# 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 June 30, 2023**

**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 001-12002***

# ACADIA REALTY TRUST

**(Exact name of registrant in its charter)**

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

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

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

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

**YES** ☒ **NO** ☐

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

**YES** ☒ **NO** ☐

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

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

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

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

As of July 28, 2023 there were 95,305,348 common shares of beneficial interest, par value $0.001 per share ("Common Shares"), outstanding.

**ACADIA REALTY TRUST AND SUBSIDIARIES**
**FORM 10-Q**
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**SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

Certain statements contained in this Quarterly Report on Form 10-Q (this "Report") of Acadia Realty Trust, a Maryland real estate investment trust, (the "Company") may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Forward-looking statements, which are based on certain assumptions and describe our future plans, strategies and expectations are generally identifiable by the use of the words such as "may," "will," "should," "expect," "anticipate," "estimate," "believe," "intend" or "project," or the negative thereof, or other variations thereon or comparable terminology. Forward-looking statements involve known and unknown risks, uncertainties and other factors that could cause our actual results and financial performance to be materially different from future results and financial performance expressed or implied by such forward-looking statements, including, but not limited to: (i) the economic, political and social impact of, and uncertainty surrounding the COVID-19 pandemic (the "COVID-19 Pandemic") or future pandemics; (ii) macroeconomic conditions, such as a disruption of or lack of access to the capital markets, disruptions and instability in the banking and financial services industries and rising inflation; (iii) our success in implementing our business strategy and our ability to identify, underwrite, finance, consummate and integrate diversifying acquisitions and investments; (iv) changes in general economic conditions or economic conditions in the markets in which we may, from time to time, compete, and their effect on our revenues, earnings and funding sources; (v) increases in our borrowing costs as a result of rising inflation, changes in interest rates and other factors, including the discontinuation of USD LIBOR, which was discontinued on June 30, 2023; (vi) our ability to pay down, refinance, restructure or extend our indebtedness as it becomes due; (vii) our investments in joint ventures and unconsolidated entities, including our lack of sole decision-making authority and our reliance on our joint venture partners' financial condition; (viii) our ability to obtain the financial results expected from our development and redevelopment projects; (ix) our tenants' ability and willingness to renew their leases with us upon expiration, our ability to re-lease our properties on the same or better terms in the event of nonrenewal or in the event we exercise our right to replace an existing tenant, and obligations we may incur in connection with the replacement of an existing tenant; (x) our potential liability for environmental matters; (xi) damage to our properties from catastrophic weather and other natural events, and the physical effects of climate change; (xii) uninsured losses; (xiii) our ability and willingness to maintain our qualification as a real estate investment trust (REIT) in light of economic, market, legal, tax and other considerations; (xiv) information technology security breaches, including increased cybersecurity risks relating to the use of remote technology; (xv) the loss of key executives; (xvi) the accuracy of our methodologies and estimates regarding environmental, social and governance ("ESG") metrics, goals and targets, tenant willingness and ability to collaborate towards reporting ESG metrics and meeting ESG goals and targets, and the impact of governmental regulation on our ESG efforts; and (xvii) the risk that our restatement of certain of our previously issued consolidated financial statements or material weaknesses in internal controls could negatively affect investor confidence and raise reputational issues.

The factors described above are not exhaustive and additional factors could adversely affect the Company's future results and financial performance, including the risk factors discussed under the section captioned "Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2022 and other periodic or current reports the Company files with the SEC, including those set forth under the headings "Item 1A. Risk Factors" and "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Report. These risks and uncertainties should be considered in evaluating any forward-looking statements contained or incorporated by reference herein. Any forward-looking statements speak only as of the date hereof. The Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements to reflect any changes in the Company's expectations with regard thereto or changes in the events, conditions or circumstances on which such forward-looking statements are based.

**SPECIAL NOTE REGARDING CERTAIN REFERENCES**

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

**PART I – FINANCIAL INFORMATION**
**ITEM 1. FINANCIAL STATEMENTS.**

**ACADIA REALTY TRUST AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)**

| (dollars in thousands, except share and per share data) | June 30, 2023 | December 31, 2022 |
|---|---|---|
| **ASSETS** | | |
| Investments in real estate, at cost | | |
| Operating real estate, net | $ 3,386,576 | $ 3,343,265 |
| Real estate under development | 122,275 | 184,602 |
| Net investments in real estate | 3,508,851 | 3,527,867 |
| Notes receivable, net ($899 and $898 of allowance for credit losses as of June 30, 2023 and December 31, 2022, respectively) | 123,902 | 123,903 |
| Investments in and advances to unconsolidated affiliates | 191,925 | 291,156 |
| Other assets, net | 219,928 | 229,591 |
| Right-of-use assets - operating leases, net | 35,481 | 37,281 |
| Cash and cash equivalents | 17,193 | 17,158 |
| Restricted cash | 12,325 | 15,063 |
| Marketable securities | 35,940 | — |
| Rents receivable, net | 47,557 | 49,506 |
| Assets of properties held for sale | 11,057 | 11,057 |
| Total assets [(a)] | $ 4,204,159 | $ 4,302,582 |
| | | |
| **LIABILITIES** | | |
| Mortgage and other notes payable, net | $ 935,348 | $ 928,639 |
| Unsecured notes payable, net | 647,589 | 696,134 |
| Unsecured line of credit | 180,087 | 168,287 |
| Accounts payable and other liabilities | 182,641 | 196,491 |
| Lease liability - operating leases, net | 33,445 | 35,271 |
| Dividends and distributions payable | 18,519 | 18,395 |
| Distributions in excess of income from, and investments in, unconsolidated affiliates | 8,588 | 10,505 |
| Total liabilities [(a)] | 2,006,217 | 2,053,722 |
| Commitments and contingencies (Note 9) | | |
| Redeemable noncontrolling interests (Note 10) | 59,833 | 67,664 |
| **EQUITY** | | |
| Acadia Shareholders' Equity | | |
| Common shares, $0.001 par value per share, authorized 200,000,000 shares, issued and outstanding 95,296,799 and 95,120,773 shares, respectively | 95 | 95 |
| Additional paid-in capital | 1,947,779 | 1,945,322 |
| Accumulated other comprehensive income | 49,855 | 46,817 |
| Distributions in excess of accumulated earnings | (312,057) | (300,402) |
| Total Acadia shareholders' equity | 1,685,672 | 1,691,832 |
| Noncontrolling interests | 452,437 | 489,364 |
| Total equity | 2,138,109 | 2,181,196 |
| Total liabilities, redeemable noncontrolling interests, and equity | $ 4,204,159 | $ 4,302,582 |

(a) Represents the consolidated assets and liabilities of Acadia Realty Limited Partnership (the "Operating Partnership"), which is a consolidated variable interest entity ("VIE") (Note 15). The consolidated balance sheets include the following amounts related to our consolidated VIEs that are consolidated by the Operating Partnership: $1,525.2 million and $1,466.4 million of Operating real estate, net; $63.3 million and $129.9 million of Real estate under development; $108.0 million and $210.9 million of Investments in and advances to unconsolidated affiliates; $90.2 million and $98.7 million of Other assets, net; $2.3 million and $2.5 million of Right-of-use assets - operating leases, net; $12.0 million and $13.3 million of Cash and cash equivalents; $12.2 million and $15.0 million of Restricted cash; $17.7 million and $17.9 million of Rents receivable, net; $768.8 million and $761.2 million of Mortgage and other notes payable, net; $2.0 million and $51.2 million of Unsecured notes payable, net; $91.8 million and $95.4 million of Accounts payable and other liabilities; $2.4 million and $2.7 million of Lease liability- operating leases, net as of June 30, 2023 and December 31, 2022, respectively.

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

**ACADIA REALTY TRUST AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)**

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| **(in thousands except per share amounts)** | **2023** | **2022** | **2023** | **2022** |
| **Revenues** | | | | |
| Rental income | $ 88,141 | $ 80,559 | $ 168,878 | $ 160,026 |
| Other | 1,807 | 3,700 | 2,909 | 5,740 |
| Total revenues | 89,948 | 84,259 | 171,787 | 165,766 |
| **Operating expenses** | | | | |
| Depreciation and amortization | 34,056 | 34,971 | 67,229 | 68,684 |
| General and administrative | 10,643 | 10,661 | 20,589 | 22,598 |
| Real estate taxes | 11,381 | 11,628 | 22,860 | 22,908 |
| Property operating | 14,210 | 13,567 | 29,343 | 26,917 |
| Total operating expenses | 70,290 | 70,827 | 140,021 | 141,107 |
| | | | | |
| Gain on disposition of properties | — | 12,216 | — | 41,031 |
| **Operating income** | 19,658 | 25,648 | 31,766 | 65,690 |
| Equity in (losses) earnings of unconsolidated affiliates | (1,437) | 1,280 | (1,408) | 4,410 |
| Interest and other income | 4,970 | 2,961 | 9,788 | 5,896 |
| Realized and unrealized holding gains (losses) on investments and other | 1,815 | (26,283) | 28,572 | (10,553) |
| Interest expense | (22,089) | (19,222) | (43,676) | (37,147) |
| **Income (loss) from continuing operations before income taxes** | 2,917 | (15,616) | 25,042 | 28,296 |
| Income tax provision | (165) | (209) | (288) | (24) |
| **Net income (loss)** | 2,752 | (15,825) | 24,754 | 28,272 |
| Net loss attributable to redeemable noncontrolling interests | 1,091 | — | 3,166 | — |
| Net loss (income) attributable to noncontrolling interests | 5,433 | 15,451 | (5,284) | (11,808) |
| **Net income (loss) attributable to Acadia shareholders** | $ 9,276 | $ (374) | $ 22,636 | $ 16,464 |
| | | | | |
| **Basic income per share** | $ 0.09 | $ 0.00 | $ 0.23 | $ 0.17 |
| **Diluted income per share** | $ 0.09 | $ 0.00 | $ 0.23 | $ 0.17 |
| | | | | |
| **Weighted average shares for basic income per share** | 95,260 | 94,945 | 95,225 | 94,120 |
| **Weighted average shares for diluted income per share** | 95,260 | 94,945 | 95,225 | 94,120 |

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

**ACADIA REALTY TRUST AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)**

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| **(in thousands)** | **2023** | **2022** | **2023** | **2022** |
| Net income (loss) | $ 2,752 | $ (15,825) | $ 24,754 | $ 28,272 |
| Other comprehensive income: | | | | |
| Unrealized gain on valuation of swap agreements | 33,513 | 17,050 | 18,271 | 52,784 |
| Reclassification of realized interest on swap agreements | (8,262) | 4,211 | (14,815) | 9,261 |
| Other comprehensive income | 25,251 | 21,261 | 3,456 | 62,045 |
| Comprehensive income | 28,003 | 5,436 | 28,210 | 90,317 |
| Comprehensive loss attributable to redeemable noncontrolling interests | 1,091 | — | 3,166 | — |
| Comprehensive loss (income) attributable to noncontrolling interests | 34 | 11,154 | (5,702) | (26,399) |
| Comprehensive income attributable to Acadia shareholders | $ 29,128 | $ 16,590 | $ 25,674 | $ 63,918 |

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

## ACADIA REALTY TRUST AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)
## Three Months Ended June 30, 2023 and 2022

| | Acadia Shareholders | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| (in thousands, except per share amounts) | Common Shares | Share Amount | Additional Paid-in Capital | Accumulated Other Comprehensive Income (Loss) | Distributions in Excess of Accumulated Earnings | Total Common Shareholders' Equity | Noncontrolling Interests | Total Equity | Redeemable Noncontrolling Interests |
| **Balance at April 1, 2023** | **95,208** | **$ 95** | **$ 1,945,157** | **$ 30,003** | **$ (304,173 )** | **$ 1,671,082** | **$ 459,181** | **$ 2,130,263** | **$ 63,269** |
| Conversion of OP Units to Common Shares by limited partners of the Operating Partnership | 54 | — | 901 | — | — | 901 | (901 ) | — | — |
| Dividends/distributions declared ($0.18 per Common Share/OP Unit) | — | — | — | — | (17,160 ) | (17,160 ) | (1,341 ) | (18,501 ) | — |
| City Point Loan | — | — | — | — | — | — | — | — | (796 ) |
| City Point Loan accrued interest | — | — | — | — | — | — | — | — | (2,345 ) |
| Employee and trustee stock compensation, net | 35 | — | 277 | — | — | 277 | 2,468 | 2,745 | — |
| Noncontrolling interest distributions | — | — | — | — | — | — | (5,492 ) | (5,492 ) | — |
| Noncontrolling interest contributions | — | — | — | — | — | — | — | — | 796 |
| Comprehensive income (loss) | — | — | — | 19,852 | 9,276 | 29,128 | (34 ) | 29,094 | (1,091 ) |
| Reallocation of noncontrolling interests | — | — | 1,444 | — | — | 1,444 | (1,444 ) | — | — |
| **Balance at June 30, 2023** | **95,297** | **$ 95** | **$ 1,947,779** | **$ 49,855** | **$ (312,057 )** | **$ 1,685,672** | **$ 452,437** | **$ 2,138,109** | **$ 59,833** |
| | | | | | | | | | |
| **Balance at April 1, 2022** | **94,508** | **$ 95** | **$ 1,864,060** | **$ (5,724 )** | **$ (196,818 )** | **$ 1,661,613** | **$ 746,593** | **$ 2,408,206** | **$ —** |
| Conversion of OP Units to Common Shares by limited partners of the Operating Partnership | 16 | — | 243 | — | — | 243 | (243 ) | — | — |
| Issuance of Common Shares, net | 375 | — | 7,968 | — | — | 7,968 | — | 7,968 | — |
| Dividends/distributions declared ($0.18 per Common Share/OP Unit) | — | — | — | — | (17,087 ) | (17,087 ) | (1,286 ) | (18,373 ) | — |
| Acquisition of noncontrolling interest | — | — | 22,870 | — | — | 22,870 | (41,376 ) | (18,506 ) | — |
| Employee and trustee stock compensation, net | 30 | — | 257 | — | — | 257 | 2,283 | 2,540 | — |
| Noncontrolling interest distributions | — | — | — | — | — | — | (24,776 ) | (24,776 ) | — |
| Noncontrolling interest contributions | — | — | — | — | — | — | 723 | 723 | — |
| Comprehensive income | — | — | — | 16,964 | (374 ) | 16,590 | (11,154 ) | 5,436 | — |
| Reallocation of noncontrolling interests | — | — | 158 | — | — | 158 | (158 ) | — | — |
| **Balance at June 30, 2022** | **94,929** | **$ 95** | **$ 1,895,556** | **$ 11,240** | **$ (214,279 )** | **$ 1,692,612** | **$ 670,606** | **$ 2,363,218** | **$ —** |

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

## ACADIA REALTY TRUST AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)
## Six Months Ended June 30, 2023 and 2022

| | Acadia Shareholders | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| (in thousands, except per share amounts) | Common Shares | Share Amount | Additional Paid-in Capital | Accumulated Other Comprehensive Income (Loss) | Distributions in Excess of Accumulated Earnings | Total Common Shareholders' Equity | Noncontrolling Interests | Total Equity | Redeemable Noncontrolling Interest |
| **Balance at January 1, 2023** | **95,121** | **$ 95** | **$ 1,945,322** | **$ 46,817** | **$ (300,402)** | **$ 1,691,832** | **$ 489,364** | **$ 2,181,196** | **$ 67,664** |
| Conversion of OP Units to Common Shares by limited partners of the Operating Partnership | 91 | — | 1,533 | — | — | 1,533 | (1,533) | — | — |
| Dividends/distributions declared ($0.36 per Common Share/OP Unit) | — | — | — | — | (34,291) | (34,291) | (2,684) | (36,975) | — |
| City Point Loan | — | — | — | — | — | — | — | — | (796) |
| City Point Loan accrued interest | — | — | — | — | — | — | — | — | (4,665) |
| Employee and trustee stock compensation, net | 85 | — | 1,264 | — | — | 1,264 | 6,366 | 7,630 | — |
| Noncontrolling interest distributions | — | — | — | — | — | — | (76,360) | (76,360) | — |
| Noncontrolling interest contributions | — | — | — | — | — | — | 31,242 | 31,242 | 796 |
| Comprehensive income (loss) | — | — | — | 3,038 | 22,636 | 25,674 | 5,702 | 31,376 | (3,166) |
| Reallocation of noncontrolling interests | — | — | (340) | — | — | (340) | 340 | — | — |
| **Balance at June 30, 2023** | **95,297** | **$ 95** | **$ 1,947,779** | **$ 49,855** | **$ (312,057)** | **$ 1,685,672** | **$ 452,437** | **$ 2,138,109** | **$ 59,833** |
| **Balance at January 1, 2022** | **89,304** | **$ 89** | **$ 1,754,383** | **$ (36,214)** | **$ (196,645)** | **$ 1,521,613** | **$ 628,322** | **$ 2,149,935** | **$ —** |
| Issuance of Common Shares, net | 5,522 | 6 | 119,479 | — | — | 119,485 | — | 119,485 | — |
| Conversion of OP Units to Common Shares by limited partners of the Operating Partnership | 51 | — | 815 | — | — | 815 | (815) | — | — |
| Dividends/distributions declared ($0.36 per Common Share/OP Unit) | — | — | — | — | (34,098) | (34,098) | (2,569) | (36,667) | — |
| Acquisition of noncontrolling interest | — | — | 22,870 | — | — | 22,870 | (41,376) | (18,506) | — |
| Employee and trustee stock compensation, net | 52 | — | 687 | — | — | 687 | 5,671 | 6,358 | — |
| Noncontrolling interest distributions | — | — | — | — | — | — | (47,556) | (47,556) | — |
| Noncontrolling interest contributions | — | — | — | — | — | — | 99,852 | 99,852 | — |
| Comprehensive income (loss) | — | — | — | 47,454 | 16,464 | 63,918 | 26,399 | 90,317 | — |
| Reallocation of noncontrolling interests | — | — | (2,678) | — | — | (2,678) | 2,678 | — | — |
| **Balance at June 30, 2022** | **94,929** | **$ 95** | **$ 1,895,556** | **$ 11,240** | **$ (214,279)** | **$ 1,692,612** | **$ 670,606** | **$ 2,363,218** | **$ —** |

