investing activities | | |
| Acquisition of real estate through assumption of debt | \$ — | \$ 1,463 |
| Acquisition of real estate through issuance of OP Units | \$ — | \$ 29,336 |
| Acquisition of capital lease obligation | \$ — | \$ 76,461 |
| Assumption of accounts payable and accrued expenses through acquisition of real estate | \$ (662) | \$ — |

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 and subsidiaries (collectively, 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 March 31, 2017 and December 31, 2016, the Company controlled approximately 95% 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 March 31, 2017, the Company has ownership interests in 118 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 or had ownership interests in 64 properties within its opportunity funds, Acadia Strategic Opportunity Fund I, LP (“Fund I,” which was liquidated in 2015), Acadia Strategic Opportunity Fund II, LLC (“Fund II”), Acadia Strategic Opportunity Fund III LLC (“Fund III”), Acadia Strategic Opportunity Fund IV LLC, and Acadia Strategic Opportunity Fund V LLC (“Fund V,” or the “Current Fund,” and together with Funds I, II, III and 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, invest in operating companies through Acadia Mervyn Investors I, LLC (“Mervyns I”), Acadia Mervyn Investors II, LLC (“Mervyns II”) and Fund 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 I and 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 I and 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 I and II (dollars in millions):

| Entity | Formation Date | Operating Partnership Share of Capital | Fund Size | Capital Called as of March 31, 2017 | Unfunded Commitment | Equity Interest Held By Operating Partnership ^(b) | Preferred Return | Total Distributions as of March 31, 2017 ^(c) |
|-------------------------------------|----------------|--|-----------|-------------------------------------|---------------------|--|------------------|---|
| Fund I and Mervyns I ^(a) | 9/2001 | 22.22% | \$ 90.0 | \$ 86.6 | \$ — | 37.78% | 9% | \$ 194.5 |
| Fund II and Mervyns II | 6/2004 | 28.33% | 300.0 | 347.1 | — | 28.33% | 8% | 131.6 |
| Fund III | 5/2007 | 24.54% | 502.5 | 396.7 | 53.3 | 39.63% | 6% | 551.0 |
| Fund IV | 5/2012 | 23.12% | 540.6 | 390.7 | 139.3 | 23.12% | 6% | 101.9 |
| Fund V | 8/2016 | 20.10% | 520.0 | — | 520.0 | 20.10% | 6% | — |

(a) As of December 31, 2015, Fund I had been liquidated.

(b) Amount represents the current economic ownership at March 31, 2017, which could differ from the stated legal ownership based upon the cumulative preferred returns of the respective fund.

(c) Represents the total for the Funds, including the Operating Partnership and noncontrolling interests' shares.

Basis of Presentation

Segments

At March 31, 2017, 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 basis and does not differentiate properties on a geographical basis for purposes of allocating resources or capital. Each property is considered a separate operating segment; however, each property on a stand-alone basis represents less than 10% of revenues, profit or loss, and assets of the combined reported operating segment and meets the majority of the aggregations criteria under the applicable standard.

Principles of Consolidation

The 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 consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and with 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 consolidated financial statements should be read in conjunction with the Company's 2016 Annual Report on Form 10-K, as filed with the SEC on February 24, 2017 and amended on February 27, 2017.

Use of Estimates

GAAP requires the Company's management to make estimates and assumptions that affect the amounts reported in the 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 have been reclassified to conform to the current period presentation.

Recently Issued Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 is a comprehensive new revenue recognition model requiring a company to recognize revenue to depict the transfer of goods or services to a customer at an amount reflecting the consideration it expects to receive in exchange for those goods or services. ASU 2014-09 does not apply to the Company's lease revenues, but will apply to reimbursed tenant costs. Additionally, this guidance modifies disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. In August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09 for all entities by one year, until years beginning in 2018, with early adoption permitted but not before 2017. Entities may adopt ASU 2014-09 using either a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients or a retrospective approach with the cumulative effect recognized at the date of adoption. While the Company is still completing the assessment of the impact of this standard to its consolidated financial statements, management believes the majority of the Company's revenue falls outside of the scope of this guidance. The Company intends to implement the standard retrospectively with the cumulative effect recognized in retained earnings at the date of application.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. ASU 2016-02 outlines a new model for accounting by lessees, whereby their rights and obligations under substantially all leases, existing and new, would be capitalized and recorded on the balance sheet. For lessors, however, the accounting remains largely unchanged from the current model, with the distinction between operating and financing leases retained, but updated to align with certain changes to the lessee model and the new revenue recognition standard discussed above. The new guidance requires that internal leasing costs be expensed as incurred, as opposed to capitalized and deferred. ASU 2016-02 will also require extensive quantitative and qualitative disclosures and is effective beginning after December 15, 2018, but early adoption is permitted. The Company is evaluating the impact of the new standard and has not yet determined if it will have a material impact on its consolidated financial statements; however, the Company capitalized internal leasing costs of \$0.2 million and \$0.3 million during the three months ended March 31, 2017 and 2016, respectively.

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 adoption of ASU 2016-13 is not expected to have a material impact on the Company's consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows – Classification of Certain Cash Receipts and Cash Payments*. ASU 2016-15 provides guidance on certain specific cash flow issues, including, but not limited to, debt prepayment or extinguishment costs, contingent consideration payments made after a business combination and distributions received from equity method investees. ASU 2016-15 is effective for periods beginning after December 15, 2017, with early adoption permitted and shall be applied retrospectively where practicable. The adoption of ASU 2016-15 is not expected to have a material impact on the Company's consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-01, *Business Combinations – Clarifying the Definition of a Business*. ASU 2017-01 clarifies that to be considered a business, the elements must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. The new standard illustrates the circumstances under which real estate with in-place leases would be considered a business and provides guidance for the identification of assets and liabilities in purchase accounting. ASU 2017-01 is effective for periods beginning after December 15, 2017 and early adoption is permitted. The Company is currently evaluating the impact ASU 2017-01 will have on its consolidated financial statements; however, it is expected that the new standard would reduce the number of future real estate acquisitions that will be accounted for as business combinations and, therefore, reduce the amount of acquisition costs that will be expensed.

In January 2017, the FASB issued ASU No. 2017-03 *Accounting Changes and Error Corrections (Topic 250) and Investments – Equity Method and Joint Ventures (Topic 323)*. ASU 2017-03 amends certain SEC guidance in the FASB Accounting Standards Codification in response to SEC staff announcements made during 2016 EITF meetings which addressed (i) the additional qualitative disclosures that a registrant is expected to provide when it cannot reasonably estimate the impact that ASUs 2014-09, 2016-02 and 2016-13 will have in applying the guidance in SAB Topic 11.M and (ii) guidance in ASC 323 related to the amendments made by ASU 2014-01 regarding use of the proportional amortization method in accounting for investments in qualified affordable housing projects (announcement made at the November 17, 2016, EITF meeting). The adoption of ASU 2017-03 is not expected to have a material impact on the Company's consolidated financial statements.

In February 2017, the FASB issued ASU 2017-05, *Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets*, which amends the guidance on nonfinancial assets in ASC 610-20. The amendments clarify that (i) a financial asset is within the scope of ASC 610-20 if it meets the definition of an in substance nonfinancial asset and may include nonfinancial assets transferred within a legal entity to a counter-party, (ii) an entity should identify each distinct nonfinancial asset or in substance nonfinancial asset promised to a counter-party and derecognize each asset when a counter-party obtains control of it, and (iii) an entity should allocate consideration to each distinct asset by applying the guidance in ASC 606 on allocating the transaction price to performance obligations. Further, ASU 2017-05 provides guidance on accounting for partial sales of nonfinancial assets. The amendments are effective at the same time as the amendments in ASU 2014-09. The adoption of ASU 2017-05 is not expected to have a material impact on the Company's consolidated financial statements.

ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

2. Real Estate

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

| | March 31, | December 31, |
|--|---------------------|---------------------|
| | 2017 | 2016 |
| Land | \$ 649,533 | \$ 693,252 |
| Buildings and improvements | 2,041,300 | 1,916,288 |
| Tenant improvements | 137,168 | 132,220 |
| Construction in progress | 21,644 | 19,789 |
| Properties under capital lease | 76,965 | 76,965 |
| Total | 2,926,610 | 2,838,514 |
| Less: Accumulated depreciation | (305,074) | (287,066) |
| Operating real estate, net | 2,621,536 | 2,551,448 |
| Real estate under development, at cost | 510,548 | 543,486 |
| Net investment in real estate | <u>\$ 3,132,084</u> | <u>\$ 3,094,934</u> |

ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Acquisitions

During the three months ended March 31, 2017 and the year ended December 31, 2016, the Company acquired the following consolidated retail properties (dollars in thousands):

| Property and Location | Percent Acquired | Date of Acquisition | Purchase Price | Debt Assumed |
|--|------------------|---------------------|-------------------|-------------------|
| 2017 Acquisition | | | | |
| <u>Fund IV</u> | | | | |
| Lincoln Place - Fairview Heights, IL | 100% | Mar 13, 2017 | \$ 35,350 | \$ — |
| Total 2017 Acquisitions | | | \$ 35,350 | \$ — |
| 2016 Acquisitions | | | | |
| <u>Core Portfolio:</u> | | | | |
| 991 Madison Avenue - New York, NY ^(a) | 100% | Mar 26, 2016 | \$ 76,628 | \$ — |
| 165 Newbury Street - Boston, MA | 100% | May 13, 2016 | 6,250 | — |
| Concord & Milwaukee - Chicago, IL | 100% | Jul 28, 2016 | 6,000 | 2,902 |
| 151 North State Street - Chicago, IL | 100% | Aug 10, 2016 | 30,500 | 14,556 |
| State & Washington - Chicago, IL | 100% | Aug 22, 2016 | 70,250 | 25,650 |
| North & Kingsbury - Chicago, IL | 100% | Aug 29, 2016 | 34,000 | 13,409 |
| Sullivan Center - Chicago, IL | 100% | Aug 31, 2016 | 146,939 | — |
| California & Armitage - Chicago, IL | 100% | Sep 12, 2016 | 9,250 | 2,692 |
| 555 9th Street - San Francisco, CA | 100% | Nov 2, 2016 | 139,775 | 60,000 |
| Subtotal Core Portfolio | | | 519,592 | 119,209 |
| <u>Fund IV:</u> | | | | |
| Restaurants at Fort Point - Boston, MA | 100% | Jan 14, 2016 | 11,500 | — |
| 1964 Union Street - San Francisco, CA ^(a) | 90% | Jan 28, 2016 | 2,250 | 1,463 |
| Wake Forest Crossing - Wake Forest, NC | 100% | Sep 27, 2016 | 36,600 | — |
| Airport Mall - Bangor, ME | 100% | Oct 28, 2016 | 10,250 | — |
| Colonie Plaza - Albany, NY | 100% | Oct 28, 2016 | 15,000 | — |
| Dauphin Plaza - Harrisburg, PA | 100% | Oct 28, 2016 | 16,000 | — |
| JFK Plaza - Waterville, ME | 100% | Oct 28, 2016 | 6,500 | — |
| Mayfair Shopping Center - Philadelphia, PA | 100% | Oct 28, 2016 | 16,600 | — |
| Shaw's Plaza - Waterville, ME | 100% | Oct 28, 2016 | 13,800 | — |
| Wells Plaza - Wells, ME | 100% | Oct 28, 2016 | 5,250 | — |
| 717 N Michigan - Chicago, IL | 100% | Dec 1, 2016 | 103,500 | — |
| Subtotal Fund IV | | | 237,250 | 1,463 |
| Total 2016 Acquisitions | | | \$ 756,842 | \$ 120,672 |

(a) These acquisitions were accounted for as asset acquisitions as the underlying properties did not meet the definition of a business.