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

**ACADIA REALTY TRUST AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**

| | Six Months Ended June 30, | |
|---|---|---|
| **(in thousands)** | **2023** | **2022** |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Net income | $ 24,754 | $ 28,272 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 67,229 | 68,684 |
| Gain on disposition of properties and other investments | — | (42,504) |
| Net unrealized holding losses (gains) on investments | 346 | 13,114 |
| Stock compensation expense | 7,630 | 6,358 |
| Straight-line rents | (1,518) | (5,546) |
| Equity in earnings of unconsolidated affiliates | 1,408 | (4,410) |
| Distributions of operating income from unconsolidated affiliates | 1,789 | 6,761 |
| Adjustments to straight-line rent reserves | — | (462) |
| Amortization of financing costs | 3,093 | 2,498 |
| Non-cash lease expense | 1,800 | 1,718 |
| Adjustments to allowance for credit loss | — | (1,387) |
| Acceleration of below market lease | (8,057) | — |
| Other, net | (2,881) | (4,155) |
| Changes in assets and liabilities: | | |
| Rents receivable | 3,548 | 3,863 |
| Other liabilities | 1,895 | (2,715) |
| Accounts payable and accrued expenses | (3,523) | (3,834) |
| Prepaid expenses and other assets | (6,193) | 233 |
| Lease liability - operating leases | (1,825) | (1,729) |
| **Net cash provided by operating activities** | **89,495** | **64,759** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Acquisitions of real estate | — | (242,633) |
| Proceeds from the disposition of properties and other investments, net | — | 156,783 |
| Investments in and advances to unconsolidated affiliates | (29,114) | (99,946) |
| Development, construction and property improvement costs | (30,570) | (25,281) |
| (Payment) refund of deposits for properties under purchase contract | (995) | 350 |
| Change in control of previously unconsolidated affiliate | — | 3,592 |
| Return of capital from unconsolidated affiliates | 38,097 | 57,581 |
| Payment of deferred leasing costs | (4,071) | (3,807) |
| Acquisition of investment interests | — | (4,527) |
| Proceeds from repayment of notes receivable | — | 16,000 |
| **Net cash used in investing activities** | **(26,653)** | **(141,888)** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Proceeds from unsecured debt | 95,699 | 574,783 |
| Principal payments on unsecured debt | (133,109) | (535,927) |
| Proceeds from the sale of Common Shares | — | 119,485 |
| Capital contributions from noncontrolling interests | 31,242 | 99,852 |
| Principal payments on mortgage and other notes | (61,153) | (114,800) |
| Distributions to noncontrolling interests | (29,834) | (49,878) |
| Dividends paid to Common Shareholders | (34,252) | (30,407) |
| Proceeds received from mortgage and other notes | 67,702 | 43,037 |
| Deferred financing and other costs | (1,840) | (3,125) |
| Acquisition of noncontrolling interest | — | (18,506) |
| **Net cash (used in) provided by financing activities** | **(65,545)** | **84,514** |
| (Decrease) increase in cash and restricted cash | (2,703) | 7,385 |
| Cash of $17,158 and $17,746 and restricted cash of $15,063 and $9,813, respectively, beginning of period | 32,221 | 27,559 |
| Cash of $17,193 and $23,921 and restricted cash of $12,325 and $11,023, respectively, end of period | $ 29,518 | $ 34,944 |

**ACADIA REALTY TRUST AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED) (Continued)**

| (in thousands) | Six Months Ended June 30, 2023 | Six Months Ended June 30, 2022 |
|---|---|---|
| **Supplemental disclosure of cash flow information** | | |
| Cash paid during the period for interest, net of capitalized interest of $3,913 and $1,313 respectively [(a)] | $ 55,349 | $ 22,189 |
| Cash paid for income taxes, net of (refunds) | $ 123 | $ 183 |
| | | |
| **Supplemental disclosure of non-cash investing and financing activities** | | |
| Distribution declared and payable on July 14, 2023 and July 15, 2022, respectively | $ 18,378 | $ 18,172 |
| Assumption of accounts payable and accrued expenses through acquisition of real estate | $ — | $ 4,062 |
| Issuance of note receivable used as capital contributions from redeemable noncontrolling interests | $ 796 | $ — |
| Accrued interest on note receivable recorded to redeemable noncontrolling interest | $ 4,653 | $ — |
| Distributions to noncontrolling interests of marketable securities | $ 49,117 | $ — |
| Reclassification of investment in unconsolidated affiliate to marketable securities | $ 32,745 | $ — |
| Reclassification of noncontrolling interest in excess of amount paid to additional paid-in capital | $ — | $ 22,870 |
| | | |
| **Change in control of previously unconsolidated investment** | | |
| Increase in real estate | $ — | $ (55,791) |
| Increase in mortgage notes payable | — | 35,970 |
| Decrease in investments in and advances to unconsolidated affiliates | — | 17,822 |
| Decrease in notes receivable | — | 5,306 |
| Decrease in reserve on note receivable | — | (4,582) |
| Decrease in accrued interest on notes receivable | — | 4,691 |
| Change in other assets and liabilities | — | 176 |
| Increase in cash and restricted cash upon change of control | $ — | $ 3,592 |

a) Interest paid for the six months ended June 30, 2023 and 2022 excludes the cash flows from net settlements on interest rate swap contracts, which was a net receipt of cash of $12.6 million and a net payment of $8.6 million, respectively.

The accompanying notes are an integral part of these condensed consolidated financial statements (unaudited).

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

### *Organization*

Acadia Realty Trust, a Maryland real estate investment trust (collectively with its consolidated subsidiaries, the "Company"), is a fully-integrated equity 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 June 30, 2023 and December 31, 2022, 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, par value $0.001 per share, of the Company ("Common Shares"). This structure is referred to as an umbrella partnership REIT or "UPREIT."

As of June 30, 2023, the Company has ownership interests in 149 properties within its core portfolio, which consist of those properties either 100% owned, or partially owned through joint venture interests, by the Operating Partnership, or subsidiaries thereof, not including those properties owned through its funds ("Core Portfolio"). The Company also has ownership interests in 51 properties within its opportunity funds, Acadia Strategic Opportunity Fund II, LLC ("Fund II"), Acadia Strategic Opportunity Fund III LLC ("Fund III"), Acadia Strategic Opportunity Fund IV LLC ("Fund IV"), and Acadia Strategic Opportunity Fund V LLC ("Fund V" and, collectively with Fund II, Fund III and Fund IV, the "Funds"). The 200 Core Portfolio and Fund properties primarily consist of street and urban retail and suburban shopping centers. In addition, the Company, together with the investors in the Funds, invested in operating companies through Acadia Mervyn Investors II, LLC ("Mervyns II"), all on a non-recourse basis.

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

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

| Entity | Formation Date | Operating Partnership Share of Capital | Capital Called as of June 30, 2023 (b) | Unfunded Commitment (b, c) | Equity Interest Held By Operating Partnership (a) | Preferred Return | Total Distributions as of June 30, 2023 (b, c) |
|---|---|---|---|---|---|---|---|
| Fund II and Mervyns II (c,d) | 6/2004 | 61.67 % | $ 559.4 | $ 0.0 | 61.67 % | 8 % | $ 172.9 |
| Fund III | 5/2007 | 24.54 % | 448.1 | 1.9 | 24.54 % | 6 % | 603.5 |
| Fund IV | 5/2012 | 23.12 % | 488.1 | 41.9 | 23.12 % | 6 % | 221.4 |
| Fund V | 8/2016 | 20.10 % | 387.0 | 133.0 | 20.10 % | 6 % | 101.2 |

a) Amount represents the current economic ownership at June 30, 2023, which could differ from the stated legal ownership based upon the cumulative preferred returns of the respective Fund.

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

c) During the second quarter of 2022, the Company increased its ownership in Fund II and Mervyns II through an acquisition of its partner's interest by 11.67%, from 28.33% to 40.00%, for $18.5 million. Additionally, during the third quarter of 2022, the Company increased its ownership in Fund II through an acquisition of a partner's interest by 21.67%, from 40.00% to 61.67%, for $5.8 million. Each of the remaining partners in Fund II have a right to put their equity interests to the Company beginning in August 2023. As the Company retained its controlling interest, these additional investments were accounted for as equity transactions (Note 10).

d) During 2022, Mervyns II recalled $3.8 million of the $15.7 million recallable distribution, of which the Company's share is $1.2 million. In January 2023, following the expiration of the lock-up period, Mervyns II distributed the 2.5 million shares of its investment in Albertsons to its partners; the Company directly owns 1.6 million shares (Note 4, Note 8).

***Basis of Presentation***

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

These interim condensed consolidated financial statements should be read in conjunction with the Company’s 2022 consolidated financial statements included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2022.

*Segments*

At June 30, 2023, the Company had three reportable operating segments: Core Portfolio, Funds and Structured Financing. The Company’s chief operating decision maker may review operational and financial data on a property-level basis and does not differentiate properties on a geographical basis for purposes of allocating resources or capital.

*Principles of Consolidation*

The interim condensed 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, including where the Company has been determined to be a primary beneficiary of a variable interest entity ("VIE"), 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 or loss.

*Use of Estimates*

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

***Recent Accounting Pronouncements***

In January 2021, the FASB issued Accounting Standards Update (“ASU”) 2021-01, Reference Rate Reform (Topic 848): Scope, which modifies ASC 848 *Reference Rate Reform (”*ASC 848*”)*, which was intended to provide relief related to “contracts and transactions that reference the London Interbank Offered Rate (“LIBOR”) or a reference rate that was discontinued effective June 30, 2023 as a result of reference rate reform.” ASU 2021-01 expands the scope of ASC 848 to include all affected derivatives and give reporting entities the ability to apply certain aspects of the contract modification and hedge accounting expedients to derivative contracts affected by the discounting transition. ASU 2021-01, Reference Rate Reform (ASC 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting, also adds implementation guidance to clarify which optional expedients in ASC 848 may be applied to derivative instruments that do not reference LIBOR or a reference rate that is expected to be discontinued, but that are being modified as a result of the discounting transition. The Company has elected the optional practical expedient under ASU 2020-04 and 2021-01, which allows entities to account for the modification as if the modification was not substantial. As a result, the implementation of this guidance did not have an effect on the Company’s condensed consolidated financial statements.

In December 2022, the FASB issued ASU 2022-06 Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848. The guidance in this update defers the sunset date of ASC 848 from December 31, 2022, to December 31, 2024, after which entities will no longer be permitted to apply the relief in Topic 848. The amendments are effective for all entities in scope upon issuance of the ASU. The Company plans to transition all variable rate loans currently indexed to LIBOR to SOFR or another applicable benchmark index and will apply the relief based Topic 848 in line with the sunset date.

Any other recently issued accounting standards or pronouncements not disclosed above have been excluded as they are not relevant to the Company, or they are not expected to have a material impact on the condensed consolidated financial statements.

**2. Real Estate**

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

| | June 30, 2023 | December 31, 2022 |
|---|---|---|
| Land | $ 881,717 | $ 817,802 |
| Buildings and improvements | 2,997,760 | 2,987,594 |
| Tenant improvements | 239,305 | 216,899 |
| Construction in progress | 16,836 | 21,027 |
| Right-of-use assets - finance leases (Note 11) | 25,086 | 25,086 |
| Total | 4,160,704 | 4,068,408 |
| Less: Accumulated depreciation and amortization | (774,128) | (725,143) |
| Operating real estate, net | 3,386,576 | 3,343,265 |
| Real estate under development | 122,275 | 184,602 |
| Net investments in real estate | $ 3,508,851 | $ 3,527,867 |

***Acquisitions and Dispositions***

During the six months ended June 30, 2023 the Company did not acquire or dispose of any consolidated retail properties and other real estate investments.

*Properties Held for Sale*

At June 30, 2023, the Company had one property under contract for sale with assets totaling $11.1 million, which was probable of disposition. The property was classified as "held for sale" on the Company's consolidated balance sheets at June 30, 2023 and December 31, 2022. The Company has received $3.3 million of non-refundable deposits under the sales contract, which is recorded in Other liabilities on the Company's consolidated balance sheets. Assets of the held for sale property consisted of the following:

| | June 30, 2023 | December 31, 2022 |
|---|---|---|
| **Assets** | | |
| Buildings and improvements | $ 12,562 | $ 12,562 |
| Land | 3,380 | 3,380 |
| Tenant improvements | 1,010 | 1,010 |
| Less: Accumulated depreciation and amortization | (5,895) | (5,895) |
| | $ 11,057 | $ 11,057 |

***Real Estate Under Development and Construction in Progress***

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

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

| | January 1, 2023 | | Six Months Ended June 30, 2023 | | | June 30, 2023 | |
|---|---|---|---|---|---|---|---|
| | Number of Properties | Carrying Value | Transfers In | Capitalized Costs | Transfers Out | Number of Properties | Carrying Value |
| Core | 2 | $ 54,817 | $ — | $ 4,280 | $ — | 2 | $ 59,097 |
| Fund II | — | 34,072 | — | 1,813 | — | — | 35,885 |
| Fund III | 1 | 25,798 | — | 1,494 | — | 1 | 27,293 |
| Fund IV [(a)] | 1 | 69,915 | — | — | 69,915 | — | — |
| Total | 4 | $ 184,602 | $ — | $ 7,587 | $ 69,915 | 3 | $ 122,275 |

a) Transfers out include $69.9 million related to one Fund IV property that was transferred out of development.

The number of properties in the tables above refers to projects comprising the entire property under development; however, certain projects represent a portion of a property. At June 30, 2023, consolidated development projects included: portions of the Henderson 1 & 2 Portfolio for the Core Portfolio and Broad Hollow Commons at Fund III. In addition, at June 30, 2023, the Company had one Core unconsolidated development project, 1238 Wisconsin Avenue (Note 4).

During the six months ended June 30, 2023, the Company placed $69.9 million related to the remainder of one Fund IV, 717 N. Michigan Avenue, into service.

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

**3. Notes Receivable, Net**

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

| Description | June 30, 2023 | December 31, 2022 | June 30, 2023 Number | Maturity Date | Interest Rate |
|---|---|---|---|---|---|
| Core Portfolio [(a)] | $ 124,801 | $ 124,801 | 5 | Apr 2020 - Dec 2027 | 4.65% - 10.00% |
| Allowance for credit losses | (899) | (898) | | | |
| Notes receivable, net | $ 123,902 | $ 123,903 | 5 | | |

a) Includes one note receivable from an OP Unit holder, with a balance of $6.0 million at June 30, 2023 and December 31, 2022.

During the six months ended June 30, 2023, the Company also received payment on a bridge loan and funded additional proceeds on a loan to an unconsolidated venture as part of its investments in and advances to unconsolidated affiliates (Note 4).

*Default*

One Core Portfolio note aggregating $21.6 million including accrued interest (exclusive of default interest and other amounts due on the loan that have not been recognized) was in default at June 30, 2023 and December 31, 2022. On April 1, 2020, the loan matured and was not repaid. The Company expects to take appropriate actions to recover the amounts due under the loan and has issued a reservation of rights letter to the borrowers and guarantor, reserving all of its rights and remedies under the applicable loan documents and otherwise. The Company has determined that the collateral for this loan is sufficient to cover the loan's carrying value at June 30, 2023 and December 31, 2022.

*Allowance for Credit Losses*

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). Interest receivable is included in Other assets (Note 5).

The Company's estimated allowance for credit losses related to its Structured Financing segment has been computed for its amortized cost basis in the portfolio, including accrued interest (Note 5), factoring historical loss experience in the United States for similar loans, as adjusted for current conditions, as well as the Company's expectations related to future economic conditions. Due to the lack of comparability across the Structured Financing portfolio, each loan was evaluated separately. As a result, the Company did not elect the collateral-dependent allowance for credit losses practical expedient for three of its loans with a total amortized cost of $116.2 million, inclusive of accrued interest of $15.2 million, for which an allowance for credit losses has been recorded aggregating $0.9 million at June 30, 2023. For two loans in this portfolio, aggregating $27.9 million, inclusive of accrued interest of $4.1 million at June 30, 2023, the Company has elected to apply the practical expedient in accordance with ASC 326 and did not establish an allowance for credit losses because (i) these loans are collateral-dependent loans, which due to their settlement terms are not expected to be settled in cash but rather by the Company's possession of the real estate collateral; and (ii) at June 30, 2023, the Company determined that the estimated fair value of the collateral at the expected realization date for these loans was sufficient to cover the carrying value of its investments in these notes receivable. Impairment charges may be required if and when such amounts are estimated to be nonrecoverable upon a realization event, which is generally at the time a loan is repaid, or in the case of foreclosure, when the underlying asset is sold; however, non-recoverability may also be concluded if it is reasonably certain that all amounts due will not be collected.

**4. Investments in and Advances to Unconsolidated Affiliates**

The Company accounts for its investments in and advances to unconsolidated affiliates primarily under the equity method of accounting as it has the ability to exercise significant influence, but does not have financial or operating control over the investment, which is maintained by each of the unaffiliated partners who co-invest with the Company. Certain of the Company's unconsolidated joint venture agreements include provisions whereby, at certain specified times, each partner has the right to initiate a purchase or sale of its interest in the joint ventures. Under certain of the Company's joint venture agreements, if certain return thresholds are achieved, the partners or the Company will be entitled to an additional promoted interest or payments.

The Company's investments in and advances to unconsolidated affiliates consist of the following (dollars in thousands):

| Portfolio | Property | Ownership Interest June 30, 2023 | June 30, 2023 | December 31, 2022 |
|---|---|---|---|---|
| **Core:** | Renaissance Portfolio | 20% | $ 28,634 | $ 28,755 |
| | Gotham Plaza | 49% | 30,545 | 30,112 |
| | Georgetown Portfolio [a] | 50% | 4,172 | 4,048 |
| | 1238 Wisconsin Avenue [a, b] | 80% | 17,630 | 14,502 |
| | 840 N. Michigan Avenue [d] | 88% | 68 | — |
| | | | 81,049 | 77,417 |
| **Mervyns II:** | KLA/ABS [c] | 36.7% | — | 85,403 |
| **Fund IV:** | Fund IV Other Portfolio | 98.57% | 7,105 | 7,914 |
| | 650 Bald Hill Road | 90% | 9,717 | 10,203 |
| | Paramus Plaza | 50% | 517 | 936 |
| | | | 17,339 | 19,053 |
| **Fund V:** | Family Center at Riverdale [d] | 89.42% | 4,159 | 4,995 |
| | Tri-City Plaza | 90% | 7,774 | 8,422 |
| | Frederick County Acquisitions | 90% | 12,496 | 12,240 |
| | Wood Ridge Plaza | 90% | 12,586 | 12,751 |
| | La Frontera Village | 90% | 19,974 | 20,803 |
| | Shoppes at South Hills [e] | 90% | 12,183 | 44,677 |
| | Mohawk Commons | 90% | 19,788 | 775 |
| | | | 88,960 | 104,663 |
| **Various:** | Due from (to) Related Parties | | 210 | 305 |
| | Other [f] | | 4,367 | 4,315 |
| | **Investments in and advances to unconsolidated affiliates** | | **$ 191,925** | **$ 291,156** |
| **Core:** | Crossroads [g] | 49% | $ 8,588 | $ 8,832 |
| | 840 N. Michigan Avenue [d, g] | 88.43% | — | 1,673 |
| | **Distributions in excess of income from, and investments in, unconsolidated affiliates** | | **$ 8,588** | **$ 10,505** |

a) Represents a VIE for which the Company is not the primary beneficiary (Note 15).
b) Includes a $12.8 million construction commitment from the Company to the venture that holds its investment in 1238 Wisconsin. As of June 30, 2023 and December 31, 2022 the note receivable from a related party had a balance of $11.5 million and $7.7 million, net of an allowance for credit losses of $0.1 million, and $0.1 million, respectively. The loan is collateralized by the venture members' equity interest in the entity that holds the 1238 Wisconsin development property, bears interest at Prime + 1.0% subject to a 4.5% floor, and matures on December 28, 2023. Interest is recognized over the life of the loan.
c) At December 31, 2022, Mervyns II had an effective indirect ownership of approximately 4.1 million shares (approximately 1% interest) through its Investment in Albertsons Companies Inc. ("Albertsons"), which is accounted for at fair value (Note 8). Mervyns II distributed the shares to its investors upon expiration of the lock-up agreement in January 2023, as further described below.
d) Represents a tenancy-in-common interest.
e) At December 31, 2022, includes a $31.7 million bridge loan from the Company to the venture that holds the property in its investment in Shoppes at South Hills. During the first quarter of 2023 the bridge loan was repaid, as further described below.
f) Includes cost-method investments in Fifth Wall and other investments.

g) Distributions have exceeded the Company’s investment; however, the Company recognizes a liability balance as it may elect to contribute capital to the entity.