All of the above acquisitions were deemed to be business combinations except 991 Madison Avenue and 1964 Union Street. The Company expensed \$0.3 million of acquisition costs for the three months ended March 31, 2017, of which \$0.2 million related to the Core Portfolio and \$0.1 million related to the Funds and \$0.3 million of acquisition costs for the three months ended March 31, 2016, of which \$0.2 million related to the Core Portfolio and \$0.1 million related to the Funds.

ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Purchase Price Allocations

The purchase prices for the business combinations 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 three months ended March 31, 2017 and the year ended December 31, 2016 (in thousands):

| | Three Months Ended March 31, | Year Ended December 31, |
|--|---|------------------------------------|
| | 2017 | 2016 |
| Net assets acquired: | | |
| Land | \$ 7,149 | \$ 225,729 |
| Buildings and improvements | 22,201 | 458,525 |
| Other assets | — | 3,481 |
| Acquisition-related intangible assets (in Acquired lease intangibles, net) | 7,444 | 63,606 |
| Acquisition-related intangible liabilities (in Acquired lease intangibles, net) | (1,444) | (72,985) |
| Above and below market debt assumed (included in Mortgages and other notes payable, net) | — | (119,601) |
| Net assets acquired | \$ 35,350 | \$ 558,755 |

Consideration:

| | | |
|----------------------------|------------------|-------------------|
| Cash | \$ 34,687 | \$ 677,964 |
| Debt assumed | — | (119,209) |
| Liabilities assumed | 663 | — |
| Total Consideration | \$ 35,350 | \$ 558,755 |

Dispositions

During the year ended December 31, 2016, the Company disposed of the following consolidated properties (in thousands):

| Property and Location | Owner | Date Sold | Sale Price | Gain on Sale |
|---|--------------|------------------|-------------------|---------------------|
| 2016 Dispositions: | | | | |
| Cortlandt Town Center (65%) - Mohegan Lake, NY (Note 4) | Fund III | Jan 28, 2016 | \$ 107,250 | \$ 65,393 |
| Heritage Shops - Chicago, IL | Fund III | Apr 26, 2016 | 46,500 | 16,572 |
| Total 2016 Dispositions | | | \$ 153,750 | \$ 81,965 |

The aggregate rental revenue, expenses and pre-tax income reported within continuing operations for the aforementioned consolidated properties that were sold during the year ended December 31, 2016 were as follows (in thousands):

| | Three Months Ended March 31, | |
|---|-------------------------------------|------------------|
| | 2017 | 2016 |
| Rental revenues | \$ — | \$ 4,963 |
| Expenses | — | (550) |
| Gain on disposition of properties | — | 65,393 |
| Income from continuing operations of disposed properties, net of income taxes | — | 69,806 |
| Amounts attributable to noncontrolling interests | — | (53,586) |
| Net income attributable to Acadia | \$ — | \$ 16,220 |

Property Held For Sale

ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

At March 31, 2017 and December 31, 2016, the Company had one property in Fund II classified as held-for-sale with net assets of \$21.5 million and subject to a mortgage of \$25.5 million, which will be repaid prior to the sale. The property held for sale had net (loss) income of \$(0.5) million, and \$0.2 million for the three months ended March 31, 2017 and 2016, respectively.

Pro Forma Financial Information

The following unaudited pro forma consolidated operating data is presented for the three months ended March 31, 2017, as if the acquisitions of the properties acquired during that period were completed on January 1, 2016 and as if the acquisition of the properties acquired during the three months ended March 31, 2016 were completed on January 1, 2015. The related acquisition expenses of \$0.3 million and \$0.3 million reported during the three months ended March 31, 2017 and 2016, respectively have been reflected as pro forma charges at January 1, 2016 and January 1, 2015, respectively. The unaudited supplemental pro forma operating data is not necessarily indicative of what the actual results of operations of the Company would have been, assuming the transactions had been completed as set forth above, nor do they purport to represent the Company's results of operations for future periods.

| | Three Months Ended March 31, | |
|--|-------------------------------------|-------------|
| | 2017 | 2016 |
| Pro forma revenues | \$ 62,478 | \$ 53,314 |
| Pro forma income from continuing operations | 20,201 | 74,174 |
| Pro forma net income attributable to Acadia | 15,808 | 29,155 |
| Pro forma basic and diluted earnings per share | 0.19 | 0.39 |

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. At March 31, 2017 and December 31, 2016, the Company had one Core property, two properties in Fund II, three properties in Fund III and four properties in Fund IV classified as real estate under development. At December 31, 2016 accumulated costs aggregated \$543.5 million. During the first quarter, the Company capitalized \$3.8 million of additional costs, placed a portion of the City Point project for \$113.2 million into service, and reclassified real estate with a carrying value of \$76.4 million into real estate under development, resulting in a balance of \$510.5 million at March 31, 2017.

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

3. Notes Receivable, Net

The Company's notes receivable, net were 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 | March 31, | December 31, | March 31, 2017 | | |
|----------------|------------|--------------|----------------|-------------------------------|---------------|
| | 2017 | 2016 | Number | Maturity Date | Interest Rate |
| Core Portfolio | \$ 216,400 | \$ 216,400 | 5 | May 2017 - September 2019 | 6.0% - 9.0% |
| Fund II | 31,201 | 31,007 | 1 | May 2020 | 2.5% |
| Fund III | 4,656 | 4,506 | 1 | July 2020 | 18.0% |
| Fund IV | 24,250 | 24,250 | 2 | April 2017 - February 2021 | 6.0% - 15.3% |
| | \$ 276,507 | \$ 276,163 | 9 | | |

ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

During the three months ended March 31, 2017, the Company:

- advanced an additional \$0.2 million on a Fund III note, which is collateralized by a property; and
- increased the balance of a Fund II note by the interest accrued of \$0.2 million.

During the year ended December 31, 2016, the Company:

- issued one Core note receivable and three Fund IV notes receivable aggregating \$47.5 million with a weighted-average effective interest rate of 9.8%, which were collateralized by four mixed-use real estate properties;
- received total collections of \$42.8 million, including full repayment of five notes issued in prior periods aggregating \$29.6 million; and
- restructured a \$30.9 million Core mezzanine loan, which bore interest at 15.0%, and replaced it with a new \$153.4 million loan collateralized by a first mortgage in the borrower's tenancy-in-common interest. The new loan, which was made to the Company's partners in the Brandywine Portfolio, bears interest at 8.1% ([Note 4](#)).

At March 31, 2017 and December 31, 2016, one of the Core notes receivable in the amount of \$12.0 million was in default; however, no principal reserve was established because the estimated fair value of the real estate collateral exceeded the carrying value of the note. In February 2017, there was an auction pursuant to an Order of the United States Bankruptcy Court for the Southern District of New York for the property which is collateral for this note. The winning bid was in excess of the Company's carrying value and accrued interest. The sale of this property was approved by Order of the Bankruptcy Court confirming the Chapter 11 Plan of Reorganization of the note issuer and is expected to close during the second quarter of 2017. In connection with this sale, the Company anticipates recovering its full carrying value of principal and interest recognized of \$2.2 million upon settlement of this transaction.

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](#)).

ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

4. Investments In and Advances to Unconsolidated Affiliates

The Company accounts for its investments in and advances to unconsolidated affiliates 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):

| Fund | Property | Nominal Ownership Interest at March 31, 2017 | March 31, 2017 | December 31, 2016 |
|----------------------------|--|---|--------------------------|--------------------------|
| Core: | | | | |
| | 840 N. Michigan ^(a) | 88.43% | \$ 73,355 | \$ 74,131 |
| | Renaissance Portfolio | 20% | 36,097 | 36,437 |
| | Gotham Plaza | 49% | 29,396 | 29,421 |
| | Brandywine Portfolio ^(a) | 22.22% | 20,449 | 20,755 |
| | Georgetown Portfolio | 50% | 4,237 | 4,287 |
| | | | <u>163,534</u> | <u>165,031</u> |
| Mervyns I & II: | | | | |
| | KLA/Mervyn's, LLC ^(b) | 10.5% | — | — |
| Fund III: | | | | |
| | Fund III Other Portfolio | 90% | 225 | 8,108 |
| | Self Storage Management ^(c) | 95% | 241 | 241 |
| | | | <u>466</u> | <u>8,349</u> |
| Fund IV: | | | | |
| | Broughton Street Portfolio ^(d) | 50% | 56,313 | 54,839 |
| | Fund IV Other Portfolio | 90% | 17,927 | 21,817 |
| | 650 Bald Hill Road | 90% | 19,027 | 18,842 |
| | | | <u>93,267</u> | <u>95,498</u> |
| | Due from Related Parties ^(e) | | 2,273 | 2,193 |
| | Other | | 957 | 957 |
| | Investments in and advances to unconsolidated affiliates | | <u><u>\$ 260,497</u></u> | <u><u>\$ 272,028</u></u> |
| Core: | | | | |
| | Crossroads ^(f) | 49% | \$ 15,221 | \$ 13,691 |
| | Distributions in excess of income from, and investments in, unconsolidated affiliates | | <u><u>\$ 15,221</u></u> | <u><u>\$ 13,691</u></u> |

(a) Represents a tenancy-in-common interest.

(b) Distributions have exceeded the Company's non-recourse investment, therefore the carrying value is zero.

(c) Represents a variable interest entity.

(d) The Company is entitled to a 15% return on its cumulative capital contribution and a 9% preferred return on the balance of the loan it converted to equity during 2016, which was \$14.9 million and \$46.4 million at March 31, 2017, respectively.

(e) Represents deferred fees.

(f) Distributions have exceeded the Company's investment; however, the Company recognizes a liability balance as it may be required to fund future obligations of the entity.

Core Portfolio

The Company owns a 49% interest in a 311,000 square foot shopping center located in White Plains, New York (“Crossroads”), a 50% interest in a 28,000 square foot retail portfolio located in Georgetown, Washington D.C. (the “Georgetown Portfolio”), a 88.43% tenancy-in-common interest in an 87,000 square foot retail property located in Chicago, Illinois (“840 N. Michigan”), and a 49% noncontrolling interest in an approximately 123,000 square foot retail property located in Manhattan, New York (“Gotham Plaza”).

In January 2017, an entity in which the Company owns a 20% noncontrolling interest (the “Renaissance Portfolio”), acquired a 6,200 square foot property in Alexandria, Virginia referred to as (“907 King Street”) for \$3.0 million. The Renaissance Portfolio is now a 213,000 square-foot portfolio of 18 mixed-use properties, 16 of which are located in Georgetown, Washington D.C. and two of which are located in Alexandria, Virginia.

The Company owns a 22.22% interest in an approximately one million square foot retail portfolio (the “Brandywine Portfolio”) located in Wilmington, Delaware. 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 accounts 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 are unchanged, the Company has reflected the change from consolidation to equity method based upon its historical cost.

Additionally, in April 2016, the Company repaid the outstanding balance of \$140.0 million of non-recourse debt collateralized by the Brandywine Portfolio. The Company provided a loan collateralized by the partners’ tenancy-in-common interest, as further described in [Note 7](#), for their proportionate share of the repayment.

Fund Investments

Fund III Other Portfolio included the Company’s investment in Arundel Plaza through its date of sale in February 2017. Fund IV Other Portfolio includes the Company’s investment in 1701 Belmont Avenue, Promenade at Manassas, Eden Square and, through its date of sale in January 2017, an investment in 2819 Kennedy Boulevard.

Self-Storage Management, a Fund III investment, was determined to be a variable interest entity. Management has evaluated the applicability of ASC Topic 810 to this joint venture and determined that the Company is not the primary beneficiary and, therefore, consolidation of this venture is not required.

In January 2017, Fund IV completed the disposition of 2819 Kennedy Boulevard, for \$19.0 million less \$8.4 million debt repayment for a net sales price of \$10.6 million, resulting in a gain on disposition of \$6.3 million at the property level, of which the Fund’s share was \$6.2 million, which is included in equity earnings and gains from unconsolidated affiliates in the consolidated financial statements. The Operating Partnership’s proportionate share of the gain was \$1.4 million, net of noncontrolling interests.

During February 2017, Fund III completed the disposition of Arundel Plaza, for \$28.8 million less \$10.0 million debt repayments for a net sales price of \$18.8 million, resulting in a gain on disposition of \$8.2 million at the property level, of which the Fund’s share was \$5.3 million, which is included in equity earnings and gains from unconsolidated affiliates in the consolidated financial statements. The Operating Partnership’s proportionate share of the gain was \$1.3 million, net of noncontrolling interests.

During January 2016, Fund III completed the disposition of a 65% interest in Cortlandt Town Center for \$107.3 million resulting in a gain of \$65.4 million and the deconsolidation of its remaining interest ([Note 2](#)). During December 2016, Fund III completed the disposition of its remaining 35% interest in Cortlandt Town Center for \$57.8 million less \$32.6 million debt repayment for a net sales price of \$25.2 million resulting in a gain on sale of \$36.0 million, of which the Operating Partnership’s share was \$8.8 million.

ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Fees from Unconsolidated Affiliates

The Company earned property management, construction, development, legal and leasing fees from its investments in unconsolidated partnerships totaling \$0.4 million and \$0.1 million for the three months ended March 31, 2017 and 2016, respectively, which is included in other revenues in the consolidated financial statements.

In addition, the Company paid \$0.5 million and \$0.6 million to certain unaffiliated partners of our joint ventures during the three months ended March 31, 2017 and 2016, respectively, for leasing commissions, development, management 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):

| | March 31, | December 31, |
|---|-------------------------------------|---------------------|
| | 2017 | 2016 |
| Combined and Condensed Balance Sheets | | |
| Assets: | | |
| Rental property, net | \$ 549,632 | \$ 576,505 |
| Real estate under development | 16,837 | 18,884 |
| Investment in unconsolidated affiliates | 6,853 | 6,853 |
| Other assets | 101,144 | 75,254 |
| Total assets | \$ 674,466 | \$ 677,496 |
| Liabilities and partners' equity: | | |
| Mortgage notes payable | \$ 389,198 | \$ 407,344 |
| Other liabilities | 58,909 | 30,117 |
| Partners' equity | 226,359 | 240,035 |
| Total liabilities and partners' equity | \$ 674,466 | \$ 677,496 |
| Company's share of accumulated equity | \$ 177,805 | \$ 191,049 |
| Basis differential | 60,520 | 61,827 |
| Deferred fees, net of portion related to the Company's interest | 4,678 | 3,268 |
| Amounts receivable by the Company | 2,273 | 2,193 |
| Investments in and advances to unconsolidated affiliates, net of Company's share of distributions in excess of income from and investments in unconsolidated affiliates | \$ 245,276 | \$ 258,337 |
| | Three Months Ended March 31, | |
| | 2017 | 2016 |
| Combined and Condensed Statements of Income | | |
| Total revenues | \$ 21,603 | \$ 13,372 |
| Operating and other expenses | (5,866) | (3,730) |
| Interest expense | (4,538) | (2,736) |
| Depreciation and amortization | (6,449) | (3,880) |
| Loss on debt extinguishment | (151) | — |
| Gain on disposition of properties | 14,446 | — |
| Net income attributable to unconsolidated affiliates | \$ 19,045 | \$ 3,026 |
| Company's share of equity in net income of unconsolidated affiliates | \$ 13,569 | \$ 2,052 |
| Basis differential amortization | (866) | (98) |
| Company's equity in earnings of unconsolidated affiliates | \$ 12,703 | \$ 1,954 |

ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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) | March 31, 2017 | December 31, 2016 |
|--|-------------------|----------------------|
| Other assets, net: | | |
| Lease intangibles, net (Note 6) | \$ 116,371 | \$ 114,584 |
| Deferred charges, net ^(a) | 26,505 | 25,221 |
| Prepaid expenses | 17,070 | 14,351 |
| Other receivables | 11,797 | 9,514 |
| Accrued interest receivable | 10,766 | 9,354 |
| Deposits | 4,491 | 4,412 |
| Due from seller | 4,300 | 4,300 |
| Deferred tax assets | 3,822 | 3,733 |
| Derivative financial instruments (Note 8) | 3,378 | 2,921 |
| Due from related parties | 1,300 | 1,655 |
| Corporate assets | 624 | 1,241 |
| Income taxes receivable | 1,398 | 1,500 |
| | <u>\$ 201,822</u> | <u>\$ 192,786</u> |
| (a) Deferred charges, net: | | |
| Deferred leasing and other costs | \$ 42,728 | \$ 40,728 |
| Deferred financing costs | 5,945 | 5,915 |
| | <u>48,673</u> | <u>46,643</u> |
| Accumulated amortization | (22,168) | (21,422) |
| Deferred charges, net | <u>\$ 26,505</u> | <u>\$ 25,221</u> |
| Accounts payable and other liabilities: | | |
| Lease intangibles, net (Note 6) | \$ 103,573 | \$ 105,028 |
| Accounts payable and accrued expenses | 48,383 | 48,290 |
| Deferred income | 35,979 | 35,267 |
| Tenant security deposits, escrow and other | 15,081 | 14,975 |
| Derivative financial instruments (Note 8) | 3,013 | 3,590 |
| Income taxes payable | 1,418 | 1,287 |
| Other | 232 | 235 |
| | <u>\$ 207,679</u> | <u>\$ 208,672</u> |

ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

6. Lease Intangibles

Upon acquisitions of real estate accounted for as business combinations, 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 in accordance with ASC Topic 805. The lease intangibles are amortized over the remaining terms of the respective leases, including option periods where applicable.

Intangible assets and liabilities are summarized as follows (in thousands):

| | March 31, 2017 | | | December 31, 2016 | | |
|---|-----------------------|--------------------------|---------------------|-----------------------|--------------------------|---------------------|
| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| Amortizable Intangible Assets | | | | | | |
| In-place lease intangible assets | \$ 163,219 | \$ (53,027) | \$ 110,192 | \$ 156,420 | \$ (47,827) | \$ 108,593 |
| Above-market rent | 17,295 | (11,116) | 6,179 | 16,649 | (10,658) | 5,991 |
| | <u>\$ 180,514</u> | <u>\$ (64,143)</u> | <u>\$ 116,371</u> | <u>\$ 173,069</u> | <u>\$ (58,485)</u> | <u>\$ 114,584</u> |
| Amortizable Intangible Liabilities | | | | | | |
| Below-market rent | \$ (138,476) | \$ 34,903 | \$ (103,573) | \$ (137,032) | \$ 32,004 | \$ (105,028) |
| | <u>\$ (138,476)</u> | <u>\$ 34,903</u> | <u>\$ (103,573)</u> | <u>\$ (137,032)</u> | <u>\$ 32,004</u> | <u>\$ (105,028)</u> |

During the three months ended March 31, 2017, the Company acquired in-place lease intangible assets of \$6.8 million, above-market rents of \$0.6 million and below-market rents of \$1.4 million with weighted-average useful lives of 3.1, 3.7 and 13.3 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 are recorded as a reduction to and increase to rental income, respectively, in the consolidated statements of income.

The scheduled amortization of acquired lease intangible assets and assumed liabilities as of March 31, 2017 is as follows (in thousands):

| Years Ending December 31, | Net Increase in Lease Revenues | Increase to Amortization | Net |
|---------------------------|--------------------------------|--------------------------|--------------------|
| 2017 (Remainder) | \$ 9,068 | \$ 23,802 | \$ (14,734) |
| 2018 | 9,439 | 18,149 | (8,710) |
| 2019 | 9,021 | 12,823 | (3,802) |
| 2020 | 7,746 | 10,595 | (2,849) |
| 2021 | 6,883 | 9,022 | (2,139) |
| Thereafter | 55,237 | 35,801 | 19,436 |
| Total | <u>\$ 97,394</u> | <u>\$ 110,192</u> | <u>\$ (12,798)</u> |

ACADIA REALTY TRUST AND SUBSIDIARIES
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7. Debt

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

| | Interest Rate | | Maturity Date at March 31, 2017 | Carrying Value | |
|--|---------------------------|---------------------------|------------------------------------|---------------------|---------------------|
| | March 31, 2017 | December 31, 2016 | | March 31, 2017 | December 31, 2016 |
| <u>Mortgages Payable</u> | | | | | |
| Core Fixed Rate | 3.88%-6.65% | 3.88%-6.65% | August 2017 - April 2035 | \$ 234,273 | \$ 234,875 |
| Core Variable Rate - Swapped ^(a) | 1.71%-3.77% | 1.71%-3.77% | September 2022 - June 2026 | 81,663 | 82,250 |
| Total Core Mortgages Payable | | | | 315,936 | 317,125 |
| Fund II Fixed Rate | 1.00%-5.80% | 1.00%-5.80% | October 2017 - May 2020 | 249,762 | 249,762 |
| Fund II Variable Rate | LIBOR+0.79% - LIBOR+2.50% | LIBOR+0.62% - LIBOR+2.50% | August 2017 - November 2021 | 142,750 | 142,750 |
| Fund II Variable Rate - Swapped ^(a) | 2.88% | 2.88% | November 2021 | 19,726 | 19,779 |
| Total Fund II Mortgages Payable | | | | 412,238 | 412,291 |
| Fund III Variable Rate | Prime+0.50% - LIBOR+4.65% | Prime+0.50% - LIBOR+4.65% | May 2017 - December 2021 | 79,680 | 83,467 |
| Fund IV Fixed Rate | 3.4%-4.50% | 3.4%-4.50% | October 2025-June 2026 | 10,504 | 10,503 |
| Fund IV Variable Rate | LIBOR+1.70% - LIBOR+3.95% | LIBOR+1.70% - LIBOR+3.95% | May 2017 - April 2022 | 258,816 | 233,139 |
| Fund IV Variable Rate - Swapped ^(a) | 1.78% | 1.78% | April 2022 | 81,668 | 14,509 |
| Total Fund IV Mortgages Payable | | | | 350,988 | 258,151 |
| Net unamortized debt issuance costs | | | | (16,951) | (16,642) |
| Unamortized premium | | | | 1,158 | 1,336 |
| Total Mortgages Payable | | | | \$ 1,143,049 | \$ 1,055,728 |
| <u>Unsecured Notes Payable</u> | | | | | |
| Core Unsecured Term Loans | LIBOR+1.30% - LIBOR+1.60% | LIBOR+1.30% - LIBOR+1.60% | July 2020 - December 2022 | \$ 51,283 | \$ 51,194 |
| Core Variable Rate Unsecured Term Loans - Swapped ^(a) | 1.24%-3.77% | 1.24%-3.77% | July 2018 - March 2025 | 248,717 | 248,806 |
| Total Core Unsecured Notes Payable | | | | 300,000 | 300,000 |
| Fund IV Term Loan/Subscription Facility | LIBOR+1.65% - LIBOR+2.75% | LIBOR+1.65% - LIBOR+2.75% | February 2017- November 2017 | 60,536 | 134,636 |
| Net unamortized debt issuance costs | | | | (1,689) | (1,646) |
| Total Unsecured Notes Payable | | | | \$ 358,847 | \$ 432,990 |
| <u>Unsecured Line of Credit</u> | | | | | |
| Core Unsecured Line of Credit | LIBOR+1.40% | LIBOR+1.40% | June 2020 | \$ — | \$ — |
| Total Unsecured Line of Credit | | | | \$ — | \$ — |
| Total Debt - Fixed Rate^(b) | | | | \$ 926,314 | \$ 860,486 |
| Total Debt - Variable Rate | | | | 593,064 | 645,185 |
| Total Debt | | | | 1,519,378 | 1,505,671 |
| Net unamortized debt issuance costs | | | | (18,640) | (18,289) |
| Unamortized premium | | | | 1,158 | 1,336 |
| Total Indebtedness | | | | \$ 1,501,896 | \$ 1,488,718 |

(a) At March 31, 2017, the stated rates ranged from LIBOR + 1.08% to LIBOR + 1.90% for Core variable-rate debt; LIBOR + .79% to LIBOR + 2.50% for Fund II variable-rate debt; PRIME + 0.50% to LIBOR + 4.65% for Fund III variable-rate debt; LIBOR + 1.70% to LIBOR + 3.95% for Fund IV variable-rate debt and LIBOR + 1.30% to LIBOR + 1.60% for Core variable-rate unsecured notes.