During the six months ended June 30, 2023, the Company:

- funded $3.8 million of a $12.8 million construction loan commitment to the 1238 Wisconsin venture. The total outstanding balance of the loan was $11.5 million as of June 30, 2023;
- through Fund IV, modified a property mortgage with an outstanding balance of $21.9 million at an unconsolidated property, Eden Square;
- through Fund V, acquired a 90% interest in a venture for $20.2 million, which acquired Mohawk Commons, a shopping center located in Schenectady, New York for $62.1 million. In addition, on January 27, 2023, the Mohawk Commons venture entered into a $39.7 million mortgage loan;
- through Fund V, received payment on a bridge loan from the Shoppes at South Hills venture for $31.7 million which matured in February 2023. Upon maturity of the bridge loan, the venture entered into a $36.0 million mortgage loan, of which $31.8 million was funded at closing.
- received cash dividends from its investment in Albertsons totaling $28.5 million on January 20, 2023, of which the Company's share was $11.3 million. The Company has reflected the dividend income as Realized and unrealized holding gains on investments and other within its consolidated statements of operations. Additionally, the lock-up period, which restricted the transfer or sale of shares, expired on January 24, 2023, and 4.1 million shares of Albertsons were distributed to the individual investors as a non-cash distribution. The Company now owns 1.6 million shares of Albertsons directly as a result of the distribution, which are presented as Marketable securities on the Company's consolidated balance sheets and are accounted for at fair value (Note 8).

***Fees from Unconsolidated Affiliates***

The Company earned property management, construction, development, legal and leasing fees from its investments in unconsolidated partnerships totaling $0.1 million for each of the three months ended June 30, 2023 and 2022, and $0.2 million for each of the six months ended June 30, 2023 and 2022, which are included in Other revenues in the consolidated statements of operations.

In addition, the Company's joint ventures paid to certain unaffiliated partners of its joint ventures $0.6 million and $0.3 million for the three and six months ended June 30, 2023 and 2022, respectively, and $1.2 million and $0.6 million for the six months ended June 30, 2023 and 2022, respectively, for leasing commissions, development, management, construction and overhead fees.

***Summarized Financial Information of Unconsolidated Affiliates***

The following combined and condensed Balance Sheets and Statements of Operations, in each period, summarize the financial information of the Company's investments in unconsolidated affiliates that were held as of June 30, 2023, and accordingly exclude the results of any investments disposed of or consolidated prior to that date (in thousands):

| | June 30, 2023 | December 31, 2022 |
|---|---|---|
| **Combined and Condensed Balance Sheets** | | |
| Assets: | | |
| Rental property, net | $ 717,892 | $ 650,997 |
| Real estate under development | 8,767 | 17,359 |
| Other assets | 138,321 | 127,070 |
| Total assets | $ 864,980 | $ 795,426 |
| Liabilities and partners' equity: | | |
| Mortgage notes payable | $ 685,816 | $ 609,923 |
| Other liabilities | 100,743 | 96,532 |
| Partners' equity | 78,421 | 88,971 |
| Total liabilities and partners' equity | $ 864,980 | $ 795,426 |
| | | |
| Company's share of accumulated equity | $ 122,131 | $ 131,878 |
| Basis differential | 52,319 | 52,813 |
| Deferred fees, net of portion related to the Company's interest | 4,310 | 5,937 |
| Amounts receivable/payable by the Company | 210 | 305 |
| Investments in and advances to unconsolidated affiliates, net of Company's share of distributions in excess of income from and investments in unconsolidated affiliates | 178,970 | 190,933 |
| Investments carried at fair value or cost | 4,367 | 89,718 |
| Company's share of distributions in excess of income from and investments in unconsolidated affiliates | 8,588 | 10,505 |
| Investments in and advances to unconsolidated affiliates | $ 191,925 | $ 291,156 |

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| **Combined and Condensed Statements of Operations** | | | | |
| Total revenues | $ 28,667 | $ 23,954 | $ 56,885 | $ 47,071 |
| Operating and other expenses | (8,708) | (8,067) | (17,349) | (15,325) |
| Interest expense | (9,901) | (6,589) | (19,134) | (11,328) |
| Depreciation and amortization | (11,233) | (9,248) | (20,134) | (15,159) |
| Net (loss) income attributable to unconsolidated affiliates | $ (1,175) | $ 50 | $ 268 | $ 5,259 |
| | | | | |
| Company's share of equity in net (losses) income of unconsolidated affiliates | $ (1,190) | $ 1,533 | $ (914) | $ 4,915 |
| Basis differential amortization | (247) | (253) | (494) | (505) |
| Company's equity in (losses) earnings of unconsolidated affiliates | $ (1,437) | $ 1,280 | $ (1,408) | $ 4,410 |

**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) | June 30, 2023 | December 31, 2022 |
|---|---|---|
| **Other Assets, Net:** | | |
| Lease intangibles, net (Note 6) | $ 86,120 | $ 102,374 |
| Derivative financial instruments (Note 8) | 57,682 | 54,902 |
| Deferred charges, net (a) | 29,931 | 28,478 |
| Accrued interest receivable (Note 3) | 22,157 | 18,082 |
| Prepaid expenses | 14,256 | 15,872 |
| Due from seller | 3,036 | 3,036 |
| Income taxes receivable | 1,114 | 1,876 |
| Deposits | 2,641 | 1,624 |
| Corporate assets, net | 1,108 | 1,287 |
| Other receivables | 1,883 | 2,060 |
| | $ 219,928 | $ 229,591 |
| **(a) Deferred Charges, Net:** | | |
| Deferred leasing and other costs [(a)] | $ 68,534 | $ 63,920 |
| Deferred financing costs related to line of credit | 9,698 | 9,494 |
| | 78,232 | 73,414 |
| Accumulated amortization | (48,301) | (44,936) |
| Deferred charges, net | $ 29,931 | $ 28,478 |
| | | |
| **Accounts Payable and Other Liabilities:** | | |
| Lease intangibles, net (Note 6) | $ 66,355 | $ 78,416 |
| Accounts payable and accrued expenses | 56,315 | 59,922 |
| Deferred income | 34,886 | 34,503 |
| Tenant security deposits, escrow and other | 17,849 | 16,582 |
| Lease liability - finance leases, net (Note 11) | 7,236 | 7,022 |
| Derivative financial instruments (Note 8) | — | 46 |
| | $ 182,641 | $ 196,491 |

a) Effective January 1, 2023, the Company implemented compensation plans for its internal leasing representatives to adopt a commission structure paid in connection with new, renewal, and modified leases. At June 30, 2023, deferred leasing and other costs include direct and incremental capitalized internal leasing commissions incurred in connection with executed lease agreements of $0.8 million, which are amortized on a straight-line basis over the terms of the related leases.

**6. Lease Intangibles**

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

Intangible assets and liabilities are included in Other assets, net and Accounts payable and other liabilities (Note 5) on the consolidated balance sheets and summarized as follows (in thousands):

| | June 30, 2023 | | | December 31, 2022 | | |
|---|---|---|---|---|---|---|
| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| **Amortizable Intangible Assets** | | | | | | |
| In-place lease intangible assets | $ 301,556 | $ (221,245) | $ 80,311 | $ 301,556 | $ (205,951) | $ 95,605 |
| Above-market rent | 24,064 | (18,255) | 5,809 | 24,064 | (17,295) | 6,769 |
| | $ 325,620 | $ (239,500) | $ 86,120 | $ 325,620 | $ (223,246) | $ 102,374 |
| **Amortizable Intangible Liabilities** | | | | | | |
| Below-market rent | $ (176,253) | $ 110,216 | $ (66,037) | $ (176,253) | $ 98,182 | $ (78,071) |
| Above-market ground lease | (671) | 353 | (318) | (671) | 326 | (345) |
| | $ (176,924) | $ 110,569 | $ (66,355) | $ (176,924) | $ 98,508 | $ (78,416) |

During the six months ended June 30, 2023, the Company recorded accelerated amortization related to below-market rent of $8.1 million and in-place lease intangible assets of $1.7 million, of which the Company's share was $7.8 million and $1.7 million, respectively, related to notification of tenant non-renewals and early tenant lease terminations. The Company did not have any acquisitions of real estate or acquired lease intangibles.

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

The scheduled amortization of acquired lease intangible assets and assumed liabilities as of June 30, 2023 is as follows (in thousands):

| Years Ending December 31, | Net Increase in Lease Revenues | Increase to Amortization | Reduction of Rent Expense |
|---|---|---|---|
| 2023 (Remainder) | $ 2,580 | $ (11,430) | $ 29 |
| 2024 | 5,024 | (17,636) | 58 |
| 2025 | 4,599 | (12,713) | 58 |
| 2026 | 4,359 | (10,312) | 58 |
| 2027 | 4,195 | (8,111) | 58 |
| Thereafter | 39,471 | (20,109) | 57 |
| Total | $ 60,228 | $ (80,311) | $ 318 |

## 7. Debt

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

| | Interest Rate at [(a)] | | | Carrying Value at | |
|---|---|---|---|---|---|
| | **June 30, 2023** | **December 31, 2022** | **Maturity Date at June 30, 2023** | **June 30, 2023** | **December 31, 2022** |
| **Mortgages Payable** | | | | | |
| Core Mortgages Payable | 3.99% - 5.89% | 3.88% - 5.89% | Feb 2024 - Apr 2035 | $192,844 | $193,838 |
| Fund II Mortgages Payable | SOFR+2.61% | SOFR+2.61% | Aug 2025 | 137,485 | 133,655 |
| Fund III Mortgages Payable | SOFR+3.35% | SOFR+3.35% | Oct 2023 | 35,970 | 35,970 |
| Fund IV Mortgages and Other Notes Payable [(b)] | LIBOR+2.25% - SOFR+3.65% | LIBOR+2.25% - LIBOR+3.65% | Jul 2023 - Jun 2026 | 146,622 | 146,230 |
| Total Fund V Mortgages Payable | SOFR + 1.61% - SOFR + 2.76% | LIBOR + 1.85% - SOFR + 2.76% | Jan 2024 - Jun 2028 | 429,544 | 426,224 |
| Net unamortized debt issuance costs | | | | (7,409) | (7,621) |
| Unamortized premium | | | | 292 | 343 |
| **Total Mortgages Payable** | | | | **$935,348** | **$928,639** |
| | | | | | |
| **Unsecured Notes Payable** | | | | | |
| Core Unsecured Term Loans | 3.57%-5.20% | 3.74%-5.11% | Jun 2026 - Jul 2029 | $650,000 | $650,000 |
| Fund V Subscription Facility | SOFR+3.05% | SOFR+1.86% | Nov 2023 | 2,000 | 51,210 |
| Net unamortized debt issuance costs | | | | (4,411) | (5,076) |
| **Total Unsecured Notes Payable** | | | | **$647,589** | **$696,134** |
| | | | | | |
| **Unsecured Line of Credit** | | | | | |
| **Total Unsecured Line of Credit** | SOFR+1.45% | SOFR+1.50% | Jun 2025 | **$180,087** | **$168,287** |
| | | | | | |
| Total Debt [(c)(d)] | | | | $1,774,552 | $1,805,414 |
| Net unamortized debt issuance costs | | | | (11,820) | (12,697) |
| Unamortized premium | | | | 292 | 343 |
| **Total Indebtedness** | | | | **$1,763,024** | **$1,793,060** |

a) At June 30, 2023, the stated rates ranged from 4.53% for Core variable-rate debt; SOFR + 2.61% for Fund II variable-rate debt; SOFR + 3.35% for Fund III variable-rate debt; LIBOR + 2.25% to SOFR + 3.65% for Fund IV variable-rate debt; SOFR + 1.61% - SOFR + 2.76% for Fund V variable-rate debt; 3.57% - 5.20% for Core variable-rate unsecured term loans; and SOFR + 1.45% for Core variable-rate unsecured lines of credit.
b) Includes the outstanding balance on the Fund IV secured bridge facility of $39.2 million at each of June 30, 2023 and December 31, 2022.
c) Includes $1,251.9 million and $1,264.0 million, respectively, of variable-rate debt that has been fixed with interest rate swap agreements as of the periods presented.
d) Includes $144.3 million and $103.8 million, respectively, of variable-rate debt that is subject to interest cap agreements as of the periods presented.

***Credit Facilities***

The Operating Partnership has a $700.0 million senior unsecured credit facility, as amended (the "Credit Facility"), with Bank of America, N.A. as administrative agent, comprised of a $300.0 million senior unsecured revolving credit facility (the "Revolver") which bears interest at a floating rate based on SOFR with margins based on leverage or credit rating, and a $400.0 million senior unsecured term loan (the "Term Loan") which bears interest at a floating rate based on SOFR with margins based on leverage or credit rating. Currently, the Revolver bears interest at SOFR + 1.50% and the Term Loan bears interest at SOFR + 1.65%. The Revolver matures on June 29, 2025, subject to two six-month extension options, and the Term Loan matures on June 29, 2026. The Credit Facility provides for an accordion feature, which allows for one or more increases in the revolving credit facility or term loan facility, for a maximum aggregate principal amount not to exceed $900.0 million. The Credit Facility is guaranteed by the Company and certain subsidiaries of the Company (Note 9).

On April 6, 2022, the Operating Partnership entered into a $175.0 million term loan facility (the "$175.0 Million Term Loan"), with Bank of America, N.A. as administrative agent, which bears interest at a floating rate based on SOFR with margins based on leverage or credit rating, and which matures on April 6, 2027. The proceeds of the $175.0 million term loan were used to pay down the Revolver. Currently the $175.0 million term loan bears interest at SOFR + 1.60%. The $175.0 million term loan is guaranteed by the Company and certain subsidiaries of the Company (Note 9).

On July 29, 2022, the Operating Partnership entered into the $75.0 million term loan (the "$75.0 Million Term Loan"), with TD Bank, N.A. as administrative agent, which bears interest at a floating rate based on SOFR with margins based on leverage or credit rating and which matures on July 29, 2029. Currently the $75.0 million term loan bears interest at SOFR + 2.05%. The proceeds of the $75.0 million term loan were used to pay down the Revolver. The $75.0 million term loan is guaranteed by the Company and certain subsidiaries of the Company (Note 9).

The Company has entered into various swap agreements to effectively fix its interest costs on a portion of its Revolver and term loans, as described above (Note 8).

***Mortgages and Other Notes Payable***

During the six months ended June 30, 2023, the Company (amounts represent balances at the time of transactions):

- extended four Fund mortgages, two of which were extended in the first quarter totaling $58.0 million (excluding principal reductions of $0.2 million), and two of which were extended in the second quarter totaling $61.3 million;
- refinanced three Fund mortgages in the second quarter totaling $78.4 million; and
- made scheduled principal payments totaling $3.8 million.

At June 30, 2023 and December 31, 2022, the Company's mortgages were collateralized by 32 and 31 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. The Operating Partnership has guaranteed up to $50.0 million related to the Fund II City Point mortgage loan. The Company is not in default on any of its loan agreements at June 30, 2023. A portion of the Company's variable-rate mortgage debt has been effectively fixed through certain cash flow hedge transactions (Note 8).

Fund IV also has an outstanding balance and total available credit on its secured bridge facility of $39.2 million and $0.0 million, respectively, at June 30, 2023 and December 31, 2022. The Operating Partnership has guaranteed up to $22.5 million of the Fund IV secured bridge facility (Note 9).

At June 30, 2023, a Fund V mortgage of $29.2 million, or $5.9 million at the Company's share, had not met their debt service coverage ratio requirements. The lender may require a cash sweep of property rent until these conditions are remedied unless the Company's request for a waiver is granted.

On July 15, 2023 a non-recourse Fund IV loan with an outstanding balance of $19.3 million, or $4.5 million at our share, matured and was in default. The loan accrues default interest at a rate of 4.00% per annum in excess of the interest rate (Note 16).

***Unsecured Notes Payable***

Unsecured notes payable at June 30, 2023 and December 31, 2022 are comprised of the following:

- The outstanding balance of the Term Loan was $400.0 million at each of June 30, 2023 and December 31, 2022.
- The outstanding balance of the $175.0 Million Term Loan was $175.0 million at each of June 30, 2023 and December 31, 2022.
- The outstanding balance of the $75.0 Million Term Loan was $75.0 million at each of June 30, 2023 and December 31, 2022.
- Fund II refinanced its City Point debt in the third quarter of 2022 (Note 10).
- Fund V has a $100.0 million subscription line collateralized by Fund V's unfunded capital commitments, and, to the extent of Acadia's capital commitments, is guaranteed by the Operating Partnership. On May 1, 2023, Fund V modified its subscription line and extended the maturity date to November 1, 2023. The outstanding balance and total available credit of the Fund V subscription line was $2.0 million and $91.0 million, respectively at June 30, 2023 reflecting outstanding letters of credit of $7.0 million. The outstanding balance and total available credit were $51.2 million and $41.8 million at December 31, 2022, respectively, reflecting outstanding letters of credit of $7.0 million.

***Unsecured Revolving Line of Credit***

At June 30, 2023 and December 31, 2022, the Company had a total of $119.9 million and $131.7 million available under its Revolver, reflecting borrowings of $180.1 million and $168.3 million, respectively, and no letters of credit outstanding.

***Scheduled Debt Principal Payments***

The scheduled principal repayments, without regard to available extension options (described further below), of the Company's consolidated indebtedness, as of June 30, 2023 are as follows (in thousands):

| **Year Ending December 31,** | | |
|---|---|---|
| 2023 (Remainder) | $ | 154,636 |
| 2024 | | 252,756 |
| 2025 | | 500,494 |
| 2026 | | 436,705 |
| 2027 | | 202,788 |
| Thereafter | | 227,173 |
| | | 1,774,552 |
| Unamortized premium | | 292 |
| Net unamortized debt issuance costs | | (11,820) |
| Total indebtedness | $ | 1,763,024 |

The table above does not reflect available extension options (subject to customary conditions) on consolidated debt with balances as of June 30, 2023 of $2.0 million contractually due in the remainder of 2023 for which the Company has available options to extend by up to 6 months. However, there can be no assurance that the Company will be able to successfully execute any or all of its available extension options.

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

**8. Financial Instruments and Fair Value Measurements**

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

***Items Measured at Fair Value on a Recurring Basis***

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

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

*Marketable Equity Securities* — The Company has an investment in marketable equity securities of Albertsons, which has a readily determinable market value (traded on an exchange) and is being accounted for as a Level 1 investment (Note 4).

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

*Derivative Liabilities* — The Company has derivative liabilities, which are included in Accounts payable and other liabilities on the consolidated balance sheets, and 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.

The Company did not have any transfers into or out of Level 1, Level 2, and Level 3 measurements during the six months ended June 30, 2023 or for the year ended December 31, 2022.

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):

| | June 30, 2023 | | | December 31, 2022 | | |
|---|---|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Level 1** | **Level 2** | **Level 3** |
| Assets | | | | | | |
| Money market funds | $ — | $ — | $ — | $ — | $ — | $ — |
| Derivative financial instruments | — | 57,682 | — | — | 54,902 | — |
| Marketable equity securities | 35,940 | — | — | 85,403 | — | — |
| Liabilities | | | | | | |
| Derivative financial instruments | — | — | — | — | (46) | — |

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.

*Marketable Equity Securities*

In January 2023, following the expiration of the lock-up period and distribution of approximately 2.5 million shares by Mervyns II to its partners, the Company directly owns 1.6 million shares of Albertsons at June 30, 2023. The shares are included in marketable securities on the Company's consolidated balance sheets at fair value, with the net unrealized gains or losses reported in net income. The Company recognized a mark-to-market gain on its marketable equity securities of $1.7 million and a mark-to-market loss on its marketable equity securities of $26.9 million, of which the Company’s share was a $1.7 million mark-to-market gain and $7.6 million mark-to-market loss, for the three months ended June 30, 2023 and 2022, respectively. The Company recognized a mark-to-market loss on its marketable equity securities of $0.3 million and $14.3 million, of which the Company’s share was a $1.8 million mark-to-market gain and a $4.0 million mark-to-market loss, for the six months ended June 30, 2023 and 2022, respectively. These amounts are included in Realized and unrealized holding gains on investments and other on the Company's consolidated statements of operations.

The Company recognized dividend income from marketable securities of $0.2 million and $0.5 million, of which the Company's share was $0.2 million and $0.1 million, for the three months ended June 30, 2023 and 2022, respectively, and $28.7 million and $1.0 million, of which the Company's share was $11.6 million and $0.3 million, for the six months ended June 30, 2023, respectively, which is included in Realized and unrealized holding gains on investments and other on the Company's consolidated statements of operations.

***Items Measured at Fair Value on a Nonrecurring Basis***

*Impairment Charges*

The Company did not recognize any impairments during the six months ended June 30, 2023. During 2022, the Company reduced its holding period and intended use, and projected operating income at certain properties. As a result, several impairments were recorded. Impairment charges for the periods presented are as follows (in thousands):

| | | | | | Impairment Charge | |
|---|---|---|---|---|---|---|
| **Property and Location** | **Owner** | **Triggering Event** | **Level 3 Inputs** | **Effective Date** | **Total** | **Acadia's Share** |
| **2023 Impairment Charges** | | | | | | |
| None | | | | | | |
| **2022 Impairment Charges** | | | | | | |
| 146 Geary Street, San Francisco, CA | Fund IV | Reduced projected operating income | Projections of: holding period, net operating income, cap rate, incremental costs | Sept 30, 2022 | $ 12,435 | $ 2,875 |
| 717 N. Michigan Avenue, Chicago, IL | Fund IV | Reduced holding period and intended use | Offering price | Sept 30, 2022 | 20,876 | 4,827 |
| **Total 2022 Impairment Charges** | | | | | **$ 33,311** | **$ 7,702** |

***Derivative Financial Instruments***

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

| Derivative Instrument | Aggregate Notional Amount | Effective Date | Maturity Date | Strike Rate Low | | Strike Rate High | Balance Sheet Location | Fair Value June 30, 2023 | Fair Value December 31, 2022 |
|---|---|---|---|---|---|---|---|---|---|
| **Core** | | | | | | | | | |
| Interest Rate Swaps | $ — | | | | | | Other Liabilities | $ — | $ (46) |
| Interest Rate Swap | 856,000 | May 2022 - May 2023 | Mar 2025 - Jul 2030 | 1.98% | — | 3.61% | Other Assets | 44,408 | 40,884 |
| | $ 856,000 | | | | | | | $ 44,408 | $ 40,838 |
| **Fund II** | | | | | | | | | |
| Interest Rate Swap | $ 50,000 | Jan 2023 | Dec 2029 | 3.23% | — | 3.23% | Other Assets | $ 1,346 | $ 1,108 |
| **Fund III** | | | | | | | | | |
| Interest Rate Cap | $ 35,970 | Jul 2022 | Jul 2023 | 3.50% | — | 3.50% | Other Assets | $ 13 | $ 232 |
| **Fund IV** | | | | | | | | | |
| Interest Rate Caps | $ 76,338 | Jul 2021 - Dec 2022 | Jul 2023 - Dec 2023 | 3.00% | — | 3.50% | Other Assets | $ 589 | $ 1,093 |
| **Fund V** | | | | | | | | | |
| Interest Rate Swaps | $ 345,885 | Nov 2019- Jun 2023 | Mar 2024- Dec 2027 | 1.14% | — | 4.54% | Other Assets | $ 10,972 | $ 11,585 |
| Interest Rate Cap | 40,528 | Jan 2023 | Jan 2024 | 3.64% | — | 3.64% | Other Assets | 354 | — |
| | $ 386,413 | | | | | | | $ 11,326 | $ 11,585 |
| Total asset derivatives | | | | | | | | $ 57,682 | $ 54,902 |
| Total liability derivatives | | | | | | | | $ — | $ (46) |

All of the Company's derivative instruments have been designated as cash flow hedges and hedge the future cash outflows on variable-rate debt (Note 7). It is estimated that approximately $32.2 million included in Accumulated other comprehensive income related to derivatives will be reclassified to interest expense within the next twelve months. As of June 30, 2023 and December 31, 2022, no derivatives were designated as fair value hedges or hedges of net investments in foreign operations. Additionally, the Company does not use derivatives for trading or speculative purposes and currently does not have any derivatives that are not designated hedges.

*Risk Management Objective of Using Derivatives*

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

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

*Credit Risk-Related Contingent Features*

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

***Other Financial Instruments***

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

| | | June 30, 2023 | | December 31, 2022 | |
|---|---|---|---|---|---|
| | Level | Carrying Amount | Estimated Fair Value | Carrying Amount | Estimated Fair Value |
| Notes Receivable [a] | 3 | $ 123,902 | $ 121,595 | $ 123,903 | $ 122,716 |
| City Point Loan [a] | 3 | 66,741 | 66,053 | 65,945 | 65,856 |
| Mortgage and Other Notes Payable [a] | 3 | 942,465 | 922,435 | 935,917 | 906,348 |
| Investment in non-traded equity securities [b] | 3 | 4,212 | 4,827 | 4,160 | 5,593 |
| Unsecured notes payable and Unsecured line of credit [c] | 2 | 832,087 | 829,739 | 869,497 | 868,399 |

(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. Amounts exclude discounts and loan costs. The estimated market rates are between 5.74% to 14.36% for the Company's notes receivable and City Point Loan, and 5.62% to 10.83% for the Company's mortgage and other notes payable, depending on the attributes of the specific loans.

(b) Represents the Operating Partnership's cost-method investment in Fifth Wall (Note 4).

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

The Company's cash and cash equivalents, restricted cash, rents receivable, accounts payable and certain financial instruments included in other assets and other liabilities had fair values that approximated their carrying values due to their short maturity profiles at June 30, 2023.

## 9. Commitments and Contingencies

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

*Commitments and Guaranties*

From time to time, the Company (or ventures in which the Company has an ownership interest) has agreed, and may in the future agree, to guarantee portions of the principal, interest and other amounts in connection with their borrowings, provide customary environmental indemnifications and nonrecourse carve-outs (e.g., guarantees against fraud, misrepresentation and bankruptcy) in connection with their borrowings and provide guarantees to lenders, tenants and other third parties for the completion of development projects.

In connection with the refinancing of the La Frontera Village mortgage loan of $57.0 million, which is collateralized by the investment property, Fund V guaranteed the joint venture's obligation of payments under the loan. Fund V earned a fee from the joint venture for providing the guarantee. As of June 30, 2023, $0.2 million related to the guarantee was recorded as a liability in the Company's condensed consolidated financial statements.

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 $52.0 million and $39.1 million as of June 30, 2023 and December 31, 2022, respectively. The Company also has a $12.8 million construction loan commitment related to its investment in 1238 Wisconsin, of which $11.5 million was funded as of June 30, 2023 and is included in Investments in and advances to unconsolidated affiliates in the Company's condensed consolidated financial statements (Note 4).

At June 30, 2023 and December 31, 2022, the Company had Core and Fund letters of credit outstanding of $7.0 million (Note 7). 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.

The Company, and certain subsidiaries of the Company, have guaranteed the $175.0 million term, $75.0 million term loan, and the Credit Facility. The Operating Partnership has guaranteed up to $50.0 million related to the Fund II City Point mortgage loan and up to $22.5 million of the Fund

IV secured bridge facility (Note 7, Note 15). As of June 30, 2023, no amounts related to the guarantee were recorded as liabilities in the Company's condensed consolidated financial statements.

*Insurance Coverage*

We carry insurance coverage on our properties of different types and in amounts with deductibles that we believe are in line with coverage customarily obtained by owners of similar properties.

## 10. Shareholders' Equity, Noncontrolling Interests and Other Comprehensive Loss

### *Common Shares and Units*

In addition to the ATM Program activity discussed below, the Company completed the following transactions in its Common Shares during the six months ended June 30, 2023:

- The Company withheld 3,251 shares of its restricted Common Shares ("Restricted Shares") to pay the employees' statutory minimum income taxes due on the value of the portion of their Restricted Shares that vested.

- The Company recognized Common Share and Common OP Unit-based compensation expense in connection with Restricted Shares and Units (Note 13) totaling $2.8 million and $2.2 million for the three months ended June 30, 2023 and 2022, respectively, and $5.7 million and $3.2 million for the six months ended June 30, 2023 and 2022, respectively.

### *ATM Program*

The Company has an at-the-market equity issuance program ("ATM Program") that provides the Company an efficient vehicle for raising public equity capital to fund its needs. The Company entered into its current $250.0 million ATM Program, which includes an optional "forward purchase" component, in the first quarter of 2022. The Company sold 5,150,832 Common Shares under its ATM Program during the three months ended March 31, 2022 generating $115.6 million of gross proceeds and $111.5 million of net proceeds after related issuance costs at a weighted-average price per share of $22.44 and $21.65, respectively. No such sales were made during the three months ended June 30, 2023. The Company did not sell or issue any Common Shares on a forward basis for the six months ended June 30, 2023 or the year ended December 31, 2022 and at June 30, 2023 had approximately $222.3 million of availability under the ATM program.

### *Share Repurchase Program*

During 2018, the Company's board of trustees (the "Board") approved a new share repurchase program, which authorizes management, at its discretion, to repurchase up to $200.0 million of its outstanding Common Shares. The program does not obligate the Company to repurchase any specific number of Common Shares and may be discontinued or extended at any time. The Company did not repurchase any shares during the six months ended June 30, 2023 or 2022. Under the share repurchase program $122.5 million remains available as of June 30, 2023.

### *Dividends and Distributions*

The following table sets forth the distributions declared and/or paid during the periods presented:

| Date Declared | Amount Per Share | Record Date | Payment Date |
|---|---|---|---|
| February 15, 2022 | $ 0.18 | March 31, 2022 | April 14, 2022 |
| May 4, 2022 | $ 0.18 | June 30, 2022 | July 15, 2022 |
| August 10, 2022 | $ 0.18 | September 30, 2022 | October 14, 2022 |
| November 9, 2022 | $ 0.18 | December 30, 2022 | January 13, 2023 |
| January 17, 2023 | $ 0.18 | March 31, 2023 | April 14, 2023 |
| May 3, 2023 | $ 0.18 | June 30, 2023 | July 14, 2023 |

***Accumulated Other Comprehensive Income (Loss)***

The following tables set forth the activity in accumulated other comprehensive income (loss) for the three and six months ended June 30, 2023 and 2022 (in thousands):

| | Acadia's Share |
|---|---|
| **Balance at April 1, 2023** | **$ 30,003** |
| Other comprehensive income before reclassifications - swap agreements | 33,513 |
| Reclassification of realized interest on swap agreements | (8,262) |
| Net current period other comprehensive income | 25,251 |
| Net current period other comprehensive income attributable to noncontrolling interests | (5,399) |
| **Balance at June 30, 2023** | **$ 49,855** |
| **Balance at April 1, 2022** | **$ (5,724)** |
| Other comprehensive income before reclassifications - swap agreements | 17,050 |
| Reclassification of realized interest on swap agreements | 4,211 |
| Net current period other comprehensive income | 21,261 |
| Net current period other comprehensive income attributable to noncontrolling interests | (4,297) |
| **Balance at June 30, 2022** | **$ 11,240** |

| | Acadia's Share |
|---|---|
| **Balance at January 1, 2023** | **$ 46,817** |
| Other comprehensive income before reclassifications - swap agreements | 18,271 |
| Reclassification of realized interest on swap agreements | (14,815) |
| Net current period other comprehensive income | 3,456 |
| Net current period other comprehensive income attributable to noncontrolling interests | (418) |
| **Balance at June 30, 2023** | **$ 49,855** |
| **Balance at January 1, 2022** | **$ (36,214)** |
| Other comprehensive income before reclassifications - swap agreements | 52,784 |
| Reclassification of realized interest on swap agreements | 9,261 |
| Net current period other comprehensive income | 62,045 |
| Net current period other comprehensive income attributable to noncontrolling interests | (14,591) |
| **Balance at June 30, 2022** | **$ 11,240** |

***Noncontrolling Interests***

The following tables summarize the change in the noncontrolling interests for the three and six months ended June 30, 2023 and 2022 (dollars in thousands):

| | Noncontrolling Interests in Operating Partnership [(a)] | Noncontrolling Interests in Partially-Owned Affiliates [(b)] | Total | Redeemable Noncontrolling Interests [(c)] |
|---|---|---|---|---|
| **Balance at April 1, 2023** | **$ 103,219** | **$ 355,962** | **$ 459,181** | **$ 63,269** |
| Distributions declared of $0.18 per Common OP Unit and distributions on Preferred OP Units | (1,341) | — | (1,341) | |
| Net income (loss) for the three months ended June 30, 2023 | 697 | (6,130) | (5,433) | (1,091) |
| Conversion of 54,040 Common OP Units to Common Shares by limited partners of the Operating Partnership | (901) | — | (901) | — |
| Other comprehensive income - unrealized gain on valuation of swap agreements | 1,169 | 7,867 | 9,036 | — |
| Reclassification of realized interest expense on swap agreements | (54) | (3,583) | (3,637) | — |
| City Point Loan | — | — | — | (796) |
| City Point Loan accrued interest | — | — | — | (2,345) |
| Noncontrolling interest contributions | — | | — | 796 |
| Noncontrolling interest distributions | — | (5,492) | (5,492) | — |
| Employee Long-term Incentive Plan Unit Awards | 2,468 | — | 2,468 | — |
| Reallocation of noncontrolling interests [(c)] | (1,444) | — | (1,444) | — |
| **Balance at June 30, 2023** | **$ 103,813** | **$ 348,624** | **$ 452,437** | **$ 59,833** |
| | | | | |
| **Balance at April 1, 2022** | **$ 101,355** | **$ 645,238** | **$ 746,593** | **$ —** |
| Distributions declared of $0.18 per Common OP Unit and distributions on Preferred OP Units | (1,286) | — | (1,286) | — |
| Net income for the three months ended June 30, 2022 | 151 | (15,602) | (15,451) | — |
| Conversion of 15,701 Common OP Units to Common Shares by limited partners of the Operating Partnership | (243) | — | (243) | — |
| Other comprehensive income - unrealized gain on valuation of swap agreements | 937 | 2,033 | 2,970 | — |
| Reclassification of realized interest expense on swap agreements | 29 | 1,298 | 1,327 | — |
| Acquisition of noncontrolling interest [(d)] | — | (41,376) | (41,376) | — |
| Noncontrolling interest contributions | — | 723 | 723 | — |
| Noncontrolling interest distributions | — | (24,776) | (24,776) | — |
| Employee Long-term Incentive Plan Unit Awards | 2,283 | — | 2,283 | — |
| Reallocation of noncontrolling interests [(c)] | (158) | — | (158) | — |
| **Balance at June 30, 2022** | **$ 103,068** | **$ 567,538** | **$ 670,606** | **$ —** |

| | Noncontrolling Interests in Operating Partnership [(a)] | Noncontrolling Interests in Partially-Owned Affiliates [(b)] | Total | Redeemable Noncontrolling Interests [(c)] |
|---|---|---|---|---|
| **Balance at January 1, 2023** | **$ 99,554** | **$ 389,810** | **$ 489,364** | **$ 67,664** |
| Distributions declared of $0.36 per Common OP Unit and distributions on Preferred OP Units | (2,684) | — | (2,684) | — |
| Net income for the six months ended June 30, 2023 | 1,614 | 3,670 | 5,284 | (3,166) |
| Conversion of 91,433 Common OP Units to Common Shares by limited partners of the Operating Partnership | (1,533) | — | (1,533) | — |
| Other comprehensive income - unrealized gain on valuation of swap agreements | 255 | 6,520 | 6,775 | — |
| Reclassification of realized interest expense on swap agreements | (99) | (6,258) | (6,357) | — |
| City Point Loan | — | — | — | (796) |
| City Point Loan accrued interest | — | — | — | (4,665) |
| Noncontrolling interest contributions | — | 31,242 | 31,242 | 796 |
| Noncontrolling interest distributions | — | (76,360) | (76,360) | — |
| Employee Long-term Incentive Plan Unit Awards | 6,366 | — | 6,366 | — |
| Reallocation of noncontrolling interests [(c)] | 340 | — | 340 | — |
| **Balance at June 30, 2023** | **$ 103,813** | **$ 348,624** | **$ 452,437** | **$ 59,833** |
| | | | | |
| **Balance at January 1, 2022** | **$ 94,120** | **$ 534,202** | **$ 628,322** | **$ —** |
| Distributions declared of $0.36 per Common OP Unit and distributions on Preferred OP Units | (2,569) | — | (2,569) | — |
| Net income for the six months ended June 30, 2022 | 1,274 | 10,534 | 11,808 | — |
| Conversion of 51,307 Common OP Units to Common Shares by limited partners of the Operating Partnership | (815) | — | (815) | — |
| Other comprehensive income - unrealized gain on valuation of swap agreements | 2,635 | 8,963 | 11,598 | — |
| Reclassification of realized interest expense on swap agreements | 74 | 2,919 | 2,993 | — |
| Acquisition of noncontrolling interest | — | (41,376) | (41,376) | |
| Noncontrolling interest contributions | — | 99,852 | 99,852 | — |
| Noncontrolling interest distributions | — | (47,556) | (47,556) | — |
| Employee Long-term Incentive Plan Unit Awards | 5,671 | — | 5,671 | — |
| Reallocation of noncontrolling interests [(c)] | 2,678 | — | 2,678 | — |
| **Balance at June 30, 2022** | **$ 103,068** | **$ 567,538** | **$ 670,606** | **$ —** |

(a) Noncontrolling interests in the Operating Partnership are comprised of (i) the limited partners' 2,864,074 and 3,062,108 Common OP Units at June 30, 2023 and 2022, respectively; (ii) 188 Series A Preferred OP Units at each of June 30, 2023 and 2022; (iii) 126,384 and 126,593 Series C Preferred OP Units at June 30, 2023 and 2022, respectively; and (iv) 4,298,378 and 3,732,125 LTIP units at June 30, 2023 and 2022, respectively, as discussed in the Amended and Restated 2020 Plan (Note 13). Distributions declared for Preferred OP Units are reflected in net income (loss) in the table above.