(b) Includes \$431,774 and \$365,343, respectively, of variable-rate debt that has been fixed with interest rate swap agreements as of the periods presented.

Mortgages Payable

During 2017, the Company obtained eight new non-recourse mortgages totaling \$93.0 million with a weighted-average interest rate of 2.68% collateralized by eight properties, which mature between February 14, 2020 and April 1, 2022. The Company entered into interest rate swap contracts to effectively fix the interest rates of seven of these obligations with a notional value of \$67.3 million at a weighted-average rate of 1.92%. During 2017, the Company repaid one mortgage in full, which had a balance of \$3.5 million and an interest rate of LIBOR + 2.15%, and made scheduled principal payments of \$1.9 million. At March 31, 2017 and December 31, 2016, the Company's mortgages were collateralized by 47 and 39 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 related to Brandywine Holdings in our Core Portfolio amounted to \$26.3 million and was in default at March 31, 2017 and December 31, 2016. This loan bears interest at 5.99%, excluding default interest of 5%, and is collateralized by a property, in which the Company holds a 22% controlling interest. In April 2017, the lender on this mortgage initiated a lawsuit against the Company for the full balance of the principal, accrued interest as well as penalties and fees aggregating approximately \$31.0 million. The Company's management believes that the mortgage is not recourse to the Company and that the suit is without merit.

In addition, at March 31, 2017, a mortgage loan in the amount of \$14.3 million and collateralized by a Fund II property, was in default because its liquidity covenant had been breached.

Unsecured Notes Payable

At each of March 31, 2017 and December 31, 2016, the Company had a total of \$0.0 and \$9.9 million available under its unsecured term loans. A portion of the Company's variable-rate term loan debt has been effectively fixed through certain cash flow hedge transactions ([Note 8](#)).

The Company completed the following transactions related to its unsecured notes payable during the three months ended March 31, 2017:

- The Company reduced its maximum commitment available on the Fund IV subscription line of credit from \$100.0 million to \$21.5 million. Furthermore, upon repayment of \$74.1 million, net of \$10.0 million in draws, the Company was in compliance with its liquidity covenant at March 31, 2017 which was not in compliance at December 31, 2016. The balance was \$20.4 million at March 31, 2017 and \$94.5 million at December 31, 2016. Total available credit at March 31, 2017 and December 31, 2016 was \$1.1 million and \$55.5 million respectively on this line.

Unsecured Lines of Credit

At March 31, 2017 and December 31, 2016 the Company had a total of \$150.0 million and \$147.5 million, respectively available under its unsecured line of credit.

The Company completed the following transactions related to its unsecured line of credit during the three months ended March 31, 2017:

- The Company drew down and repaid \$10.0 million on the Core unsecured line of credit. There was no outstanding balance as of March 31, 2017.

Scheduled Debt Principal Payments

The scheduled principal repayments of the Company’s consolidated indebtedness, as of March 31, 2017 are as follows (in thousands):

| Year Ending December 31, | |
|---|--------------|
| 2017 (Remainder) | \$ 273,916 |
| 2018 | 115,846 |
| 2019 | 206,646 |
| 2020 | 369,107 |
| 2021 | 255,074 |
| Thereafter | 298,789 |
| | 1,519,378 |
| Unamortized fair market value of assumed debt | 1,158 |
| Net unamortized debt issuance costs | (18,640) |
| Total indebtedness | \$ 1,501,896 |

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 us to develop our 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, we have 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 — Our derivative assets, which are included in Other assets, net in the consolidated financial statements, are comprised of interest rate swaps. The interest rate swaps 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 — Our derivative liabilities, which are included in Accounts payable and other liabilities in the consolidated financial statements, are 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.

We did not have any transfers into or out of Level 1, Level 2, and Level 3 measurements during the three months ended March 31, 2017 or 2016.

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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):

| | March 31, 2017 | | | December 31, 2016 | | |
|----------------------------------|----------------|---------|---------|-------------------|---------|---------|
| | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| Assets | | | | | | |
| Money Market Funds | \$ 3 | \$ — | \$ — | \$ 20,001 | \$ — | \$ — |
| Derivative financial instruments | — | 3,378 | — | — | 2,921 | — |
| Liabilities | | | | | | |
| Derivative financial instruments | — | 3,013 | — | — | 3,590 | — |

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.

Derivative Financial Instruments

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

| Derivative Instrument | Aggregate Notional Amount | Effective Date | Maturity Date | Strike Rate | | | Balance Sheet Location | Fair Value | |
|-----------------------------|---------------------------|---------------------|---------------------|-------------|------|----------------|------------------------|-------------------|-------------------|
| | | | | Low | High | March 31, 2017 | | December 31, 2016 | |
| Core | | | | | | | | | |
| Interest Rate Swaps | \$ 125,247 | Oct 2011 - Mar 2015 | Jul 2018 - Mar 2025 | 1.38% | — | 3.77% | Other Liabilities | \$ (2,515) | \$ (3,218) |
| Interest Rate Swaps | 205,134 | Sep 2012 - Jul 2016 | Jul 2020 - Jun 2026 | 1.24% | — | 3.77% | Other Assets | 3,224 | 2,609 |
| | <u>\$ 330,381</u> | | | | | | | <u>\$ 709</u> | <u>\$ (609)</u> |
| Fund II | | | | | | | | | |
| Interest Rate Swap | \$ 19,726 | Oct 2014 | Nov 2021 | 2.88% | — | 2.88% | Other Liabilities | \$ (160) | \$ (228) |
| Interest Rate Cap | 29,500 | Apr 2013 | Apr 2018 | 4% | — | 4% | Other Assets | — | — |
| | <u>\$ 49,226</u> | | | | | | | <u>\$ (160)</u> | <u>\$ (228)</u> |
| Fund III | | | | | | | | | |
| Interest Rate Cap | \$ 58,000 | Dec 2016 | Jan 2020 | 3% | — | 3% | Other Assets | \$ 64 | \$ 127 |
| Fund IV | | | | | | | | | |
| Interest Rate Swaps | \$ 81,668 | May 2014 - Mar 2017 | May 2019 - Apr 2022 | 1.78% | — | 1.98% | Other Liabilities | \$ (338) | \$ (144) |
| Interest Rate Caps | 108,900 | Jul 2016 - Nov 2016 | Aug 2019 - Dec 2019 | 3% | — | 3% | Other Assets | 90 | 185 |
| | <u>\$ 190,568</u> | | | | | | | <u>\$ (248)</u> | <u>\$ 41</u> |
| Total asset derivatives | | | | | | | | <u>\$ 3,378</u> | <u>\$ 2,921</u> |
| Total liability derivatives | | | | | | | | <u>\$ (3,013)</u> | <u>\$ (3,590)</u> |

ACADIA REALTY TRUST AND SUBSIDIARIES
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All of the Company's derivative instruments have been designated as cash flow hedges and hedge the future cash outflows on variable rate mortgage debt (Note 7).

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. The Company has not entered, and does not plan to enter, into any derivative financial instruments for trading or speculative purposes.

The following table presents the location in the financial statements of the income (losses) recognized related to the Company's cash flow hedges (in thousands):

| | Three Months Ended March 31, | |
|---|-------------------------------------|-------------|
| | 2017 | 2016 |
| Amount of gain (loss) related to the effective portion recognized in other comprehensive income (loss) | \$ 118 | \$ (8,819) |
| Amount of loss related to the effective portion subsequently reclassified to earnings | \$ — | \$ — |
| Amount of gain (loss) related to the ineffective portion and amount excluded from effectiveness testing | \$ — | \$ — |

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

Our other financial instruments had the following carrying values and fair values as of the dates shown (dollars in thousands):

| | Level | March 31, 2017 | | December 31, 2016 | |
|--|-------|------------------------|-----------------------------|--------------------------|-----------------------------|
| | | Carrying Amount | Estimated Fair Value | Carrying Amount | Estimated Fair Value |
| Notes Receivable ^(a) | 3 | \$ 276,507 | \$ 272,347 | \$ 276,163 | \$ 272,052 |
| Mortgage and Other Notes Payable, net ^(a) | 3 | 1,143,049 | 1,164,861 | 1,055,728 | 1,077,926 |
| Investment in non-traded equity securities | 3 | 802 | 25,194 | 802 | 25,194 |
| Unsecured notes payable, net ^(b) | 2 | 358,847 | 361,559 | 432,990 | 435,779 |

- (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) The Company determined the estimated fair value of the unsecured notes payable 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 at March 31, 2017.

9. Commitments and Contingencies

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 \$37.9 million and \$85.4 million as of March 31, 2017 and December 31, 2016, respectively.

At each of March 31, 2017 and December 31, 2016, the Company had letters of credit outstanding of \$2.5 million. 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.

In connection with certain of the Company's unconsolidated joint ventures, the Company agreed to fund amounts due to the joint ventures' lenders, under certain circumstances, if such amounts are not paid by the joint venture based on the Company's pro rata share of such amount, aggregating \$160.1 million and \$165.7 million at March 31, 2017 and December 31, 2016, respectively.

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

Common Shares

The Company completed the following transactions in its common shares during the three months ended March 31, 2017:

- The Company withheld 4,314 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 accrued Common Share and Common OP Unit-based compensation totaling \$2.0 million in connection with the vesting of Restricted Shares and Units ([Note 13](#)).

The Company completed the following transactions in its common shares during the year ended December 31, 2016:

- The Company issued 4,500,000 Common Shares under its at-the-market ("ATM") equity programs, generating gross proceeds of \$157.6 million and net proceeds of \$155.7 million. The Company has established a new ATM equity program, effective July 2016, with an additional aggregate offering amount of up to \$250.0 million of gross proceeds from the sale of Common Shares, replacing its \$200.0 million program that was launched in 2014. As of December 31, 2016 and March 31, 2017, there was \$218.0 million remaining under this \$250.0 million program.
- The Company entered into a forward sale agreement to issue 3,600,000 Common Shares for gross proceeds of \$126.8 million and net proceeds of \$124.5 million. As of December 31, 2016, these shares have been physically settled.
- The Company issued 4,830,000 Common Shares in a public offering, generating gross proceeds of \$175.2 million and net proceeds of \$172.1 million.
- The Company withheld 3,152 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 accrued Common Share and Common OP Unit-based compensation totaling \$10.9 million in connection with the vesting of Restricted Shares and Units ([Note 13](#)).

Share Repurchases

The Company has a share repurchase program that authorizes management, at its discretion, to repurchase up to \$20.0 million of its outstanding Common Shares. The program may be discontinued or extended at any time. There were no Common Shares repurchased by the Company during the three months ended March 31, 2017 or the year ended December 31, 2016. Under this program the Company has repurchased 2.1 million Common Shares, none of which were repurchased after December 2001. As of March 31, 2017, management may repurchase up to approximately \$7.5 million of our outstanding Common Shares under this program.

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Dividends and Distributions

On February 28, 2017, the Board of Trustees declared a regular quarterly cash dividend of \$0.26 per Common Share, which was paid on April 14, 2017 to holders of record as of March 31, 2017.

On November 8, 2016, the Board of Trustees declared an increase of \$0.01 to the regular quarterly cash dividend of \$0.25 to \$0.26 per Common Share, which was paid on January 13, 2017 to holders of record as of December 30, 2016. In addition, on November 8, 2016, the Board of Trustees declared a special cash dividend of \$0.15 per Common Share with the same record and payment date as the regular quarterly dividend. The special dividend is a result of the taxable capital gains for 2016 arising from property dispositions within the Funds.

Accumulated Other Comprehensive Income

The following table sets forth the activity in accumulated other comprehensive (loss) income for the three months ended March 31, 2017 and 2016 (in thousands):

| | Gains or Losses on Derivative Instruments |
|--|--|
| Balance at January 1, 2017 | \$ (798) |
| Other comprehensive loss before reclassifications | 118 |
| Reclassification of realized interest on swap agreements | 963 |
| Net current period other comprehensive loss | 1,081 |
| Net current period other comprehensive loss attributable to noncontrolling interests | 155 |
| Balance at March 31, 2017 | \$ 438 |
| Balance at January 1, 2016 | \$ (4,463) |
| Other comprehensive income before reclassifications | (8,818) |
| Reclassification of realized interest on swap agreements | 1,046 |
| Net current period other comprehensive income | (7,772) |
| Net current period other comprehensive income attributable to noncontrolling interests | 768 |
| Balance at March 31, 2016 | \$ (11,467) |

ACADIA REALTY TRUST AND SUBSIDIARIES
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Noncontrolling Interests

The following table summarizes the change in the noncontrolling interests for the periods presented (in thousands):

| | Noncontrolling Interests in Operating Partnership (a) | Noncontrolling Interests in Partially-Owned Affiliates (b) | Total |
|---|--|---|-------------------|
| Balance at January 1, 2016 | \$ 96,340 | \$ 324,526 | \$ 420,866 |
| Distributions declared of \$0.25 per Common OP Unit | (1,473) | — | (1,473) |
| Net income for the period January 1 through March 31, 2016 | 1,993 | 42,957 | 44,950 |
| Conversion of 248,160 Common OP Units to Common Shares by limited partners of the Operating Partnership | (5,680) | — | (5,680) |
| Issuance of Common and Preferred OP Units to acquire real estate | 29,336 | — | 29,336 |
| Acquisition of noncontrolling interests (c) | — | (25,948) | (25,948) |
| Other comprehensive income - unrealized loss on valuation of swap agreements | (436) | (478) | (914) |
| Reclassification of realized interest expense on swap agreements | 49 | 96 | 145 |
| Noncontrolling interest contributions | — | 46,343 | 46,343 |
| Noncontrolling interest distributions and other reductions | — | (36,174) | (36,174) |
| Employee Long-term Incentive Plan Unit Awards | 3,811 | — | 3,811 |
| Balance at March 31, 2016 | \$ 123,940 | \$ 351,322 | \$ 475,262 |
| Balance at January 1, 2017 | 95,422 | 494,126 | 589,548 |
| Distributions declared of \$0.26 per Common OP Unit | (1,617) | — | (1,617) |
| Net income for the period January 1 through March 31, 2017 | 1,062 | 3,278 | 4,340 |
| Conversion of 24,860 Common OP Units to Common Shares by limited partners of the Operating Partnership | (438) | — | (438) |
| Other comprehensive income - unrealized income (loss) on valuation of swap agreements | 21 | (317) | (296) |
| Reclassification of realized interest expense on swap agreements | 49 | 92 | 141 |
| Noncontrolling interest contributions | — | 20,269 | 20,269 |
| Noncontrolling interest distributions and other reductions | — | (3,822) | (3,822) |
| Employee Long-term Incentive Plan Unit Awards | 4,141 | — | 4,141 |
| Rebalancing adjustment (d) | 5,693 | — | 5,693 |
| Balance at March 31, 2017 | \$ 104,333 | \$ 513,626 | \$ 617,959 |

(a) Noncontrolling interests in the Operating Partnership are comprised of (i) the limited partners' 3,363,351 and 3,357,760 Common OP Units at March 31, 2017 and 2016, respectively; (ii) 188 Series A Preferred OP Units at March 31, 2017 and 2016; (iii) 141,593 Series C Preferred OP Units at March 31, 2017 and 2016; and (iv) 2,265,852 and 1,979,882 LTIP units as of March 31, 2017 and 2016, respectively, as discussed in Share Incentive Plan (Note 13). Distributions declared for Preferred OP Units are reflected in net income in the table above.

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

(c) During the first quarter of 2016, the Company acquired an additional 8.3% interest in Fund II from a limited partner for \$18.4 million, giving the Company an aggregate 28.33% interest. Amount in the table above represents the book value of this transaction.

(d) 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 (the "Rebalancing").

Preferred OP Units

There were no issuances of Preferred OP Units during the three months ended March 31, 2017.

In 1999 the Operating Partnership issued 1,500 Series A Preferred OP Units in connection with the acquisition of a property, 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 December 31, 2016, 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 the first quarter of 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 Units will be convertible 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 Units 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.

11. Leases

Operating Leases

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 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 ninety nine years and generally provide for additional rents based on certain operating expenses as well as tenants' sales volumes.

The Company leases land at six of its shopping centers, which are accounted for as operating leases and generally provide the Company with renewal options. Ground rent expense was \$0.8 million and \$0.6 million (including capitalized ground rent at properties under development of \$0.1 million and \$0.2 million) for the three months ended March 31, 2017 and 2016, respectively. The leases terminate at various dates between 2020 and 2066. These leases provide the Company with options to renew for additional terms aggregating from 25 to 71 years. The Company also leases space for its corporate office. Office rent expense under this lease was \$0.2 million and \$0.1 million for the three months ended March 31, 2017 and 2016, respectively.

Capital Lease

During 2016, the Company entered into a 49-year master lease at 991 Madison Avenue, which is accounted for as a capital lease. During the three months ended March 31, 2017 and 2016, lease payments totaling \$0.6 million and \$7.0 million, respectively were made under this lease. The lease was initially valued at \$76,628, which represents the total discounted payments to be made under the lease. The property under the capital lease is included in [Note 2](#).

ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Lease Obligations

The scheduled future minimum (i) rental revenues from rental properties under the terms of all non-cancelable tenant leases, 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 capital leases in which the Company is the lessee, principally for office space and ground leases, as of March 31, 2017 are summarized as follows (in thousands):

| Year Ending December 31, | Minimum Rental Revenues | Minimum Rental Payments |
|---------------------------------|--------------------------------|--------------------------------|
| 2017 (Remainder) | \$ 151,136 | \$ 2,803 |
| 2018 | 153,392 | 3,756 |
| 2019 | 144,089 | 3,776 |
| 2020 | 130,749 | 3,669 |
| 2021 | 116,857 | 3,744 |
| Thereafter | 627,453 | 185,621 |
| Total | \$ 1,323,676 | \$ 203,369 |

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.

During the three months ended March 31, 2017 and 2016, no single tenant 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. During 2016, the Company revised how it allocates general and administrative and income tax expenses among its segments to reflect all such expenses as unallocated corporate expenses. The presentation of the 2016 interim periods have been revised to reflect this change.

ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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

| | As of or for the Three Months Ended March 31, 2017 | | | | |
|--|--|--------------|----------------------|-------------|--------------|
| | Core Portfolio | Funds | Structured Financing | Unallocated | Total |
| Revenues | \$ 44,446 | \$ 17,553 | \$ — | \$ — | \$ 61,999 |
| Depreciation and amortization | (16,439) | (8,097) | — | — | (24,536) |
| Property operating expenses, other operating and real estate taxes | (12,853) | (6,244) | — | — | (19,097) |
| General and administrative expenses | — | — | — | (8,469) | (8,469) |
| Operating income | 15,154 | 3,212 | — | (8,469) | 9,897 |
| Interest income | — | — | 8,984 | — | 8,984 |
| Equity in earnings of unconsolidated affiliates | 560 | 12,143 | — | — | 12,703 |
| Interest expense | (7,155) | (4,333) | — | — | (11,488) |
| Income tax provision | — | — | — | (125) | (125) |
| Net income | 8,559 | 11,022 | 8,984 | (8,594) | 19,971 |
| Net income attributable to noncontrolling interests | (432) | (3,908) | — | — | (4,340) |
| Net income attributable to Acadia | 8,127 | 7,114 | 8,984 | (8,594) | 15,631 |
| Real estate at cost | \$ 1,983,365 | \$ 1,480,201 | \$ — | \$ — | \$ 3,463,566 |
| Total assets | \$ 2,246,037 | \$ 1,498,045 | \$ 276,507 | \$ — | \$ 4,020,589 |
| Acquisition of real estate | \$ — | \$ 34,688 | \$ — | \$ — | \$ 34,688 |
| Development and property improvement costs | \$ 996 | \$ 26,019 | \$ — | \$ — | \$ 27,015 |

| | As of or for the Three Months Ended March 31, 2016 | | | | |
|--|--|--------------|----------------------|-------------|--------------|
| | Core Portfolio | Funds | Structured Financing | Unallocated | Total |
| Revenues | \$ 38,107 | \$ 9,938 | \$ — | \$ — | \$ 48,045 |
| Depreciation and amortization | (13,495) | (3,354) | — | — | (16,849) |
| Property operating expenses, other operating and real estate taxes | (8,562) | (3,431) | — | — | (11,993) |
| General and administrative expenses | — | — | — | (9,352) | (9,352) |
| Operating income | 16,050 | 3,153 | — | (9,352) | 9,851 |
| Gain on disposition of properties | — | 65,393 | — | — | 65,393 |
| Interest income | — | — | 4,638 | — | 4,638 |
| Equity in earnings of unconsolidated affiliates | 592 | 1,362 | — | — | 1,954 |
| Interest expense | (6,764) | (1,274) | — | — | (8,038) |
| Income tax benefit | — | — | — | 77 | 77 |
| Net income | 9,878 | 68,634 | 4,638 | (9,275) | 73,875 |
| Net income attributable to noncontrolling interests | (2,822) | (42,128) | — | — | (44,950) |
| Net income attributable to Acadia | 7,056 | 26,506 | 4,638 | (9,275) | 28,925 |
| Real estate at cost | \$ 1,641,312 | \$ 1,104,902 | \$ — | \$ — | \$ 2,746,214 |
| Total assets | \$ 1,827,059 | \$ 1,166,589 | \$ 154,679 | \$ — | \$ 3,148,327 |
| Acquisition of real estate | \$ — | \$ 12,287 | \$ — | \$ — | \$ 12,287 |
| Development and property improvement costs | \$ 3,248 | \$ 34,215 | \$ — | \$ — | \$ 37,463 |

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 March 31, 2017 total of 1,794,293 shares remained available to be issued under this plan.