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

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

(d) Redeemable noncontrolling interests comprise third-party interest in Fund II as limited partners in this Fund have been granted put rights, as further described below.

*Preferred OP Units*

There were no issuances of Preferred OP Units during the six months ended June 30, 2023 or the year ended December 31, 2022.

In 1999, the Operating Partnership issued 1,580 Series A Preferred OP Units in connection with the acquisition of a property, which have a stated value of $1,000 per unit, and are entitled to a preferred quarterly distribution of the greater of (i) $22.50 (9% annually) per Series A Preferred OP Unit or (ii) the quarterly distribution attributable to a Series A Preferred OP Unit if such unit was converted into a Common OP Unit. Through June 30, 2023, 1,392 Series A Preferred OP Units were converted into 185,600 Common OP Units and then into Common Shares. The 188 remaining Series A Preferred OP Units are currently convertible into Common OP Units based on the stated value divided by $7.50. Either the Company or the holders can currently call for the conversion of the Series A Preferred OP Units at the lesser of $7.50 or the market price of the Common Shares as of the conversion date.

During 2016, the Operating Partnership issued 442,478 Common OP Units and 141,593 Series C Preferred OP Units to a third party to acquire Gotham Plaza (Note 4). The Series C Preferred OP Units have a value of $100.00 per unit and are entitled to a preferred quarterly distribution of $0.9375 per unit and are convertible into Common OP Units at a rate based on the share price at the time of conversion. If the share price is below $28.80 on the conversion date, each Series C Preferred OP Unit will be convertible into 3.4722 Common OP Units. If the share price is between $28.80 and $35.20 on the conversion date, each Series C Preferred OP Unit will be convertible into a number of Common OP Units equal to $100.00 divided by the closing share price. If the share price is above $35.20 on the conversion date, each Series C Preferred OP Unit will be convertible into 2.8409 Common OP Units. The Series C Preferred OP Units have a mandatory conversion date of December 31, 2025, at which time all units that have not been converted will automatically be converted into Common OP Units based on the same calculations. Through June 30, 2023, 15,209 Series C Preferred OP Units were converted into 52,613 Common OP Units and then into Common Shares.

***Redeemable Noncontrolling Interests***

*Williamsburg Portfolio*

In connection with the Williamsburg Portfolio acquisition in February 2022 (Note 2), the Company evaluated the Williamsburg Noncontrolling Interest ("NCI"), which represents the venture partner's one-time right to put its 50.01% interest in the property to the Company for redemption at fair value at a future date. As it was unlikely as of the acquisition date that the venture partner would receive any consideration on redemption due to the Company's preferential returns, the initial fair value of the Williamsburg NCI was determined to be zero. The Company is required to periodically evaluate the NCI and adjust it to redemption value. At June 30, 2023 and December 31, 2022, the Company determined that the fair value of the Williamsburg NCI was zero.

*City Point Loan*

In August 2022, the Company provided a loan, through a separate lending subsidiary, to other Fund II investors in City Point, through a separate borrower subsidiary, to fund the investors' pro rata contribution necessary to complete the refinancing of the City Point debt (Note 7), of which $65.9 million was funded at closing ("City Point Loan"). The City Point Loan has a five-year term which matures on August 1, 2027 and is collateralized by the investors' equity in City Point ("City Point NCI"). Because the City Point Loan was granted in return for a capital contribution from the investors, and is collateralized by the City Point NCI, the City Point Loan, net of a $0.5 million allowance for credit loss, and accrued interest are presented as a reduction of the City Point NCI balance. The borrower subsidiary of the City Point Loan was determined to be a VIE for which the Company is not the primary beneficiary. The maximum loss in the VIE is limited to the amount of the City Point Loan and any accrued interest.

In connection with the City Point Loan, each partner has a one-time right to put its City Point NCI to the Company for redemption in exchange for the settlement of its proportion of the City Point Loan amount plus either (i) a fixed cash amount or (ii) a cash amount equal to the value of fixed number of Common Shares of the Company on the trading day prior to the election, at a future point in time beginning in August 2023 ("redemption value"). As a result of granting these redemption rights, the City Point NCI, net of the City Point Loan, has been reclassified and presented as redeemable noncontrolling interests on the Company's consolidated balance sheets. Given the carrying value of the City Point NCI at the time of the transaction exceeded the maximum redemption value, the Company did not recognize any initial adjustment to accrete the City Point NCI to the redemption value. The Company is required to periodically evaluate the maximum redemption amount of the NCI interest and recognize an increase in the carrying value of the City Point NCI if the redemption value exceeds the then current carrying value. At June 30, 2023 and December 31, 2022, the Company determined that the carrying value exceeded the maximum redemption value and no adjustment was required.

**11. Leases**

***As Lessor***

The Company is engaged in the operation of shopping centers and other retail properties that are either owned or, with respect to certain shopping centers, operated under long-term ground leases (see below) that expire at various dates through June 20, 2066, with renewal options. Space in the shopping centers is leased to tenants pursuant to agreements that provide for terms ranging generally from one month to sixty years and generally provide for additional rents based on certain operating expenses as well as tenants' sales volumes. In addition to the lease-specific collectability assessment, the Company also recognizes a general allowance based on the Company's historical collection experience, for its portfolio of operating lease receivables which are not expected to be fully collectible. During the six months ended June 30, 2023 and 2022, the Company earned $30.9 million and $30.2 million, respectively in variable lease revenues, primarily for real estate taxes and common area maintenance charges, which are included in rental income in the consolidated statements of operations.

*Reserve Analysis*

The Company estimates the collectability of its accrued rent and accounts receivable balances related to lease revenue. Management exercises judgment in assessing collectability and considers customer creditworthiness, assessment of risk associated with the tenant, and current economic trends, among other factors. If the Company determines that the accrued rent and/or accounts receivable balances are no longer probable of collection then the balances are written-off and the lease is recognized on a cash basis. During the six months ended June 30, 2023 and 2022, the Company recorded a decrease in its general allowance for credit losses of $1.2 million and an increase of $1.1 million, respectively. As of June 30, 2023 and December 31, 2022, the Company had a general allowance of $4.2 million and $5.4 million, respectively.

During the six months ended June 30, 2023, Fund II received $2.0 million, or $1.1 million at the Company's share, of proceeds from the Century 21 Department Stores LLC bankruptcy claim. The proceeds are recorded in Other income on the Company's condensed consolidated financial statements.

***As Lessee***

During the six months ended June 30, 2023, there were no leasing transactions where the Company acted as lessee.

Additional disclosures regarding the Company's leases as lessee are as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** |
| **Lease Cost** | | | | |
| Finance lease cost: | | | | |
| Amortization of right-of-use assets | $ 225 | 225 | $ 451 | $ 451 |
| Interest on lease liabilities | 108 | 102 | 214 | 202 |
| Subtotal | 333 | 327 | 665 | 653 |
| Operating lease cost | 1,328 | 1,295 | 2,664 | 2,670 |
| Variable lease cost | 73 | 22 | 144 | 42 |
| Total lease cost | $ 1,734 | $ 1,644 | $ 3,473 | $ 3,365 |
| | | | | |
| **Other Information** | | | | |
| Weighted-average remaining lease term - finance leases (years) | | | 31.6 | 32.3 |
| Weighted-average remaining lease term - operating leases (years) | | | 13.3 | 13.8 |
| Weighted-average discount rate - finance leases | | | 6.3 % | 6.3 % |
| Weighted-average discount rate - operating leases | | | 5.1 % | 5.1 % |

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

***Lease Obligations***

The scheduled future minimum (i) rental revenues from rental properties under the terms of non-cancelable tenant leases greater than one year (assuming no new or renegotiated leases for such premises) and (ii) rental payments under the terms of all non-cancelable operating and finance leases in which the Company is the lessee, principally for office space, land and equipment, as of June 30, 2023, are summarized as follows (in thousands):

| | | Minimum Rental Payments | |
|---|---|---|---|
| **Year Ending December 31,** | **Minimum Rental Revenues [(a)]** | **Operating Leases [(b)]** | **Finance Leases [(b)]** |
| 2023 (Remainder) | $ 115,959 | $ 2,697 | $ — |
| 2024 | 237,314 | 5,414 | — |
| 2025 | 211,514 | 5,329 | — |
| 2026 | 184,926 | 5,173 | — |
| 2027 | 161,412 | 4,373 | — |
| Thereafter | 668,805 | 20,067 | 12,549 |
| | 1,579,930 | 43,053 | 12,549 |
| Interest | — | (9,608) | (5,313) |
| Total | $ 1,579,930 | $ 33,445 | $ 7,236 |

a) Amount represents contractual lease maturities at June 30, 2023 including any extension options that management determined were reasonably certain of exercise.
b) Minimum rental payments include $10.0 million of interest related to operating leases and $5.3 million related to finance leases and exclude options or renewals not reasonably certain of exercise.

During the three and six months ended June 30, 2023 and 2022, no single tenant or property collectively comprised more than 10% of the Company’s consolidated total revenues.

**12. Segment Reporting**

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

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

| | For the Three Months Ended June 30, 2023 | | | | |
|---|---|---|---|---|---|
| | Core Portfolio | Funds | Structured Financing | Unallocated | Total |
| Revenues | $ 56,376 | $ 33,572 | $ — | $ — | $ 89,948 |
| Depreciation and amortization | (20,035) | (14,021) | — | — | (34,056) |
| Property operating expenses and real estate taxes | (15,055) | (10,536) | — | — | (25,591) |
| General and administrative expenses | — | — | — | (10,643) | (10,643) |
| Impairment charges | — | — | — | — | — |
| Gain on disposition of properties | — | — | — | — | - |
| Operating income | 21,286 | 9,015 | — | (10,643) | 19,658 |
| Interest and other income | — | — | 4,970 | — | 4,970 |
| Realized and unrealized holding gains on investments and other | 1,815 | — | — | — | 1,815 |
| Equity in earnings (losses) of unconsolidated affiliates | 924 | (2,361) | — | — | (1,437) |
| Interest expense | (10,990) | (11,099) | — | — | (22,089) |
| Income tax provision | — | — | — | (165) | (165) |
| Net income (loss) | 13,035 | (4,445) | 4,970 | (10,808) | 2,752 |
| Net loss attributable to redeemable noncontrolling interests | — | 1,091 | — | — | 1,091 |
| Net (income) loss attributable to noncontrolling interests | (735) | 6,168 | — | — | 5,433 |
| Net income attributable to Acadia | $ 12,300 | $ 2,814 | $ 4,970 | $ (10,808) | $ 9,276 |

| | For the Three Months Ended June 30, 2022 | | | | |
|---|---|---|---|---|---|
| | Core Portfolio | Funds | Structured Financing | Unallocated | Total |
| Revenues | $ 53,225 | $ 31,034 | $ — | $ — | $ 84,259 |
| Depreciation and amortization | (20,061) | (14,910) | — | — | (34,971) |
| Property operating expenses and real estate taxes | (14,932) | (10,263) | — | — | (25,195) |
| General and administrative expenses | — | — | — | (10,661) | (10,661) |
| Gain on disposition of properties | — | 12,216 | — | — | 12,216 |
| Operating income | 18,232 | 18,077 | — | (10,661) | 25,648 |
| Interest and other income | — | — | 2,961 | — | 2,961 |
| Realized and unrealized holding (losses) gains on investments and other | — | (26,383) | 100 | — | (26,283) |
| Equity in earnings of unconsolidated affiliates | 788 | 492 | — | — | 1,280 |
| Interest expense | (8,519) | (10,703) | — | — | (19,222) |
| Income tax provision | — | — | — | (209) | (209) |
| Net income (loss) | 10,501 | (18,517) | 3,061 | (10,870) | (15,825) |
| Net (income) loss attributable to noncontrolling interests | (366) | 15,817 | — | — | 15,451 |
| Net income (loss) attributable to Acadia | $ 10,135 | $ (2,700) | $ 3,061 | $ (10,870) | $ (374) |

| | As of or for the Six Months Ended June 30, 2023 | | | | |
|---|---|---|---|---|---|
| | Core Portfolio | Funds | Structured Financing | Unallocated | Total |
| Revenues | $ 106,172 | $ 65,615 | $ — | $ — | $ 171,787 |
| Depreciation and amortization | (38,694) | (28,535) | — | — | (67,229) |
| Property operating expenses and real estate taxes | (31,164) | (21,039) | — | — | (52,203) |
| General and administrative expenses | — | — | — | (20,589) | (20,589) |
| Operating income | 36,314 | 16,041 | — | (20,589) | 31,766 |
| Interest and other income | — | — | 9,788 | — | 9,788 |
| Realized and unrealized holding gains on investments and other | 3,393 | 24,995 | 184 | — | 28,572 |
| Equity in earnings (losses) of unconsolidated affiliates | 2,723 | (4,131) | — | — | (1,408) |
| Interest expense | (21,660) | (22,016) | — | — | (43,676) |
| Income tax provision | — | — | — | (288) | (288) |
| Net income | 20,770 | 14,889 | 9,972 | (20,877) | 24,754 |
| Net loss attributable to redeemable noncontrolling interests | — | 3,166 | — | — | 3,166 |
| Net income attributable to noncontrolling interests | (1,637) | (3,647) | — | — | (5,284) |
| Net income attributable to Acadia | $ 19,133 | $ 14,408 | $ 9,972 | $ (20,877) | $ 22,636 |
| | | | | | |
| Real estate at cost [(a)] | $ 2,613,206 | $ 1,669,773 | $ — | $ — | $ 4,282,979 |
| Total assets [(a)] | $ 2,580,565 | $ 1,499,692 | $ 123,902 | $ — | $ 4,204,159 |
| Cash paid for acquisition of real estate | $ — | $ — | $ — | $ — | $ — |
| Cash paid for development and property improvement costs | $ 15,560 | $ 15,010 | $ — | $ — | $ 30,570 |

| | As of or for the Six Months Ended June 30, 2022 | | | | |
|---|---|---|---|---|---|
| | Core Portfolio | Funds | Structured Financing | Unallocated | Total |
| Revenues | $ 101,574 | $ 64,192 | $ — | $ — | $ 165,766 |
| Depreciation and amortization | (37,736) | (30,948) | — | — | (68,684) |
| Property operating expenses and real estate taxes | (29,572) | (20,253) | — | — | (49,825) |
| General and administrative expenses | — | — | — | (22,598) | (22,598) |
| Gain on disposition of properties | — | 41,031 | — | — | 41,031 |
| Operating income | 34,266 | 54,022 | — | (22,598) | 65,690 |
| Interest and other income | — | — | 5,896 | — | 5,896 |
| Realized and unrealized holding gains (losses) on investments and other | 1,163 | (11,816) | 100 | — | (10,553) |
| Equity in earnings of unconsolidated affiliates | 2,405 | 2,005 | — | — | 4,410 |
| Interest expense | (16,115) | (21,032) | — | — | (37,147) |
| Income tax provision | — | — | — | (24) | (24) |
| Net income | 21,719 | 23,179 | 5,996 | (22,622) | 28,272 |
| Net income attributable to noncontrolling interests | (1,486) | (10,322) | — | — | (11,808) |
| Net income attributable to Acadia | $ 20,233 | $ 12,857 | $ 5,996 | $ (22,622) | $ 16,464 |
| | | | | | |
| Real estate at cost [(a)] | $ 2,606,083 | $ 1,729,074 | $ — | $ — | $ 4,335,157 |
| Total assets [(a)] | $ 2,513,011 | $ 1,788,567 | $ 137,306 | $ — | $ 4,438,884 |
| Cash paid for acquisition of real estate | $ 242,633 | $ — | $ — | $ — | $ 242,633 |
| Cash paid for development and property improvement costs | $ 16,248 | $ 9,033 | $ — | $ — | $ 25,281 |

a) Real estate at cost and total assets for the Funds segment include $672.7 million and $660.0 million, or $275.9 million and $270.7 million net of noncontrolling interests, related to Fund II’s City Point property at June 30, 2023 and 2022, respectively.

## 13. Share Incentive and Other Compensation

### *Share Incentive Plan*

In March and May of 2020, respectively, the Board and the Company’s shareholders, approved the 2020 Share Incentive Plan (the “2020 Plan”), which increased the number of Common Shares authorized for issuance by 2,650,000 shares to an aggregate of 2,829,953 shares. On March 22, 2023 and May 4, 2023, respectively, the Board and the Company’s shareholders approved the Amended and Restated 2020 Share Incentive Plan (the "Amended and Restated 2020 Plan") which further increased the number of Common Shares authorized for issuance by 3,100,000 to an aggregate of 3,883,564 shares (Note 16). In this report, references to issuances, compensation arrangements and expenses under the Amended and Restated 2020 Plan include issuances, compensation arrangements and expenses under the originally adopted 2020 Plan, as applicable. The 2020 Plan and the Amended and Restated 2020 Plan authorize 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 June 30, 2023 a total of 3,798,208 shares remained available to be issued under the Amended and Restated 2020 Plan.

*Restricted Shares and LTIP Units - Employees*

During the six months ended June 30, 2023, the Company issued 739,734 LTIP Units and 22,314 restricted share units (“Restricted Share Units”), to employees of the Company pursuant to the Amended and Restated 2020 Plan. These awards were measured at their fair value on the grant date, incorporating the following factors:

- A portion of these annual equity awards is granted in performance-based Restricted Share Units or LTIP Units that may be earned based on the Company’s attainment of specified relative total shareholder returns (“Relative TSR”) hurdles or specified same-property net operating income growth ("Absolute SSNOI Growth").
- In the event the Relative TSR percentile falls between the 25th percentile and the 50th percentile, the Relative TSR vesting percentage is determined using a straight-line linear interpolation between 50% and 100% and in the event that the Relative TSR percentile falls between the 50th percentile and 75th percentile, the Relative TSR vesting percentage is determined using a straight-line linear interpolation between 100% and 200%.
- Fifty percent (50%) of the performance-based LTIP Units will vest based on the Company’s total shareholder return (“TSR”) for the three-year forward-looking performance period relative to the constituents of the National Association of Real Estate Investment Trusts (“NAREIT”) Shopping Center Property Subsector and twenty five percent (25%) on the Company’s TSR for the three-year forward-looking performance period as compared to the constituents of the NAREIT Retail Property Sector (both on a non-weighted basis).
- Twenty five percent (25%) of the performance-based LTIP Units will vest based on the Company's same-property net operating income ("SSNOI") growth for the three-year forward-looking performance period. If the Company achieves annualized SSNOI growth between 2% and 3%, the Absolute SSNOI Growth vesting percentage is determined using a straight-line linear interpolation between 50% and 100% and in the event that the Company achieves annualized SSNOI growth between 3% and 4%, the Absolute SSNOI Growth vesting percentage is determined using a straight-line linear interpolation between 100% and 200%.
- If the Company’s performance fails to achieve the aforementioned hurdles at the culmination of the three-year performance period, all performance-based shares will be forfeited. Any earned performance-based shares vest 60% at the end of the performance period, with the remaining 40% of shares vesting ratably over the next two years.

For valuation of the 2023 and 2022 Performance Shares, a Monte Carlo simulation was used to estimate the fair values of the Relative TSR portion based on probability of satisfying the market conditions and the projected share prices at the time of payments, discounted to the valuation dates over the three-year performance periods. The assumptions include volatility (48.0% and 49.0%) and risk-free interest rates of (4.3% and 1.7%) for 2023 and 2022, respectively. The total fair value of the 2023 and 2022 Performance Shares will be expensed over the vesting period.