Restricted Shares and LTIP Units

During the three months ended March 31, 2017, the Company issued 292,224 LTIP Units and 7,605 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, which was established as the market price of the Company’s Common Shares as of the close of trading on the day preceding the grant date. The total value of the above Restricted Share Units and LTIP Units as of the grant date was \$9.8 million, of which \$2.2 million was recognized as compensation expense in 2016, and \$7.6 million will be recognized as compensation expense over the remaining vesting period. Total long-term incentive compensation expense, including the expense related to the Share Incentive Plan, was \$1.9 million for each of the three months ended March 31, 2017 and 2016, 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 units under the Share Incentive Plan. During 2016, the Company issued 13,491 Restricted Shares and 10,822 LTIP Units to Trustees of the Company in connection with Trustee fees. Vesting with respect to 4,674 of the Restricted Shares and 5,532 of the LTIP Units will be on the first anniversary of the date of issuance and 8,817 of the Restricted Shares and 5,290 of the LTIP Units 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, included the expense related to the Share Incentive Plan, was \$0.3 million and \$0.2 million for the three months ended March 31, 2017 and 2016, respectively. No such Awards were issued to Trustees during the three months ended March 31, 2017.

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 and IV. The Company has granted such awards to employees representing 25% of the potential Promote payments from Fund III to the Operating Partnership and 14.4% of the potential Promote payments from Fund IV 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 were determined to have no intrinsic value as of March 31, 2017.

Compensation expense of \$0.3 million and \$1.5 million was recognized for the three months ended March 31, 2017 and 2016, respectively, related to the Program in connection with Fund III.

ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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, 2016 | 49,899 | \$ 25.90 | 1,020,121 | \$ 23.92 |
| Granted | 24,583 | 33.35 | 359,484 | 34.40 |
| Vested | (24,886) | 29.17 | (522,680) | 26.08 |
| Forfeited | (189) | 35.37 | (48) | 35.37 |
| Unvested at December 31, 2016 | 49,407 | 27.92 | 856,877 | 26.99 |
| Granted | 7,605 | 32.03 | 292,224 | 30.98 |
| Vested | (10,655) | 29.84 | (248,636) | 28.37 |
| Forfeited | (309) | 35.37 | — | 35.37 |
| Unvested at March 31, 2017 | 46,048 | \$ 27.92 | 900,465 | \$ 26.99 |

The weighted-average fair value for Restricted Shares and LTIP Units granted for the three months ended March 31, 2017 and the year ended December 31, 2016 were \$31.00 and \$34.50, respectively. As of March 31, 2017, there was \$20.4 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 2.4 years. The total fair value of Restricted Shares that vested during the three months ended March 31, 2017 and the year ended December 31, 2016, was \$0.4 million and \$0.7 million, respectively. The total fair value of LTIP Units that vested during the three months ended March 31, 2017 and the year ended December 31, 2016, was \$8.2 million and \$13.6 million, respectively.

Other Plans

On a combined basis, the Company incurred a total of \$0.1 million related to the following employee benefit plans for each of the three months ended March 31, 2017 and 2016, respectively:

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 than \$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. During the three months ended March 31, 2017 and 2016, a total of 841 and 968 Common Shares, respectively, were purchased by employees under the Purchase Plan.

Deferred Share Plan

During May of 2006, the Company adopted a Trustee Deferral and Distribution Election ("Trustee Deferral Plan"), 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 \$18,000, for the year ended December 31, 2017.

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. 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 unit (“Restricted Share Units”) and share option awards issued under the Company’s Share Incentive Plans (Note 13). The effect of the assumed conversion of 188 Series A Preferred OP Units into 25,067 Common Shares would be anti-dilutive and therefore is not included in the computation of diluted earnings per share for the three months ended March 31, 2017. Conversely, the assumed conversion of these would be dilutive and included in the computation of diluted earnings per share for the three months ended March 31, 2016. The effect of the assumed conversion of 141,593 Series C Preferred OP Units into 471,035 Common Shares, would be anti-dilutive and therefore is not included in the computation of diluted earnings per share for the three months ended March 31, 2017. Conversely, the assumed conversion of 141,593 Series C Preferred OP Units into 403,054 Common Shares, would be dilutive and included in the computation of diluted earnings per share for the three months ended March 31, 2016.

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.

| (shares and dollars in thousands, except per share amounts) | Three Months Ended March 31, | |
|---|-------------------------------------|-------------|
| | 2017 | 2016 |
| Numerator: | | |
| Net income attributable to Acadia | \$ 15,631 | \$ 28,925 |
| Less: net income attributable to participating securities | (162) | (365) |
| Income from continuing operations net of income attributable to participating securities | \$ 15,469 | \$ 28,560 |
| Denominator: | | |
| Weighted average shares for basic earnings per share | 83,635 | 70,756 |
| Effect of dilutive securities: | | |
| Employee share options | 11 | 16 |
| Convertible Preferred OP Units | — | 428 |
| Denominator for diluted earnings per share | 83,646 | 71,200 |
| Basic and diluted earnings per Common Share from continuing operations attributable to Acadia | \$ 0.18 | \$ 0.40 |

15. Subsequent Event

Financing

In April 2017 Fund IV obtained a non-recourse mortgage in the amount of \$20.0 million for its unconsolidated 650 Bald Hill Road property (Note 4).

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

OVERVIEW

As of March 31, 2017, we owned 182 properties, which we own or have an ownership interest in, within our Core Portfolio or Funds. Our Core Portfolio consists 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 our Funds. These properties primarily consist of street and urban retail, and dense suburban shopping centers. The following sets forth a summary of our wholly-owned and partially-owned retail properties at March 31, 2017:

| | Number of Properties | | Operating Properties | |
|-----------------------------|----------------------|------------|----------------------|--------------|
| | Development | Operating | GLA | Occupancy |
| Core Portfolio: | | | | |
| Chicago Metro | 1 | 34 | 705,520 | 94.5% |
| New York Metro | — | 20 | 322,169 | 94.8% |
| San Francisco Metro | — | 2 | 353,480 | 98.9% |
| Washington DC Metro | — | 28 | 322,980 | 87.9% |
| Boston Metro | — | 3 | 55,276 | 100.0% |
| Suburban | — | 30 | 4,581,427 | 95.4% |
| Total Core Portfolio | 1 | 117 | 6,340,852 | 95.1% |
| Fund Portfolio: | | | | |
| Fund II | 2 | 2 | 315,487 | 59.9% |
| Fund III | 3 | 4 | 82,093 | 81.2% |
| Fund IV | 8 | 45 | 2,562,502 | 86.4% |
| Fund V | — | — | — | —% |
| Total Fund Portfolio | 13 | 51 | 2,960,082 | 83.4% |
| | 14 | 168 | 9,300,934 | 91.4% |

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. As our RCP Venture invests in operating companies, we consider these investments to be private-equity style, as opposed to real estate, investments. Since these are not traditional investments in operating rental real estate but investments in operating businesses, the Operating Partnership typically invests in these through a taxable REIT subsidiary (“TRS”).

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 FIRST QUARTER 2017

Investments

During the three months ended March 31, 2017 (“First Quarter 2017”), within our Core and Fund portfolios we invested in two properties as follows:

- In our Core portfolio one of our investments, in which we hold a 20% interest, acquired a property in Alexandria, Virginia for \$3.0 million ([Note 4](#)) referred to as “907 King Street.”
- In Fund IV we acquired one consolidated property for \$35.4 million ([Note 2](#)) referred to as “Lincoln Place.”

Dispositions of Real Estate

During First Quarter 2017, within our Funds we sold two properties for an aggregate sales price of \$47.8 million and our proportionate share of the aggregate gains was \$2.7 million as follows:

- Fund III sold an unconsolidated property, Arundel Plaza, for \$28.8 million for which the gain was \$8.2 million of which our pro rata share was \$1.3 million and was recognized within equity in earnings of unconsolidated affiliates in the consolidated statement of income ([Note 4](#)).
- Fund IV sold an unconsolidated property, 2819 Kennedy Boulevard, for \$19.0 million, for which the gain was \$6.3 million of which our pro rata share was \$1.4 million and was recognized within equity in earnings of unconsolidated affiliates in the consolidated statement of income ([Note 4](#)).

Financings

- During First Quarter 2017, Fund IV reduced its maximum commitment available on the subscription line of credit from \$100.0 million to \$21.5 million. Furthermore, upon repayment of \$74.1 million, net of \$10.0 million in draws, the Company was in compliance with its liquidity covenant at March 31, 2017, which was violated at December 31, 2016 ([Note 7](#)).
- Fund IV also obtained an aggregate of \$91.3 million in financings with eight new non-recourse mortgages.

RESULTS OF OPERATIONS

See [Note 12](#) in the Notes to Consolidated Financial Statements for an overview of our three reportable segments. During the year ended December 31, 2016, we revised how we allocate general and administrative and income tax expenses among our segments. All prior periods presented herein have been revised to conform to this new presentation.

Comparison of Results for the Three Months Ended March 31, 2017 to the Three Months Ended March 31, 2016

The results of operations by reportable segment for the three months ended March 31, 2017 compared to the three months ended March 31, 2016 are summarized in the table below (in millions, totals may not add due to rounding):

| | Three Months Ended March 31, 2017 | | | | Three Months Ended March 31, 2016 | | | | Increase (Decrease) | | | |
|--|--------------------------------------|---------------|---------------|----------------|--------------------------------------|----------------|---------------|----------------|---------------------|------------------|---------------|------------------|
| | Core | Funds | SF | Total | Core | Funds | SF | Total | Core | Funds | SF | Total |
| Revenues | \$ 44.4 | \$ 17.6 | \$ — | \$ 62.0 | \$ 38.1 | \$ 9.9 | \$ — | \$ 48.0 | \$ 6.3 | \$ 7.7 | \$ — | \$ 14.0 |
| Depreciation and amortization | (16.4) | (8.1) | — | (24.5) | (13.5) | (3.4) | — | (16.8) | 2.9 | 4.7 | — | 7.7 |
| Property operating expenses, other operating and real estate taxes | (12.9) | (6.2) | — | (19.1) | (8.6) | (3.4) | — | (12.0) | 4.3 | 2.8 | — | 7.1 |
| General and administrative expenses | — | — | — | (8.5) | — | — | — | (9.4) | — | — | — | (0.9) |
| Operating income | 15.2 | 3.2 | — | 9.9 | 16.1 | 3.2 | — | 9.9 | (0.9) | — | — | — |
| Gain on disposition of properties | — | — | — | — | — | 65.4 | — | 65.4 | — | (65.4) | — | (65.4) |
| Interest income | — | — | 9.0 | 9.0 | — | — | 4.6 | 4.6 | — | — | 4.4 | 4.4 |
| Equity in earnings of unconsolidated affiliates | 0.6 | 12.1 | — | 12.7 | 0.6 | 1.4 | — | 2.0 | — | 10.7 | — | 10.7 |
| Interest expense | (7.2) | (4.3) | — | (11.5) | (6.8) | (1.3) | — | (8.0) | 0.4 | 3.0 | — | 3.5 |
| Income tax provision | — | — | — | (0.1) | — | — | — | 0.1 | — | — | — | (0.2) |
| Net income | 8.6 | 11.0 | 9.0 | 20.0 | 9.9 | 68.6 | 4.6 | 73.9 | (1.3) | (57.6) | 4.4 | (53.9) |
| Net income attributable to noncontrolling interests | (0.4) | (3.9) | — | (4.3) | (2.8) | (42.1) | — | (45.0) | (2.4) | (38.2) | — | (40.7) |
| Net income attributable to Acadia | <u>\$ 8.1</u> | <u>\$ 7.1</u> | <u>\$ 9.0</u> | <u>\$ 15.6</u> | <u>\$ 7.1</u> | <u>\$ 26.5</u> | <u>\$ 4.6</u> | <u>\$ 28.9</u> | <u>\$ 1.0</u> | <u>\$ (19.4)</u> | <u>\$ 4.4</u> | <u>\$ (13.3)</u> |

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 by \$1.0 million for the three months ended March 31, 2017 compared to the prior year period as a result of the changes as further described below.

Revenues from our Core Portfolio increased by \$6.3 million for the three months ended March 31, 2017 compared to the prior year period due to property acquisitions in 2016 as well as the accrual of reimbursements in the current year period related to a real estate tax reassessment for certain properties for \$1.8 million, see below.

Depreciation and amortization for our Core Portfolio increased by \$2.9 million for the three months ended March 31, 2017 compared to the prior year period due to property acquisitions in 2016.

Property operating, other operating expenses and real estate taxes for our Core Portfolio increased by \$4.3 million for the three months ended March 31, 2017 compared to the prior year period due to property acquisitions in 2016 and an increased real estate tax reassessment for certain properties for \$1.8 million.

Net income attributable to noncontrolling interests in our Core Portfolio decreased by \$2.4 million for the three months ended compared to the prior year period due to the change in control of the Brandywine Portfolio ([Note 4](#)).

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 decreased by \$19.4 million for the three months ended March 31, 2017 compared to the prior year period as a result of the changes described below.

Revenues from the Funds increased by \$7.7 million for the three months ended March 31, 2017 compared to the prior year period due to property acquisitions in 2016 and 2017 as well as a portion of the City Point development project being partially placed in service in 2016 ([Note 2](#)).

Depreciation and amortization for the Funds increased by \$4.7 million for the three months ended March 31, 2017 compared to the prior year period due to the acquisitions in 2016 and 2017 as well as a portion of the City Point development project being partially placed in service in 2016.

Property operating, other operating expenses and real estate taxes for the Funds increased by \$2.8 million for the three months ended March 31, 2017 compared to the prior year period due to the acquisitions in 2016 and 2017.

Gain on disposition of properties for the Funds decreased by \$65.4 million for the three months ended March 31, 2017 compared to the prior year period due to the sale of Fund III’s 65% interest in Cortlandt Town Center in the prior year period ([Note 2](#)).

Equity in earnings of unconsolidated affiliates for the Funds increased by \$10.7 million for the three months ended March 31, 2017 compared to the prior year period due to the Fund’s proportionate share of \$11.5 million from the sale of Arundel Plaza and 2819 Kennedy Boulevard ([Note 4](#)).

Interest expense for the Funds increased by \$3.0 million for the three months ended March 31, 2017 compared to the prior year period due to a \$1.5 million increase related to higher average interest rates in 2016 and a \$1.2 million increase related to higher average outstanding borrowings in 2016.

Net income attributable to noncontrolling interests in the Funds decreased by \$38.2 million for the three months ended March 31, 2017 compared to the prior year period due to all of the Fund variances discussed above.

Structured Financing

The results of operations for our Structured Financing segment are depicted in the table above under the headings labeled “SF.” Interest income and segment net income attributable to Acadia from Structured Financing increased by \$4.4 million for the three months ended March 31, 2017 compared to the prior year period primarily due to new loans originated during 2016 and the accrual of default interest of \$2.2 million during the current year period on a past due note ([Note 3](#)).

Unallocated

The Company does not allocate general and administrative expense and income taxes to its reportable segments.

NON-GAAP 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 March 31, | |
|--|-------------------------------------|-------------|
| | 2017 | 2016 |
| Consolidated Operating Income | \$ 9,897 | \$ 9,851 |
| Add back: | | |
| General and administrative | 8,469 | 9,352 |
| Depreciation and amortization | 24,536 | 16,849 |
| Less: | | |
| Above/below market rent, straight-line rent and other adjustments | (5,987) | (3,513) |
| Consolidated NOI | 36,915 | 32,539 |
| Noncontrolling interest in consolidated NOI | (6,539) | (7,052) |
| Less: Operating Partnership's interest in Fund NOI included above | (1,947) | (1,289) |
| Add: Operating Partnership's share of unconsolidated joint ventures NOI ^(a) | 4,707 | 3,269 |
| NOI - Core Portfolio | \$ 33,136 | \$ 27,467 |

(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 March 31, | |
|---|-------------------------------------|-------------|
| | 2017 | 2016 |
| Core Portfolio NOI | \$ 33,136 | \$ 27,467 |
| Less properties excluded from Same-Property NOI | (7,806) | (2,229) |
| Same-Property NOI | \$ 25,330 | \$ 25,238 |
| Percent change from prior year period | 0.4% | |
| Components of Same-Property NOI: | | |
| Same-Property Revenues | \$ 35,566 | \$ 32,821 |
| Same-Property Operating Expenses | 10,236 | 7,583 |
| Same-Property NOI | \$ 25,330 | \$ 25,238 |

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 months ended March 31, 2017. 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.

| Core Portfolio New and Renewal Leases | Three Months Ended March 31, 2017 | |
|---|--------------------------------------|---------------------|
| | Cash Basis | Straight-Line Basis |
| Number of new and renewal leases executed | | 19 |
| Gross leasable area | | 164,447 |
| New base rent | \$ 24.76 | \$ 25.55 |
| Previous base rent | \$ 23.21 | \$ 21.11 |
| Percent growth in base rent | 6.7% | 21.0% |
| Average cost per square foot ^(a) | | \$6.34 |
| Weighted average lease term (years) | | 3.7 |

(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 and shares in thousands, except per share amounts):

| | Three Months Ended March 31, | |
|--|-------------------------------------|------------------|
| | 2017 | 2016 |
| Net income attributable to Acadia | \$ 15,631 | \$ 28,925 |
| Depreciation of real estate and amortization of leasing costs (net of noncontrolling interests' share) | 21,533 | 15,328 |
| Gain on sale (net of noncontrolling interests' share) | (2,742) | (15,140) |
| Income attributable to Common OP Unit holders | 923 | 1,855 |
| Distributions - Preferred OP Units | 139 | 139 |
| Funds from operations attributable to Common Shareholders and Common OP Unit holders | <u>\$ 35,484</u> | <u>\$ 31,107</u> |
| Funds From Operations per Share - Diluted | | |
| Weighted average number of Common Shares and Common OP Units ^(a) | <u>89,024</u> | <u>75,845</u> |
| Diluted Funds from operations, per Common Share and Common OP Unit | <u>\$ 0.40</u> | <u>\$ 0.41</u> |

(a) In addition to the weighted-average Common Shares outstanding ([Note 14](#)), basic and diluted FFO per common share also assume full conversion of a weighted-average 4,756 and 4,523 OP Units into Common Shares for the three months ended March 31, 2017 and 2016, respectively. Diluted FFO per common share also includes the assumed conversion of 496 and 428, respectively Preferred OP Units into Common Shares for the three months ended March 31, 2017 and 2016, respectively. In addition, diluted FFO includes the effect of 137 and 138 employee share options, restricted share units and LTIP units for the three months ended March 31, 2017 and 2016, respectively.

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 and (iv) debt service and loan repayments.

Distributions

In order to qualify as a REIT for Federal income tax purposes, we must currently distribute at least 90% of our taxable income to our shareholders. During the quarter ended March 31, 2017, we paid dividends and distributions on our Common Shares, Common OP Units and Preferred OP Units totaling \$36.6 million. This amount included a \$13.3 million special dividend that was paid in January 2017, which related to the Operating Partnership's share of cash proceeds from property distributions during 2016. The balance of the distribution was funded from the Operating Partnership's share of operating cash flow.

Distributions of \$3.6 million were made to noncontrolling interests in Fund III during the three months ended March 31, 2017. This resulted from proceeds related to the disposition of Arundel Plaza as discussed in [Note 4](#).

Investments in Real Estate

During the three months ended March 31, 2017, within our Core and Fund portfolios we acquired two properties aggregating \$38.4 million as follows: (i) in our Core portfolio, our Renaissance investment, in which we hold a 20% interest, acquired a \$3.0 million property ([Note 4](#)) and (ii) in Fund IV we acquired a consolidated property for \$35.4 million ([Note 2](#)).

Capital Commitments

During the three months ended March 31, 2017, we made capital contributions of \$6.0 million to Fund IV in connection with acquisitions and development costs. Capital contributed will be used by the Funds to acquire and operate real estate assets. At March 31, 2017, our share of the remaining capital commitments to our Funds aggregated \$149.9 million as follows:

- Fund II was launched in June 2004 with total committed capital of \$300.0 million of which our share was \$85.0 million, which has been fully funded.
- \$13.1 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.
- \$32.3 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.
- \$104.5 million to Fund V. Fund V was launched in August 2016 with total committed capital of \$520.0 million of which our original share is \$104.5 million.

Development Activities

During the three months ended March 31, 2017, costs associated with development activities totaled \$22.1 million. These costs primarily related to Fund II's City Point project. At March 31, 2017, we had 14 properties under development for which the estimated total cost to complete these projects through 2020 was \$98.3 million to \$159.5 million and our share was approximately \$23.6 million to \$38.9 million.

Debt

A summary of our consolidated debt is as follows (in thousands):

| | March 31, 2017 | December 31, 2016 |
|---|-------------------|----------------------|
| Total Debt - Fixed and Effectively Fixed Rate | \$ 926,314 | \$ 860,486 |
| Total Debt - Variable Rate | 593,064 | 645,185 |
| Net unamortized debt issuance costs | (18,640) | (18,289) |
| Unamortized premium | 1,158 | 1,336 |
| Total Indebtedness | \$ 1,501,896 | \$ 1,488,718 |

As of March 31, 2017, our consolidated outstanding mortgage and notes payable aggregated \$1.5 billion, excluding unamortized premium of \$1.2 million and unamortized loan costs of \$18.6 million, and were collateralized by 47 properties and related tenant leases. Interest rates on our outstanding indebtedness ranged from 1.0% to 5.9% with maturities that ranged from May 1, 2017, to April 15, 2035. Taking into consideration \$431.8 million of notional principal under variable to fixed-rate swap agreements currently in effect, \$926.3 million of the portfolio debt, or 61.0%, was fixed at a 3.85% weighted average interest rate and \$593.1 million, or 39.0% was floating at a 2.92% weighted average interest rate as of March 31, 2017.

There is \$268.6 million of debt maturing in 2017 at a weighted-average interest rate of 3.59%. In addition, there is \$5.3 million of scheduled principal amortization due in 2017. In addition, the Company's share of scheduled remaining 2017 principal payments and maturities on its unconsolidated debt was \$9.9 million at March 31, 2017. As it relates to the maturing debt in 2017, 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 the Company will be able to obtain financing at acceptable terms.

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 and (v) cash on hand and future cash flow from operating activities. Our cash on hand in our consolidated subsidiaries at March 31, 2017 totaled \$47.7 million. Our remaining sources of liquidity are described further below.

Issuance of Equity

We have an at-the-market (“ATM”) equity issuance program 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. There were no issuances of equity under the ATM program during the three months ended March 31, 2017.

Fund Capital

During the three months ended March 31, 2017, noncontrolling interest capital contributions to Fund IV of \$20.1 million were primarily used to fund recent acquisitions and development activities. At March 31, 2017, unfunded capital commitments from noncontrolling interests within our Funds III, IV and V were \$40.2 million, \$107.1 million and \$415.5 million, respectively.

Asset Sales

During the three months ended March 31, 2017, within our Fund portfolio we sold two properties for an aggregate sales price of \$47.8 million and recognized aggregate gains of \$14.5 million as follows: During the three months ended March 31, 2017, Fund III sold an unconsolidated property, Arundel Plaza, with a sales price of \$28.8 million and recognized a gain on disposition of properties of \$8.2 million of which our proportionate share was \$1.3 million (Note 4); and Fund IV sold its 2819 Kennedy Boulevard property for \$19.0 million and recognized a gain of \$6.3 million of which our proportionate share was \$1.4 million.