The total fair value of the above Restricted Share Units and LTIP Units as of the grant date was $11.5 million for the six months ended June 30, 2023 and $13.1 million for the year ended December 31, 2022. Total long-term incentive compensation expense, including the expense related to the Amended and Restated 2020 Plan, was $2.8 million and $2.2 million for the three months ended June 30, 2023 and 2022, respectively, and $5.7 million and $3.2 million for the six months ended June 30, 2023 and 2022, respectively, and is recorded in General and administrative in the consolidated statements of operations.

*Restricted Shares and LTIP Units - Board of Trustees*

In addition, members of the Board have been issued shares and units under the Amended and Restated 2020 Plan. During the six months ended June 30, 2023, the Company issued 40,459 LTIP Units and 45,882 Restricted Shares to Trustees of the Company in connection with Trustee fees.

Vesting with respect to 10,427 of the LTIP Units and 15,850 of the Restricted Shares will be on the first anniversary of the date of issuance and 30,032 of the LTIP Units and 30,032 of the Restricted Shares vest over three years with 33% vesting on each of the next three anniversaries of the issuance date. Additionally, during the six months ended June 30, 2023, the Company issued 2,433 Restricted Shares as compensation to a new Trustee of the Company. These Restricted Shares vest over three years with 33% vesting May 9, 2023 and the remaining amount vesting ratably on May 9, 2024 and May 9, 2025. The Restricted Shares do not carry voting rights or other rights of Common Shares until vesting and may not be transferred, assigned or pledged until the recipients have a vested non-forfeitable right to such shares. Dividends are not paid currently on unvested Restricted Shares, but are paid cumulatively from the issuance date through the applicable vesting date of such Restricted Shares. Total trustee fee expense, including the expense related to the Amended and Restated 2020 Plan, was $1.1 million and $0.8 million for the six months ended June 30, 2023 and 2022, respectively, and $0.5 million and $0.4 million for the three months ended June 30, 2023 and 2022, respectively, and is recorded in General and administrative in the consolidated statements of operations.

*Long-Term Investment Alignment Program*

In 2009, the Company adopted the Long-Term Investment Alignment Program (the "Program") pursuant to which the Company may grant awards to employees, entitling them to receive up to 25% of any potential future payments of Promote to the Operating Partnership from Funds III, IV and V. The Company has granted such awards to employees representing 25% of the potential Promote payments from Fund III to the Operating Partnership, 23.1% of the potential Promote payments from Fund IV to the Operating Partnership and 18.0% of the potential Promote payments from Fund V to the Operating Partnership. Payments to senior executives under the Program require further Board approval at the time any potential payments are due pursuant to these grants. Compensation relating to these awards will be recognized in each reporting period in which Board approval is granted.

As payments to other employees are not subject to further Board approval, compensation relating to these awards will be recorded based on the estimated fair value at each reporting period in accordance with ASC Topic 718, *Compensation– Stock Compensation.* The awards in connection with Fund IV were determined to have no intrinsic value as of June 30, 2023 or December 31, 2022.

The Company recognized $0.2 million of compensation expense related to the Program for the six months ended June 30, 2023 related to Funds III and V.

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

| **Unvested Restricted Shares and LTIP Units** | **Common Restricted Shares** | **Weighted Grant-Date Fair Value** | **LTIP Units** | **Weighted Grant-Date Fair Value** |
|---|---|---|---|---|
| **Unvested at December 31, 2021** | **89,746** | **$ 16.87** | **1,415,195** | **$ 20.85** |
| Granted | 45,813 | 20.98 | 637,818 | 21.04 |
| Vested | (40,894) | 19.75 | (309,283) | 22.86 |
| Forfeited | (1,930) | 31.82 | (278,332) | 31.16 |
| **Unvested at December 31, 2022** | **92,735** | **17.31** | **1,465,398** | **18.59** |
| Granted | 68,196 | 14.10 | 780,193 | 15.00 |
| Vested | (41,268) | 19.09 | (354,352) | 20.35 |
| Forfeited | (2,050) | 33.24 | (92,589) | 30.78 |
| **Unvested at June 30, 2023** | **117,613** | **$ 14.54** | **1,798,650** | **$ 16.03** |

The weighted-average grant date fair value for Restricted Shares and LTIP Units granted for the six months ended June 30, 2023 and the year ended December 31, 2022 were $14.92 and $21.04, respectively. As of June 30, 2023, there was $21.8 million of total unrecognized compensation cost related to unvested share-based compensation arrangements granted under the Amended and Restated 2020 Plan. That cost is expected to be recognized over a weighted-average period of 1.6 years. The total fair value of Restricted Shares that vested during the six months ended June 30, 2023 and the year ended December 31, 2022, was $0.8 million and $0.8 million, respectively. The total fair value of LTIP Units that vested (LTIP units vest primarily during the first quarter) during the six months ended June 30, 2023 and the year ended December 31, 2022, was $7.2 million and $7.1 million, respectively.

***Other Plans***

On a combined basis, the Company incurred a total of $0.3 million of compensation expense related to the following employee benefit plans for each of the six months ended June 30, 2023 and 2022, 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 for a maximum aggregate issuance of 200,000 Common Shares. 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. A total of 8,114 and 3,674 Common Shares were purchased by employees under the Purchase Plan for the six months ended June 30, 2023 and 2022, respectively, and 180,529 shares remained available to be issued under the Purchase Plan.

*Deferred Share Plan*

The Company maintains a Trustee Deferral and Distribution Election program, 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 $22,500, for the year ending December 31, 2023.

**14. Earnings Per Common Share**

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

Diluted earnings per Common Share reflects the potential dilution of the conversion of obligations and the assumed exercises of securities including the effects of Restricted Share Units issued under the Company's Amended and Restated 2020 Plan (Note 13). The effect of such shares is excluded from the calculation of earnings per share when anti-dilutive as indicated in the table below.

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| **(dollars in thousands)** | **2023** | **2022** | **2023** | **2022** |
| **Numerator:** | | | | |
| Net income (loss) attributable to Acadia shareholders | $ 9,276 | $ (374) | $ 22,636 | $ 16,464 |
| Less: earnings attributable to unvested participating securities | (247) | — | (490) | (408) |
| Income (loss) from continuing operations net of income attributable to participating securities for basic earnings per share | $ 9,029 | $ (374) | $ 22,146 | $ 16,056 |
| **Denominator:** | | | | |
| Weighted average shares for basic earnings per share | 95,259,924 | 94,944,772 | 95,224,901 | 94,119,752 |
| Weighted average shares for diluted earnings per share | 95,259,924 | 94,944,772 | 95,224,901 | 94,119,752 |
| Basic earnings per Common Share from continuing operations attributable to Acadia | $ 0.09 | $ 0.00 | $ 0.23 | $ 0.17 |
| Diluted earnings per Common Share from continuing operations attributable to Acadia | $ 0.09 | $ 0.00 | $ 0.23 | $ 0.17 |
| **Anti-Dilutive Shares Excluded from Denominator:** | | | | |
| Series A Preferred OP Units | 188 | 188 | 188 | 188 |
| Series A Preferred OP Units - Common share equivalent | 25,067 | 25,067 | 25,067 | 25,067 |
| Series C Preferred OP Units | 126,384 | 126,593 | 126,384 | 126,593 |
| Series C Preferred OP Units - Common share equivalent | 438,831 | 439,556 | 438,831 | 439,556 |
| Restricted shares | 96,143 | 69,948 | 96,143 | 69,948 |

**15. Variable Interest Entities**

Pursuant to GAAP consolidation guidance, the Company consolidates certain VIEs for which the Company is the primary beneficiary. As of June 30, 2023 and December 31, 2022, the Company has identified seven consolidated VIEs, including the Operating Partnership and the Funds. Excluding the Operating Partnership and the Funds, the VIEs consisted of two in-service core properties: the Williamsburg Portfolio and 239 Greenwich Avenue. The Operating Partnership is considered a VIE in which the Company is the primary beneficiary because the limited partners do not have substantive kick-out or participating rights. The Company consolidates these VIEs because it is the primary beneficiary in which the Company has (i) the power to direct the activities of the entity that most significantly impact the entity's economic performance, and (ii) the obligation to absorb the entity's losses or receive benefits from the entity that could potentially be significant to the entity. The third parties' interests in these consolidated entities are reflected as noncontrolling interests in the accompanying condensed consolidated financial statements and in Note 10.

The majority of the operations of these VIEs are funded with fees earned from investment opportunities or cash flows generated from the properties. The Company has not provided financial support to any of these VIEs that it was not previously contractually required to provide, which consists primarily of funding any capital commitments and capital expenditures, which are deemed necessary to continue to operate the entity and any operating cash shortfalls the entity may experience.

Since the Company conducts its business through and substantially all of its interests are held by the Operating Partnership, substantially all of the assets and liabilities on the consolidated balance sheets represent the assets and liabilities of the Operating Partnership. As of June 30, 2023 and December 31, 2022, the consolidated balance sheets include the following assets and liabilities of the consolidated VIEs of the Operating Partnership:

| (dollars in thousands) | June 30, 2023 | December 31, 2022 |
|---|---|---|
| **VIE ASSETS** | | |
| Operating real estate, net | $ 1,525,238 | $ 1,466,381 |
| Real estate under development | 63,308 | 129,888 |
| Investments in and advances to unconsolidated affiliates | 108,031 | 210,922 |
| Other assets, net | 90,164 | 98,675 |
| Right-of-use assets - operating leases, net | 2,326 | 2,535 |
| Cash and cash equivalents | 12,008 | 13,330 |
| Restricted cash | 12,246 | 14,995 |
| Rents receivable, net | 17,710 | 17,915 |
| Total VIE assets [a] | $ 1,831,031 | $ 1,954,641 |
| | | |
| **VIE LIABILITIES** | | |
| Mortgage and other notes payable, net | $ 768,844 | $ 761,166 |
| Unsecured notes payable, net | 1,996 | 51,202 |
| Accounts payable and other liabilities | 91,803 | 95,385 |
| Lease liability - operating leases, net | 2,437 | 2,657 |
| Total VIE liabilities [a] | $ 865,080 | $ 910,410 |

(a) At June 30, 2023 and December 31, 2022, includes total VIE assets of $677.8 million and $678.1 million, respectively, and total VIE liabilities of $204.9 million and $200.4 million, respectively, related to third-party mortgages that are collateralized by the real estate assets of City Point, a Fund II property, and 27 East 61st Street, 801 Madison Avenue, and 1035 Third Avenue, all Fund IV properties, of which $72.5 million is guaranteed by the Operating Partnership (Note 9). The remaining VIE assets are generally encumbered by third-party non-recourse mortgage debt and are collateral under the respective mortgages and are therefore restricted and can only be used to settle the corresponding liabilities of the VIE. The remaining VIE assets may only be used to settle obligations of these consolidated VIEs and the remaining VIE liabilities are only the obligations of these consolidated VIEs and they do not have recourse to the Operating Partnership or the Company.

The Company also holds variable interest in certain VIEs which are not consolidated as it is determined that the Company is not the primary beneficiary (Note 4). As of June 30, 2023 and December 31, 2022, the Company has determined that the following entities are VIEs: 1238 Wisconsin Avenue and Georgetown Portfolio. The Company's involvement with these entities is in the form of direct and indirect equity interests and fee arrangements. The maximum exposure to loss is limited to the amount of the Company's equity investment in these VIEs, except with regard to the Company's remaining $1.3 million construction commitment related to its investment in 1238 Wisconsin. The Company's aggregate investment in the unconsolidated VIEs assets was $44.7 million and $41.5 million at June 30, 2023 and December 31, 2022, respectively. The Company's aggregate investment in unconsolidated VIEs liabilities was $39.5 million and $49.2 million at June 30, 2023 and December 31, 2022, respectively.

**16. Subsequent Events**

On July 3, 2023, Fund V acquired a shopping center, Cypress Creek, located in Tampa, Florida for approximately $49.4 million inclusive of transaction costs.

On July 7, 2023, Fund III modified its $35.9 million mortgage loan at its 640 Broadway property and extended the maturity date to October 9, 2023.

On July 15, 2023 a non-recourse Fund IV loan with an outstanding balance of $19.3 million, or $4.5 million at our share, matured and was in default. The loan accrues default interest at a rate of 4.00% per annum in excess of the interest rate.

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

## OVERVIEW

As of June 30, 2023, we own or have an ownership interest in 200 properties held through our Core Portfolio and Funds. Our Core Portfolio consists of those properties either 100% owned, or partially owned through joint venture interests, by the Operating Partnership, or subsidiaries thereof, not including those properties owned through our Funds. These properties primarily consist of street and urban retail, and suburban shopping centers. Our Funds are investment vehicles through which our Operating Partnership and outside institutional investors invest in primarily opportunistic and value-add retail real estate. Currently, we have active investments in four Funds. A summary of our wholly-owned and partially-owned retail properties and their physical occupancies at June 30, 2023 is as follows:

| | Number of Properties | | Operating Properties | |
|---|---|---|---|---|
| | Development or Redevelopment | Operating | GLA | Occupancy |
| **Core Portfolio:** | | | | |
| Chicago Metro | 3 | 36 | 590,347 | 85.7 % |
| New York Metro | — | 29 | 394,588 | 90.6 % |
| Los Angeles Metro | — | 2 | 23,757 | 100.0 % |
| San Francisco Metro | 2 | — | — | 0.0 % |
| Dallas Metro | 2 | 14 | 121,386 | 84.3 % |
| Washington DC Metro | 1 | 31 | 344,469 | 88.6 % |
| Boston Metro | — | 1 | 1,050 | 100.0 % |
| Suburban | 3 | 25 | 3,910,072 | 93.3 % |
| Total Core Portfolio | 11 | 138 | 5,385,669 | 91.8 % |
| Acadia Share of Total Core Portfolio | 11 | 138 | 5,024,780 | 92.2 % |
| **Fund Portfolio:** | | | | |
| Fund II | — | 1 | 536,278 | 66.3 % |
| Fund III | 1 | 1 | 4,637 | 91.6 % |
| Fund IV | 1 | 26 | 696,627 | 89.0 % |
| Fund V | — | 21 | 7,119,205 | 92.3 % |
| Total Fund Portfolio | 2 | 49 | 8,356,747 | 90.3 % |
| Acadia Share of Total Fund Portfolio | 2 | 49 | 1,824,344 | 87.6 % |
| Total Core and Funds | 13 | 187 | 13,742,416 | 90.9 % |
| Acadia Share of Total Core and Funds | 13 | 187 | 6,849,124 | 91.0 % |

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

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

- Own and operate a Core Portfolio of high-quality retail properties located primarily in high-barrier-to-entry, densely populated metropolitan areas and create value through accretive development and re-tenanting activities coupled with the acquisition of high-quality assets that have the long-term potential to outperform the asset class as part of our Core asset recycling and acquisition initiative.
- Generate additional external growth through an opportunistic yet disciplined acquisition program within our Funds. We target transactions with high inherent opportunity for the creation of additional value through:
  - value-add investments in street retail properties, located in established and "next generation" submarkets, with re-tenanting or repositioning opportunities,
  - opportunistic acquisitions of well-located real-estate anchored by distressed retailers, and
  - other opportunistic acquisitions which may include high-yield acquisitions and purchases of distressed debt.
- Some of these investments historically have also included, and may in the future include, joint ventures with private equity investors for the purpose of making investments in operating retailers with significant embedded value in their real estate assets.
- Maintain a strong and flexible balance sheet through conservative financial practices while ensuring access to sufficient capital to fund future growth.

## SIGNIFICANT DEVELOPMENTS DURING THE SIX MONTHS ENDED JUNE 30, 2023 AND SUBSEQUENT EVENTS

### Investments

During the six months ended June 30, 2023, Fund V acquired one unconsolidated property on January 27, 2023, Mohawk Commons, located in Schenectady, New York, for $62.1 million, inclusive of transaction costs (Note 4). On July 3, 2023, Fund V acquired a shopping center, Cypress Creek, located in Tampa, Florida, for $49.4 million, inclusive of transaction costs (Note 16).

On January 20, 2023, through Mervyns II we received a special cash dividend of $28.2 million from our investment in Albertsons, of which our share was $11.3 million. Additionally, following the expiration of the lock-up period and distribution of 2.5 million shares of Albertsons to our partners, we directly own 1.6 million shares of Albertsons (Note 4, Note 8).

### Financing Activity

During the six months ended June 30, 2023, we (Note 7):

- extended four Fund mortgages, two of which were extended in the first quarter totaling $58.0 million (excluding principal reductions of $0.2 million), and two of which were extended in the second quarter totaling $61.3 million;
- refinanced three Fund mortgages in the second quarter totaling $78.4 million;
- through Fund V, entered into one new mortgage at an unconsolidated property for $39.7 million, refinanced a $36.0 million mortgage loan at an unconsolidated property;
- through Fund IV extended a $21.8 million property mortgage at an unconsolidated property;
- through Fund V modified its subscription line and extended the maturity date to November 1, 2023; and
- made scheduled principal payments of $3.8 million.

### Structured Financing Investments

During the six months ended June 30, 2023, we funded $3.8 million of a $12.8 million construction loan commitment to an unconsolidated venture (Note 4). Through Fund V, we refinanced a $31.7 million bridge loan at an unconsolidated property that was originated by Fund V at acquisition with the aforementioned $36.0 million mortgage loan.

### Economic and Other Considerations

The year ended December 31, 2022 and quarter ended June 30, 2023 were impacted by significant volatility in global markets, largely driven by rising inflation, rising interest rates, slowing economic growth, geopolitical uncertainty and instability in the banking sector following multiple bank failures. The rate hikes enacted by the Federal Reserve have had a significant impact on interest rate indexes such as LIBOR, SOFR and the Prime Rate and cost of borrowing. We manage our exposure to fluctuations in interest rates primarily through the use of fixed-rate debt and interest rate swap and cap agreements. We believe we manage our properties in a cost-conscious manner to minimize recurring operational expenses and utilize multi-year contracts to alleviate the impact of inflation on our business and our tenants. We also continue to see consumer confidence and we expect to continue to add value to our portfolio by executing on our current leasing momentum, our active development and redevelopment projects, and leasing pipeline. Except for increased interest costs, we have not experienced any material negative impacts at this time and we intend to actively manage our business to respond to the ongoing economic and social impact from such events.

On April 23, 2023, Bed Bath and Beyond, Inc. (“Bed Bath and Beyond”) filed Chapter 11 bankruptcy protection. Bed Bath and Beyond has leases at two locations within our Core Portfolio and three locations in our Fund Portfolio, with aggregate GLA of 124,432 square feet and 59,391 square feet, representing 2.1% and 0.7% of Core and Fund GLA, respectively. As a result of their bankruptcy filing, Bed Bath and Beyond has rejected both leases within our Core Portfolio and one lease within our Fund Portfolio. Regarding the other two leases within the Fund Portfolio, one has been assumed by another tenant and one is in the bankruptcy auction process. As a result of the bankruptcy filing, for the six months ended June 30, 2023, we have accelerated the amortization of the below-market lease intangibles of $8.1 million related to the Bed Bath and Beyond lease terminations. In addition, during the first quarter, we signed a new 15-year lease for the entirety of one of the locations in the Core Portfolio. While our exposure in the Fund portfolio is limited, and we have not experienced any material negative impacts at this time, the bankruptcy of any of our tenants, which may cause them to reject their leases, or not to renew their leases as they expire, could have an adverse effect on our cash flows or property values..