Structured Financing Repayments

Scheduled principal collections on our structured financing portfolio (Note 3) for the remainder of 2017 total \$36.0 million.

Financing and Debt

As of March 31, 2017, we had \$148.6 million of additional capacity under existing revolving debt facilities. In addition, at that date we had 63 unleveraged consolidated properties with an aggregate carrying value of approximately \$1.4 billion and 27 unleveraged unconsolidated properties for which our share of the carrying value was \$95.4 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 three months ended March 31, 2017 with the cash flow for the three months ended March 31, 2016 (in millions):

| | Three Months Ended March 31, | | |
|---|------------------------------|---------|-----------|
| | 2017 | 2016 | Variance |
| Net cash provided by operating activities | \$ 23.5 | \$ 18.0 | \$ 5.5 |
| Net cash (used in) provided by investing activities | (39.3) | 72.8 | (112.1) |
| Net cash used in financing activities | (8.3) | (78.7) | 70.4 |
| (Decrease) increase in cash and cash equivalents | \$ (24.1) | \$ 12.1 | \$ (36.2) |

Operating Activities

Our operating activities provided \$5.5 million more cash during the three months ended March 31, 2017, primarily due to additional cash flow from 2016 Core and Fund acquisitions.

Investing Activities

During the three months ended March 31, 2017 as compared to the three months ended March 31, 2016, our investing activities used an additional \$112.1 million of cash, primarily due to (i) \$79.4 million less cash received from the disposition of properties, including unconsolidated affiliates, (ii) \$31.6 million less cash received from return of capital from unconsolidated affiliates, (iii) an additional \$22.4 million used for the acquisition of real estate, and (iv) \$20.5 million less cash received from repayments of

notes receivable. These items were partially offset by (i) \$27.7 million less cash used for the issuance of notes receivable and (ii) \$10.4 million less cash used for development and property improvement costs.

Financing Activities

Our financing activities used \$70.4 million less cash during the three months ended March 31, 2017, primarily from (i) an increase of \$78.1 million of cash provided from net borrowings and (ii) a decrease of \$50.8 million in cash distributions to noncontrolling interests. These items were partially offset by (i) \$32.0 million less cash received from the issuance of Common Shares and (ii) a decrease in cash of \$26.1 million from capital contributions from 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 six of our properties and the lease for our corporate office and (iii) construction commitments as of March 31, 2017 (in millions):

| Contractual Obligations | Payments Due by Period | | | | |
|---|------------------------|---------------------|-----------------|-----------------|----------------------|
| | Total | Less than 1 Year | 1 to 3 Years | 3 to 5 Years | More than 5 Years |
| Principal obligations on debt | \$ 1,519.4 | \$ 320.7 | \$ 372.1 | \$ 529.1 | \$ 297.5 |
| Interest obligations on debt | 231.8 | 57.4 | 95.1 | 43.7 | 35.6 |
| Lease obligations ^(a) | 203.3 | 3.7 | 7.5 | 7.4 | 184.7 |
| Construction commitments ^(b) | 37.9 | 37.9 | — | — | — |
| Total | \$ 1,992.4 | \$ 419.7 | \$ 474.7 | \$ 580.2 | \$ 517.8 |

(a) The ground lease expiring during 2078 has 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 2031.

(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 debt related to those investments is as follows (dollars in millions):

| Investment | Operating Partnership Ownership Percentage | Operating Partnership Pro-rata Share of Mortgage Debt | Interest Rate at March 31, 2017 | Maturity Date |
|-----------------------|---|--|------------------------------------|---------------|
| Promenade at Manassas | 22.8% | \$ 5.7 | 2.32% | November 2017 |
| Eden Square | 22.8% | 3.6 | 2.62% | December 2017 |
| 1701 Belmont Avenue | 22.8% | 0.7 | 4.00% | January 2018 |
| 230/240 W. Broughton | 11.6% | 1.2 | 3.62% | May 2018 |
| Gotham Plaza | 49.0% | 10.2 | 2.22% | June 2023 |
| Renaissance Portfolio | 20.0% | 32.0 | 2.32% | August 2023 |
| Crossroads | 49.0% | 33.1 | 3.94% | October 2024 |
| 840 N. Michigan | 88.4% | 65.0 | 4.36% | February 2025 |
| Georgetown Portfolio | 50.0% | 8.6 | 4.72% | December 2027 |
| Total | | \$ 160.1 | | |

In addition, we have arranged for the provision of three separate letters of credit to our unconsolidated affiliates in connection with certain leases and investments. As of March 31, 2017 there was no outstanding balance under the letters of credit. If the letters of credit were fully drawn, the maximum amount of our exposure would be \$11.3 million.

One of our unconsolidated affiliates is a party to an interest rate LIBOR swap with a notional value of \$20.8 million, which effectively fixes the interest rate at 3.49% and matures in June 2023. Our pro-rata share of the fair value of such affiliate's derivative assets totaled \$0.06 million as of March 31, 2017.

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 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. Management bases its 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 the 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 2016 Form 10-K.

Recently Issued 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 March 31, 2017

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 agreements. As of March 31, 2017, we had total mortgage and other notes payable of \$1,519.4 million, excluding the unamortized premium of \$1.2 million and unamortized loan costs of \$18.6 million, of which \$926.3 million, or 61.0% was fixed-rate, inclusive of debt with rates fixed through the use of derivative financial instruments, and \$593.1 million, or 39.0%, was variable-rate based upon LIBOR or Prime rates plus certain spreads. As of March 31, 2017, we were party to 18 interest rate swap and four interest rate cap agreements to hedge our exposure to changes in interest rates with respect to \$431.8 million and \$196.4 million of LIBOR-based variable-rate debt, respectively.

The following table sets forth information as of March 31, 2017 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 |
|------------------|---------------------------|-----------------|-----------------|-----------------------------------|
| 2017 (Remainder) | \$ 3.2 | \$ 79.2 | \$ 82.4 | 5.6% |
| 2018 | 3.2 | 40.1 | 43.3 | 2.3% |
| 2019 | 3.2 | — | 3.2 | —% |
| 2020 | 3.4 | 50.0 | 53.4 | 1.9% |
| 2021 | 3.5 | 200.0 | 203.5 | 1.9% |
| Thereafter | 21.9 | 208.2 | 230.1 | 3.3% |
| | <u>\$ 38.4</u> | <u>\$ 577.5</u> | <u>\$ 615.9</u> | |

Fund Consolidated Mortgage and Other Debt

| Year | Scheduled Amortization | Maturities | Total | Weighted-Average Interest Rate |
|------------------|-------------------------------|-------------------|-----------------|---------------------------------------|
| 2017 (Remainder) | \$ 2.1 | \$ 189.4 | \$ 191.5 | 2.6% |
| 2018 | 2.7 | 69.9 | 72.6 | 3.6% |
| 2019 | 3.3 | 200.1 | 203.4 | 3.7% |
| 2020 | 2.2 | 313.5 | 315.7 | 4.7% |
| 2021 | 1.4 | 50.1 | 51.5 | 3.1% |
| Thereafter | 0.6 | 68.2 | 68.8 | 2.6% |
| | <u>\$ 12.3</u> | <u>\$ 891.2</u> | <u>\$ 903.5</u> | |

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

| Year | Scheduled Amortization | Maturities | Total | Weighted-Average Interest Rate |
|------------------|-------------------------------|-------------------|-----------------|---------------------------------------|
| 2017 (Remainder) | \$ 0.6 | \$ 9.3 | \$ 9.9 | 2.4% |
| 2018 | 1.0 | 1.8 | 2.8 | 3.9% |
| 2019 | 1.0 | — | 1.0 | —% |
| 2020 | 1.1 | — | 1.1 | —% |
| 2021 | 1.1 | — | 1.1 | —% |
| Thereafter | 3.7 | 140.5 | 144.2 | 3.7% |
| | <u>\$ 8.5</u> | <u>\$ 151.6</u> | <u>\$ 160.1</u> | |

During the remainder of 2017, \$273.9 million of our total consolidated debt and \$9.9 million of our pro-rata share of unconsolidated outstanding debt will become due. In addition, \$115.8 million of our total consolidated debt and \$2.8 million of our pro-rata share of unconsolidated debt will become due in 2018. 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 \$3.9 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 \$1.8 million. Interest expense on our variable-rate debt of \$593.1 million, net of variable to fixed-rate swap agreements currently in effect, as of March 31, 2017 would increase \$5.9 million if LIBOR increased by 100 basis points. After giving effect to noncontrolling interests, our share of this increase would be \$2.1 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 March 31, 2017, the fair value of our total consolidated outstanding debt would decrease by approximately \$19.0 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 \$21.5 million.

As of March 31, 2017 and December 31, 2016, we had consolidated notes receivable of \$276.5 million and \$276.2 million, respectively. We determined the estimated fair value of our notes receivable equated the carrying values 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 March 31, 2017, the fair value of our total outstanding notes receivable would decrease by approximately \$4.3 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 \$4.4 million.

Summarized Information as of December 31, 2016

As of December 31, 2016, we had total mortgage and other notes payable of \$1.5 billion, excluding the unamortized premium of \$1.3 million and unamortized loan costs of \$18.3 million, of which \$860.5 million, or 57.1% was fixed-rate, inclusive of interest rate swaps, and \$645.2 million, or 42.9%, was variable-rate based upon LIBOR plus certain spreads. As of December 31, 2016, we were party to 18 interest rate swap and four interest rate cap agreements to hedge our exposure to changes in interest rates with respect to \$365.3 million and \$196.4 million of LIBOR-based variable-rate debt, respectively.

Interest expense on our variable-rate debt of \$645.2 million as of December 31, 2016 would have increased \$5.6 million if LIBOR increased by 100 basis points. Based on our outstanding debt balances as of December 31, 2016, the fair value of our total outstanding debt would have decreased by approximately \$20.3 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 \$22.8 million.

Changes in Market Risk Exposures from 2016 to 2017

Our interest rate risk exposure from December 31, 2016 to March 31, 2017 has decreased on an absolute basis, as the \$645.2 million of variable-rate debt as of December 31, 2016 has decreased to \$593.1 million as of March 31, 2017. As a percentage of our overall debt, our interest rate risk exposure has decreased as our variable-rate debt accounted for 42.9% of our consolidated debt as of December 31, 2016 and was decreased to 39.0% as of March 31, 2017.

ITEM 4. CONTROLS AND PROCEDURES.

Disclosure 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 March 31, 2017, have concluded that our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) were effective as of March 31, 2017 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 3. LEGAL PROCEEDINGS.

We are involved in various matters of litigation arising in the normal course of business. While we are unable to predict with certainty the outcome of any particular matter, Management is of the opinion that, when such litigation is resolved, our resulting exposure to loss contingencies, if any, will not have a significant effect on our consolidated financial position, results of operations, or liquidity.

ITEM 1A. RISK FACTORS.

The most significant risk factors applicable to us are described in Item 1A. of our 2016 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.

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

ITEM 5. OTHER INFORMATION.

None

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 |
|--------------------|--|-------------------------|
| 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 | 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 |

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, 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: April 28, 2017

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

April 28, 2017

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

April 28, 2017

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 of Acadia Realty Trust (the “Company”) on Form 10-Q for the quarter ended March 31, 2017, 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

April 28, 2017

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 of Acadia Realty Trust (the "Company") on Form 10-Q for the quarter ended March 31, 2017, 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

April 28, 2017