**RESULTS OF OPERATIONS**

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

***Comparison of Results for the Three Months Ended June 30, 2023 to the Three Months Ended June 30, 2022***

The results of operations by reportable segment for the three months ended June 30, 2023 compared to the three months ended June 30, 2022 are summarized in the table below (in millions, totals may not add due to rounding):

| | **Three Months Ended June 30, 2023** | | | | **Three Months Ended June 30, 2022** | | | | **Increase (Decrease)** | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Core** | **Funds** | **SF** | **Total** | **Core** | **Funds** | **SF** | **Total** | **Core** | **Funds** | **SF** | **Total** |
| Revenues | $ 56.4 | $ 33.6 | $ — | $ 89.9 | $ 53.2 | $ 31.0 | $ — | $ 84.3 | $ 3.2 | $ 2.6 | $ — | $ 5.6 |
| Depreciation and amortization | (20.0) | (14.0) | — | (34.1) | (20.1) | (14.9) | — | (35.0) | (0.1) | (0.9) | — | (0.9) |
| Property operating expenses and real estate taxes | (15.1) | (10.5) | — | (25.6) | (14.9) | (10.3) | — | (25.2) | 0.2 | 0.2 | — | 0.4 |
| General and administrative expenses | — | — | — | (10.6) | — | — | — | (10.7) | — | — | — | (0.1) |
| Gain on disposition of properties | — | — | — | — | — | 12.2 | — | 12.2 | — | (12.2) | — | (12.2) |
| **Operating income** | 21.3 | 9.0 | — | 19.7 | 18.2 | 18.1 | — | 25.6 | 3.1 | (9.1) | — | (5.9) |
| Interest and other income | — | — | 5.0 | 5.0 | — | — | 3.0 | 3.0 | — | — | 2.0 | 2.0 |
| Realized and unrealized holding gains (losses) on investments and other | 1.8 | — | — | 1.8 | — | (26.4) | 0.1 | (26.3) | 1.8 | 26.4 | (0.1) | 28.1 |
| Equity in earnings (losses) of unconsolidated affiliates | 0.9 | (2.4) | — | (1.4) | 0.8 | 0.5 | — | 1.3 | 0.1 | (2.9) | — | (2.7) |
| Interest expense | (11.0) | (11.1) | — | (22.1) | (8.5) | (10.7) | — | (19.2) | 2.5 | 0.4 | — | 2.9 |
| Income tax (provision) benefit | — | — | — | (0.2) | — | — | — | (0.2) | — | — | — | — |
| **Net income (loss)** | 13.0 | (4.4) | 5.0 | 2.8 | 10.5 | (18.5) | 3.1 | (15.8) | 2.5 | 14.1 | 1.9 | 18.6 |
| Net loss attributable to redeemable noncontrolling interests | — | 1.1 | — | 1.1 | — | — | — | — | — | 1.1 | — | 1.1 |
| Net (income) loss attributable to noncontrolling interests | (0.7) | 6.2 | — | 5.4 | (0.4) | 15.8 | — | 15.5 | (0.3) | (9.6) | — | (10.1) |
| **Net income attributable to Acadia** | $ 12.3 | $ 2.8 | $ 5.0 | $ 9.3 | $ 10.1 | $ (2.7) | $ 3.1 | $ (0.4) | $ 2.2 | $ 5.5 | $ 1.9 | $ 9.7 |

*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 $2.2 million for the three months ended June 30, 2023 compared to the prior year period as a result of the changes further described below.

Revenues for our Core Portfolio increased $3.2 million for the three months ended June 30, 2023 compared to the prior year period primarily due to (i) a $7.8 million acceleration of a below market lease for a bankrupt tenant, and (ii) $2.0 million from Core tenant lease up in 2022 and 2023, offset by (i) a $2.8 million decrease from termination income received in 2022, (ii) $2.7 million decrease from vacating tenants and (iii) a $0.7 million increase associated with revenues deemed uncollectible in 2023.

Realized and unrealized holding gains (losses) on investments and other for our Core Portfolio increased $1.8 million for the three months ended June 30, 2023 compared to the prior year period primarily due to the mark-to-market adjustment on the Investment in Albertsons in 2023. In January 2023, following the expiration of the lock-up period and distribution of approximately 2.5 million shares by Mervyns II to its partners, the Company directly owns 1.6 million shares of Albertsons at June 30, 2023, which are now included in the Core portfolio (Note 4, Note 8).

Interest expense for our Core Portfolio increased $2.5 million for the three months ended June 30, 2023 compared to the prior year period primarily due to higher average outstanding borrowings and interest rates in 2023 (Note 7).

*Funds (all amounts below are consolidated amounts and are not representative of our proportionate share)*

The results of operations for our Funds segment are depicted in the table above under the headings labeled "Funds." Segment net income attributable to Acadia for the Funds increased $5.5 million for the three months ended June 30, 2023 compared to the prior year period as a result of the changes described below.

Revenues for the Funds increased $2.6 million for the three months ended June 30, 2023 compared to the prior year period primarily due to (i) $2.8 million from new tenant lease up in 2022 and 2023 and (ii) $2.0 million from settlement income related to a tenant. These increases were offset by (i) $1.2 million from Fund property dispositions in 2022 and (ii) a $0.8 million increase associated with revenues deemed uncollectible in 2023.

Gain on disposition of properties for the Funds decreased $12.2 million for the three months ended June 30, 2023 compared to the prior year period due to the sale of Lincoln Place at Fund V in 2022 (Note 2).

Realized and unrealized holding gains on investments and other for the Funds increased $26.4 million for the three months ended June 30, 2023 compared to the prior year period primarily due to the $26.9 million mark-to-market adjustment and dividend income received on the Investment in Albertsons in 2023. In January 2023, following the expiration of the lock-up period and distribution of approximately 2.5 million shares by Mervyns II to its partners, the Company directly owns 1.6 million shares of Albertsons at June 30, 2023, which are now included in the Core portfolio (Note 4, Note 8).

Equity in earnings (losses) of unconsolidated affiliates for the Funds decreased $2.9 million for the three months ended June 30, 2023 compared to the prior year period primarily due to new unconsolidated Fund acquisitions in 2022 and 2023 (Note 4).

Net loss attributable to redeemable noncontrolling interests for the Funds increased $1.1 million for the three months ended June 30, 2023 compared to the prior year period due to the issuance of the City Point Loan in August 2022 (Note 10). The Company did not allocate any income to redeemable noncontrolling interests for the Funds for the three months ended June 30, 2022.

Net (income) loss attributable to noncontrolling interests for the Funds decreased $9.6 million for the three months ended June 30, 2023 compared to the prior year period based on the noncontrolling interests' share of the variances discussed above. Net income attributable to noncontrolling interests in the Funds includes asset management fees earned by the Company of $2.3 million and $2.4 million for the three months ended June 30, 2023 and 2022, respectively.

*Structured Financing*

Interest and other income for the Structured Financing portfolio increased $2.0 million for the three months ended June 30, 2023 compared to the prior year period primarily due to the City Point loan issued during 2022 (Note 10).

*Unallocated*

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

***Comparison of Results for the Six Months Ended June 30, 2023 to the Six Months Ended June 30, 2022***

The results of operations by reportable segment for the six months ended June 30, 2023 compared to the six months ended June 30, 2022 are summarized in the table below (in millions, totals may not add due to rounding):

| | Six Months Ended June 30, 2023 | | | | Six Months Ended June 30, 2022 | | | | Increase (Decrease) | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Core** | **Funds** | **SF** | **Total** | **Core** | **Funds** | **SF** | **Total** | **Core** | **Funds** | **SF** | **Total** |
| Revenues | $ 106.2 | $ 65.6 | $ — | $ 171.8 | $ 101.6 | $ 64.2 | $ — | $ 165.8 | $ 4.6 | $ 1.4 | $ — | $ 6.0 |
| Depreciation and amortization | (38.7) | (28.5) | — | (67.2) | (37.7) | (30.9) | — | (68.7) | 1.0 | (2.4) | — | (1.5) |
| Property operating expenses and real estate taxes | (31.2) | (21.0) | — | (52.2) | (29.6) | (20.3) | — | (49.8) | 1.6 | 0.7 | — | 2.4 |
| General and administrative expenses | — | — | — | (20.6) | — | — | — | (22.6) | — | — | — | (2.0) |
| Gain on disposition of properties | — | — | — | — | — | 41.0 | — | 41.0 | — | (41.0) | — | (41.0) |
| **Operating income (loss)** | 36.3 | 16.0 | — | 31.8 | 34.3 | 54.0 | — | 65.7 | 2.0 | (38.0) | — | (33.9) |
| Interest and other income | — | — | 9.8 | 9.8 | — | — | 5.9 | 5.9 | — | — | 3.9 | 3.9 |
| Realized and unrealized holding gains (losses) on investments and other | 3.4 | 25.0 | 0.2 | 28.6 | 1.2 | (11.8) | 0.1 | (10.6) | 2.2 | 36.8 | 0.1 | 39.2 |
| Equity in (losses) earnings of unconsolidated affiliates | 2.7 | (4.1) | — | (1.4) | 2.4 | 2.0 | — | 4.4 | 0.3 | (6.1) | — | (5.8) |
| Interest expense | (21.7) | (22.0) | — | (43.7) | (16.1) | (21.0) | — | (37.1) | 5.6 | 1.0 | — | 6.6 |
| Income tax benefit (provision) | — | — | — | (0.3) | — | — | — | - | — | — | — | (0.3) |
| **Net income (loss)** | 20.8 | 14.9 | 10.0 | 24.8 | 21.7 | 23.2 | 6.0 | 28.3 | (0.9) | (8.3) | 4.0 | (3.5) |
| Net loss attributable to redeemable noncontrolling interests | — | 3.2 | — | 3.2 | — | — | — | — | — | 3.2 | — | 3.2 |
| Net income attributable to noncontrolling interests | (1.6) | (3.6) | — | (5.3) | (1.5) | (10.3) | — | (11.8) | (0.1) | 6.7 | — | 6.5 |
| **Net income (loss) attributable to Acadia** | $ 19.1 | $ 14.4 | $ 10.0 | $ 22.6 | $ 20.2 | $ 12.9 | $ 6.0 | $ 16.5 | $ (1.1) | $ 1.5 | $ 4.0 | $ 6.1 |

*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 decreased $1.1 million for the six months ended June 30, 2023 compared to the prior year period as a result of the changes further described below.

Revenues for our Core Portfolio increased $4.6 million for the six months ended June 30, 2023 compared to the prior year period primarily due to (i) a $7.8 million acceleration of a below market lease for a bankrupt tenant, (ii) a $2.8 million increase from Core Portfolio property acquisitions in 2022 (Note 2), and (iii) $3.6 million from lease up within the Core Portfolio. These increases were offset by (i) $3.5 million from termination income received in 2022, (ii) a $2.7 million increase associated with revenues deemed uncollectible in 2023, (iii) $2.6 million from vacating tenants and (iv) $0.7 million from Fund property dispositions.

Depreciation and amortization for our Core Portfolio increased $1.0 million for the six months ended June 30, 2023 compared to the prior year period primarily due to Core Portfolio property acquisitions in 2022.

Property operating expenses and real estate taxes for our Core Portfolio increased $1.6 million for the six months ended June 30, 2023 compared to the prior year period primarily due to an increase in non-recurring repair and maintenance in 2023.

Realized and unrealized holding gains (losses) on investments and other for our Core Portfolio includes a $3.3 million mark-to-market adjustment on the Investment in Albertsons in 2023 and a $1.2 million bargain purchase gain on the acquisition of the Williamsburg Collection in 2022 (Note 2). In January 2023, following the expiration of the lock-up period and distribution of approximately 2.5 million shares by Mervyns II to its partners, the Company directly owns 1.6 million shares of Albertsons at June 30, 2023, which are now included in the Core portfolio (Note 4, Note 8).

Interest expense for our Core Portfolio increased $5.6 million for the six months ended June 30, 2023 compared to the prior year period due to (i) $3.7 million from higher average interest rates in 2023, and (ii) $2.8 million from higher average outstanding borrowings in 2023, which were partially offset by $0.7 million from higher capitalized interest in 2023.

Net income attributable to noncontrolling interests for our Core Portfolio decreased $0.1 million for the six months ended June 30, 2023 compared to the prior year period based on the noncontrolling interests' share of the variances discussed above.

*Funds*

The results of operations for our Funds segment are depicted in the table above under the headings labeled "Funds." Segment net income attributable to Acadia for the Funds increased $1.5 million for the six months ended June 30, 2023 compared to the prior year period as a result of the changes described below.

Revenues for the Funds increased $1.4 million for the six months ended June 30, 2023 compared to the prior year period primarily due to (i) $4.6 million from new tenant lease up in 2022 and 2023 and (ii) $2.0 million from settlement income related to a tenant. These increases were offset by (i) $3.6 million from Fund property dispositions in 2022 (Note 2) and (ii) a $1.3 million increase in associated with revenues deemed uncollectible in 2023.

Depreciation and amortization for the Funds decreased $2.4 million for the six months ended June 30, 2023 compared to the prior year period primarily due to Fund property dispositions in 2022.

Gain on disposition of properties for the Funds decreased $41.0 million for the six months ended June 30, 2023 compared to the prior year period due to the sales of Cortlandt Crossing at Fund III, Lincoln Place, Mayfair and Dauphin at Fund IV and a New Towne outparcel at Fund V in 2022 (Note 2).

Realized and unrealized holding gains (losses) on investments and other for the Funds increased $36.8 million for the six months ended June 30, 2023 compared to the prior year period, primarily due to (i)a $28.2 million increase in dividend income from Albertsons in 2023 and by (ii) a $14.3 million decrease in the mark-to-market adjustment on the Investment in Albertsons in 2022, offset by (i) a $2.0 million decrease in the mark-to-market adjustment on the Investment in Albertsons in 2023, and (ii) a $1.4 million distribution from the Storage Post Management Company in 2022. (Note 4).

Equity in earnings (losses) of unconsolidated affiliates for the Funds decreased $6.1 million for the six months ended June 30, 2023 compared to the prior year period due to new unconsolidated Fund acquisitions in 2022 and 2023 (Note 4).

Interest expense for the Funds increased $1.0 million for the six months ended June 30, 2023 compared to the prior year period primarily due to $7.1 million from higher average interest rates in 2023 offset by $4.4 million from lower average outstanding borrowings in 2023 and $1.9 million from higher capitalized interest in 2023.

Net loss attributable to redeemable noncontrolling interests for the Funds increased $3.2 million for the six months ended June 30, 2023 compared to the prior year period due to the City Point Loan in August 2022 (Note 10). The Company did not allocate any income to redeemable noncontrolling interests for the Funds for the six months ended June 30, 2022.

Net (income) loss attributable to noncontrolling interests for the Funds increased $6.7 million for the six months ended June 30, 2023 compared to the prior year period based on the noncontrolling interests' share of the variances discussed above. Net loss attributable to noncontrolling interests in the Funds includes asset management fees earned by the Company of $4.8 million and $4.8 million for the six months ended June 30, 2023 and 2022, respectively.

*Structured Financing*

The results of operations for our Structured Financing segment are depicted in the table above under the headings labeled "SF." Interest and other income for the Structured Financing portfolio increased $3.9 million for the six months ended June 30, 2023 compared to the prior year period primarily due to the City Point Loan in 2022.

*Unallocated*

The Company does not allocate general and administrative expense and income taxes to its reportable segments. These unallocated amounts are depicted in the table above under the headings labeled "Total." Unallocated general and administrative expenses decreased $2.0 million for the six months ended June 30, 2023 compared to the prior year period due to $2.0 million related to acquisition costs in the prior year but not the current year (Note 2).

## NON-GAAP FINANCIAL MEASURES

### Net Property Operating Income

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

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

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Consolidated operating income | $ 19,658 | $ 25,648 | $ 31,766 | $ 65,690 |
| Add back: | | | | |
| General and administrative | 10,643 | 10,661 | 20,589 | 22,598 |
| Depreciation and amortization | 34,056 | 34,971 | 67,229 | 68,684 |
| Less: | | | | |
| Above/below-market rent, straight-line rent and other adjustments [(a)] | (13,088) | (5,851) | (15,330) | (12,608) |
| Gain on disposition of properties | — | (12,216) | — | (41,031) |
| Consolidated NOI | 51,269 | 53,213 | 104,254 | 103,333 |
| | | | | |
| Redeemable noncontrolling interest in consolidated NOI | (1,182) | — | (2,399) | — |
| Noncontrolling interest in consolidated NOI | (13,730) | (15,377) | (28,205) | (31,254) |
| Less: Operating Partnership's interest in Fund NOI included above | (4,765) | (3,634) | (9,802) | (7,478) |
| Add: Operating Partnership's share of unconsolidated joint ventures NOI [(b)] | 4,141 | 3,413 | 8,100 | 7,054 |
| NOI - Core Portfolio | $ 35,733 | $ 37,615 | $ 71,948 | $ 71,655 |

a) Includes straight-line rent reserves. See Note 11 for additional information about straight-line rent reserves and adjustments for the periods presented.
b) 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 that we acquired, sold or expected to sell, redeveloped and developed during these periods. The following table summarizes Same-Property NOI for our Core Portfolio (in thousands):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Core Portfolio NOI | $ 35,733 | $ 37,615 | $ 71,948 | $ 71,655 |
| Less properties excluded from Same-Property NOI | (7,076) | (10,318) | (15,107) | (18,006) |
| Same-Property NOI | $ 28,657 | $ 27,297 | $ 56,841 | $ 53,649 |
| | | | | |
| Percent change from prior year period | 5.0% | | 5.9% | |
| | | | | |
| Components of Same-Property NOI: | | | | |
| Same-Property Revenues | $ 40,261 | $ 38,803 | $ 81,069 | $ 77,270 |
| Same-Property Operating Expenses | (11,604) | (11,506) | (24,228) | (23,621) |
| Same-Property NOI | $ 28,657 | $ 27,297 | $ 56,841 | $ 53,649 |

**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 periods presented. 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. The table below includes embedded option renewals for which the renewed rent was equal to or approximated existing base rent.

| | Three Months Ended June 30, 2023 | | Six Months Ended June 30, 2023 | |
|---|---|---|---|---|
| **Core Portfolio New and Renewal Leases** | **Cash Basis** | **Straight-Line Basis** | **Cash Basis** | **Straight-Line Basis** |
| Number of new and renewal leases executed | 19 | 19 | 36 | 36 |
| GLA commencing | 234,363 | 234,363 | 288,914 | 288,914 |
| New base rent | $ 21.53 | $ 22.11 | $ 23.40 | $ 24.15 |
| Expiring base rent | $ 19.04 | $ 18.19 | $ 20.84 | $ 19.83 |
| Percent growth in base rent | 13.1 % | 21.6 % | 12.3 % | 21.7 % |
| Average cost per square foot [(a)] | $ 4.85 | $ 4.85 | $ 4.41 | $ 4.41 |
| Weighted average lease term (years) | 7.0 | 7.0 | 6.6 | 6.6 |

(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 due to its widespread acceptance and use within the REIT investor 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 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 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. Also consistent with NAREIT's definition of FFO, the Company has elected to include gains and losses incidental to its main business (including those related to its RCP investments, such as Albertsons) in FFO. A reconciliation of net income (loss) attributable to Acadia to FFO follows (dollars in thousands, except per share amounts):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Net income (loss) attributable to Acadia | $ 9,276 | $ (374) | $ 22,636 | $ 16,464 |
| Depreciation of real estate and amortization of leasing costs (net of noncontrolling interests' share) | 28,248 | 26,597 | 54,692 | 50,910 |
| Gain on disposition of properties (net of noncontrolling interests' share) | — | (2,961) | — | (9,837) |
| Income attributable to Common OP Unit holders | 574 | 28 | 1,368 | 1,026 |
| Distributions - Preferred OP Units | 123 | 123 | 246 | 246 |
| Funds from operations attributable to Common Shareholders and Common OP Unit holders - Basic | $ 38,221 | $ 23,413 | $ 78,942 | $ 58,809 |
| **Funds From Operations per Share - Diluted** | | | | |
| Basic weighted-average shares outstanding, GAAP earnings | 95,259,924 | 94,944,772 | 95,224,901 | 94,119,752 |
| Weighted-average OP Units outstanding | 6,918,443 | 5,311,396 | 6,835,840 | 5,313,646 |
| Basic weighted-average shares and OP Units outstanding, FFO | 102,178,367 | 100,256,168 | 102,060,741 | 99,433,398 |
| Assumed conversion of Preferred OP Units to Common Shares | 463,898 | 25,067 | 463,898 | 25,067 |
| Assumed conversion of LTIP units and Restricted Share Units to Common Shares | — | — | — | 439,556 |
| Diluted weighted-average number of Common Shares and Common OP Units outstanding, FFO | 102,642,265 | 100,281,235 | 102,524,639 | 99,898,021 |
| Diluted Funds from operations, per Common Share and Common OP Unit | $ 0.37 | $ 0.23 | $ 0.77 | $ 0.59 |

## LIQUIDITY AND CAPITAL RESOURCES

### Uses of Liquidity and Cash Requirements

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

***Distributions***

In order to qualify as a REIT for federal income tax purposes, we must distribute at least 90% of our taxable income to our shareholders. During the six months ended June 30, 2023, we paid dividends and distributions on our Common Shares and Preferred OP Units totaling $34.3 million.

***Investments***

During the six months ended June 30, 2023, Fund V acquired one unconsolidated property, Mohawk Commons, located in Schenectady, New York, for $62.1 million, inclusive of transaction costs (Note 4). On July 3, 2023, Fund V acquired a shopping center, Cypress Creek, located in Tampa, Florida, for $49.4 million, inclusive of transaction costs (Note 16).

***Structured Financing Investments***

During the six months ended June 30, 2023, we funded $3.8 million of a $12.8 million construction loan commitment to an unconsolidated venture (Note 4).

***Capital Commitments***

During the six months ended June 30, 2023, we made capital contributions aggregating $8.7 million to our Funds, including $2.0 million to Fund II for City Point. At June 30, 2023, our share of the remaining capital commitments to our Funds aggregated $36.9 million as follows:

- $0 to Fund II – During August 2020, a recallable distribution of $15.7 million was made by Mervyns II to its investors, of which our share was $4.5 million. During 2021 and 2022, Mervyns II recalled $11.9 million and $3.8 million, respectively, of the $15.7 million, of which our share is $3.4 million and $1.2 million, respectively.
- $0.5 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.
- $9.7 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.
- $26.7 million to Fund V – Fund V was launched in August 2016 with total committed capital of $520.0 million, of which our original share was $104.5 million.

***Development Activities***

During the six months ended June 30, 2023, capitalized costs associated with development activities totaled $7.6 million (Note 2). At June 30, 2023, we had a total of twelve consolidated and one unconsolidated project under development or redevelopment, for which the estimated total cost to complete these projects through 2025 was $67.0 million to $94.2 million, and our estimated share was approximately $42.4 million to $59.4 million. Substantially all remaining development and redevelopment costs are discretionary, which could be affected by various risks and uncertainties, including, but not limited to, the effects of the current inflationary environment, rising interest rates, and other risks detailed in Part I, Item 1A. Risk Factors of our Annual Report on Form 10-K for the year ended December 31, 2022.

***Debt***

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

| | June 30, 2023 | December 31, 2022 |
|---|---|---|
| Total Debt - Fixed and Effectively Fixed Rate | $ 1,457,789 | $ 1,440,773 |
| Total Debt - Variable Rate | 316,763 | 364,641 |
| | 1,774,552 | 1,805,414 |
| Net unamortized debt issuance costs | (11,820) | (12,697) |
| Unamortized premium | 292 | 343 |
| Total Indebtedness | $ 1,763,024 | $ 1,793,060 |

As of June 30, 2023, our consolidated indebtedness aggregated $1,774.6 million, excluding unamortized premium of $0.3 million and net unamortized loan costs of $11.8 million, and were collateralized by 32 properties and related tenant leases. Stated interest rates on our outstanding indebtedness ranged from 3.99% to SOFR + 3.65% with maturities that ranged from July 15, 2023 to April 15, 2035, without regard to available extension options. With respect to the debt maturing in July and August 2023, we are actively pursuing refinancing the remaining obligations, though there can be no assurance that we can refinance on favorable terms or at all. One non-recourse Fund IV loan with an outstanding balance of $19.3 million, or $4.5 million at our share, matured and was in default at June 30, 2023. On July 15, 2023 the loan matured and was not repaid and accrues default interest at a rate of 4.00% per annum in excess of the interest rate. Taking into consideration $1,251.9 million of notional principal under variable to fixed-rate swap agreements currently in effect, $1,457.8 million of the portfolio debt, or 82.1%, was fixed at a 4.45% weighted-average interest rate and $316.8 million, or 17.9% was floating at a 7.05% weighted average interest rate as of June 30, 2023. Our variable-rate debt includes $144.3 million of debt subject to interest rate caps.

Without regard to available extension options, at June 30, 2023 there was $150.8 million of debt maturing in 2023 at a weighted-average interest rate of 7.82%; there was $3.8 million of scheduled principal amortization due in the remainder of 2023; and our share of scheduled remaining 2023 principal payments and maturities on our unconsolidated debt was $46.3 million. In addition, $76.1 million of our total consolidated debt and $21.3 million of our pro-rata share of unconsolidated debt will come due by June 30, 2024. With respect to the debt maturing in 2023 and 2024, we have options to extend consolidated debt aggregating $2.0 million and $0.0 million at June 30, 2023, respectively; however, there can be no assurance that the Company will be able to successfully execute any or all of its available extension options. Fund III modified its $35.9 million mortgage loan at its 640 Broadway property and extended the maturity date to October 9, 2023 (Note 16). For the remaining indebtedness, we may not have sufficient cash on hand to repay such indebtedness, and, therefore, we expect to refinance at least a portion of this indebtedness or select other alternatives based on market conditions as these loans mature; however, there can be no assurance that we will be able to obtain financing on acceptable terms or at all. Our ability to obtain financing could be affected by various risks and uncertainties, including, but not limited to, the effects of the current inflationary environment, rising interest rates, and other risks detailed in Part I, Item 1A. Risk Factors of our Annual Report on Form 10-K for the year ended December 31, 2022.

***Share Repurchase Program***

We maintain a share repurchase program under which $122.5 million remains available as of June 30, 2023 (Note 10). We did not repurchase any shares under this program during the six months ended June 30, 2023.

**Sources of Liquidity**

Our primary sources of capital for funding our short-term (less than 12 months) and long-term (12 months and longer) liquidity needs include (i) the issuance of both public equity and OP Units, (ii) the issuance of both secured and unsecured debt, (iii) unfunded capital commitments from noncontrolling interests within our Funds, (iv) future sales of existing properties, (v) repayments of structured financing investments, (vi) liquidation of marketable securities, and (vii) cash on hand and future cash flow from operating activities. Our cash on hand in our consolidated subsidiaries at June 30, 2023 totaled $17.2 million. Our remaining sources of liquidity are described further below.

***ATM Program***

We have an ATM Program (Note 10) that provides us with an efficient and low-cost vehicle for raising capital through public equity issuances on an as-we-go basis to fund our capital needs. Through this program, we have been able to effectively "match-fund" the required capital for our Core Portfolio and our share of 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 may 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. We did not make any sales under the ATM program during the six months ended June 30, 2023.

***Fund Capital***

During the six months ended June 30, 2023, Fund V called for capital contributions of $39.1 million, of which our aggregate share was $8.7 million. At June 30, 2023, unfunded capital commitments from noncontrolling interests within Funds II, III, IV and V were zero, $1.4 million, $32.2 million and $106.3 million, respectively.

***Other Transactions***

During the six months ended June 30, 2023, we recognized cash dividends totaling $28.7 million related to the special dividend received from Mervyns II investment in Albertsons, of which our share was $11.6 million (Note 4). The contractual lock-up restrictions on our investment in Albertsons expired in January 2023, and we now own 1.6 million shares directly, which had a fair value of $35.9 million at June 30, 2023 (Note 4, Note 8).

In April and June 2023, Fund II received $2.0 million, or $1.1 million at the Company's share, of proceeds from the Century 21 Department Stores LLC bankruptcy claim (Note 11).

***Structured Financing Repayments***

During the six months ended June 30, 2023, Fund V refinanced a $31.7 million bridge loan at an unconsolidated property that was originated by Fund V at acquisition. We also have one Structured Financing investment in the amount of $21.6 million including accrued interest (exclusive of default interest and other amounts due on the loan that have not been recognized) that previously matured and has not been repaid (Note 3).

***Financing and Debt***

As of June 30, 2023, we had $210.9 million of additional capacity under existing Core Portfolio and Fund revolving debt facilities. In addition, at that date within our Core and Fund portfolios, we had 94 unleveraged consolidated properties with an aggregate carrying value of approximately $1.8 billion, although there can be no assurance that we would be able to obtain financing for these properties at favorable terms, if at all.

***Inflation and Economic Condition Considerations***

The year ended December 31, 2022 and six months ended June 30, 2023 were impacted by significant volatility in global markets, largely driven by rising inflation, rising interest rates, slowing economic growth, geopolitical uncertainty and instability in the banking sector following multiple bank failures. Central banks have responded to rapidly rising inflation by tightening monetary policies that are likely to create headwinds to economic growth. The Federal Reserve has raised interest rates nine times since January 2022, and has signaled that further interest rate increases may be forthcoming throughout 2023 and into 2024. The rate hikes enacted by the Federal Reserve have had a significant impact on interest rate indexes such as LIBOR, SOFR and the Prime Rate. As of June 30, 2023, approximately 82.1% of our outstanding debt is fixed or effectively fixed rate with the remaining 17.9% indexed to LIBOR, SOFR or Prime plus an applicable margin per the loan agreement. As of June 30, 2023, we were counterparty to 36 interest rate swap agreements and four interest rate cap agreements, all of which qualify for and are designated as hedging instruments, which helps to alleviate the impact of rising interest rates on our operations.

We believe we manage our properties in a cost-conscious manner to minimize recurring operational expenses and utilize multi-year contracts to alleviate the impact of inflation on our business and our tenants. Most of our leases require tenants to pay their share of operating expenses, including common area maintenance, real estate taxes and insurance, thereby reducing our exposure to increases in costs and operating expenses resulting from inflation. These provisions are designed to partially mitigate the impact of inflation; however, current inflation levels are much greater than the contractual rent increases we obtain from our tenant base. We also continue to see consumer confidence and we expect to continue to add value to our portfolio through executing on our current leasing momentum, our active development and redevelopment projects, and leasing pipeline.

On April 23, 2023, Bed Bath and Beyond filed Chapter 11 bankruptcy protection causing them to reject their leases at several of our properties. Bed Bath and Beyond's leases represents two locations within our Core Portfolio and three locations in our Fund Portfolio. The bankruptcy of any of our tenants, which may cause them to reject their leases, or not to renew their leases as they expire, could have an adverse effect on our cash flows or property values. For the six months ended June 30, 2023, we accelerated the amortization of the below-market lease intangible of $8.1 million related to the Bed Bath and Beyond lease termination.

While we have not experienced any material negative impacts at this time, we intend to actively manage our business to respond to the ongoing economic and social impact from such events. See Risk Factors in Part I, Item 1A, of our Annual Report on Form 10-K for the year ended December 31, 2022.

**HISTORICAL CASH FLOW**

The following table compares the historical cash flow for the six months ended June 30, 2023 with the cash flow for the six months ended June 30, 2022 (in millions, totals may not add due to rounding):

| | Six Months Ended June 30, | | |
|---|---|---|---|
| | 2023 | 2022 | Variance |
| Net cash provided by operating activities | $ 89.5 | $ 64.8 | $ 24.7 |
| Net cash used in investing activities | (26.7) | (141.9) | 115.2 |
| Net cash (used in) provided by financing activities | (65.5) | 84.5 | (150.0) |
| (Decrease) increase in cash and restricted cash | $ (2.7) | $ 7.4 | $ (10.1) |

***Operating Activities***

Net cash provided by operating activities primarily consists of cash inflows from dividend income and rental revenue, and cash outflows for property operating expenses, general and administrative expenses and interest and debt expense.

Our operating activities provided $24.7 million more cash for the six months ended June 30, 2023 as compared to the six months ended June 30, 2022, primarily due to the $28.2 million dividend received from our investment in Albertsons in 2023.

***Investing Activities***

Net cash used in investing activities is impacted by our investments in and advances to unconsolidated affiliates, the timing and extent of our real estate development, capital improvements, and acquisition and disposition activities during the period.

Our investing activities used $115.2 million less cash for the six months ended June 30, 2023 as compared to the six months ended June 30, 2022, primarily due to (i) $241.3 million less cash used for the acquisition of properties and (ii) $70.8 million less cash used in our investments in and advances to unconsolidated affiliates These sources of cash were primarily offset by (i) $156.8 million less cash received from the disposition of properties, and (ii) $19.5 million less cash received from return of capital from unconsolidated affiliates, (iii) $16.0 million less cash received from repayment of notes receivable and (iv) $5.3 million more cash used in development, construction, and property improvements.

***Financing Activities***

Net cash used in financing activities is impacted by the timing and extent of issuances of debt and equity securities, distributions paid to common shareholders and unitholders of the Operating Partnership as well as principal and other payments associated with our outstanding indebtedness.

Our financing activities used $150.0 million more cash during the six months ended June 30, 2023 as compared to the six months ended June 30, 2022, primarily from (i) $119.5 million less cash provided by the sale of Common Shares, (ii) $68.6 million less cash provided by contributions from noncontrolling interests, and (iii) $3.8 million more cash used in dividends paid to Common shareholders. These decreases were offset by (i) $20.0 million less cash used for distributions to noncontrolling interests, (ii) $18.5 million less cash used for the acquisition of noncontrolling interests, and (iii) $2.0 million less cash received in proceeds from debt.

## OFF-BALANCE SHEET ARRANGEMENTS

We have the following investments made through joint ventures (that may include, among others, tenancy-in common and other similar investments) 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 Condensed Consolidated Financial Statements, for a discussion of our unconsolidated investments. The Operating Partnership's pro-rata share of unconsolidated non-recourse debt related to those investments is as follows (dollars in millions):

| | Operating Partnership | | June 30, 2023 | |
|---|---|---|---|---|
| **Investment** | **Ownership Percentage** | **Pro-rata Share of Mortgage Debt** | **Effective Interest Rate [(a)]** | **Maturity Date** |
| Renaissance | 20.0 % | $ 32.0 | 5.63 % | Aug 2023 |
| Eden | 22.8 % | 5.0 | 7.40 % | Sep 2023 |
| Gotham | 49.0 % | 8.6 | 6.83 % | Sep 2023 |
| 3104 M Street | 20.0 % | 0.8 | 8.25 % | Jan 2024 |
| Crossroads | 49.0 % | 29.5 | 3.94 % | Oct 2024 |
| Tri City Plaza[(c)] | 18.1 % | 6.9 | 2.94 % | Oct 2024 |
| Frederick Crossing[(c)] | 18.1 % | 4.3 | 3.26 % | Dec 2024 |
| Paramus Plaza[(b)] | 11.6 % | 3.3 | 7.41 % | Dec 2024 |
| Frederick County Square[(c)] | 18.1 % | 4.2 | 4.00 % | Jan 2025 |
| 840 N Michigan | 88.4 % | 65.0 | 4.36 % | Feb 2025 |
| Wood Ridge Plaza[(b)] | 18.1 % | 6.0 | 8.38 % | Mar 2025 |
| 650 Bald Hill | 20.8 % | 3.2 | 3.75 % | Jun 2026 |
| La Frontera | 18.1 % | 10.0 | 6.11 % | Jun 2027 |
| Riverdale | 18.0 % | 6.7 | 6.91 % | Nov 2027 |
| Georgetown | 50.0 % | 7.3 | 4.72 % | Dec 2027 |
| Mohawk Commons | 18.1 % | 7.2 | 5.80 % | Mar 2028 |
| Shoppes at South Hills | 18.1 % | 5.8 | 5.95 % | Mar 2028 |
| Total | | $ 205.8 | | |

(a) Effective interest rates incorporate the effect of interest rate swaps and caps that were in effect at June 30, 2023, where applicable.
(b) The debt has one available 12-month extension option.
(c) The debt has two available 12-month extension options.

## CRITICAL ACCOUNTING POLICIES

Management's discussion and analysis of financial condition and results of operations is based upon our Condensed Consolidated Financial Statements, which have been prepared in accordance with U.S. GAAP. The preparation of these Condensed Consolidated Financial Statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. We base our estimates on historical experience and assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. We believe there have been no material changes to the items that we disclosed as our critical accounting policies under Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," in our 2022 Annual Report on Form 10-K.

### Recently Issued and Adopted Accounting Pronouncements

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

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

### Information as of June 30, 2023

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 Condensed Consolidated Financial Statements, for certain quantitative details related to our mortgage and other debt.

Currently, we manage our exposure to fluctuations in interest rates primarily through the use of fixed-rate debt and interest rate swap and cap agreements. As of June 30, 2023, we had total mortgage and other notes payable of $1,774.6 million, excluding the unamortized premium of $0.3 million and net unamortized debt issuance costs of $11.8 million, of which $1,457.8 million, or 82.1% was fixed-rate, inclusive of debt with rates fixed through the use of derivative financial instruments, and $316.8 million, or 17.9%, was variable-rate based upon LIBOR, SOFR or Prime rates plus certain spreads. As of June 30, 2023, we were party to 36 interest rate swaps and four interest rate cap agreements to hedge our exposure to changes in interest rates with respect to $1,251.9 million and $144.3 million of variable-rate debt, respectively. For a discussion of the risks associated with the discontinuation of LIBOR, see Item 1A. "Risk Factors—Risks Related to Our Liquidity and Indebtedness on our Annual Report on Form 10-K for the year ended December 31, 2022 — If we decided to employ higher leverage levels, we would be subject to increased debt service requirements and a higher risk of default on our debt obligations, which could adversely affect our financial conditions, cash flows and ability to make distributions to our shareholders. In addition, increases or changes in interest rates could cause our borrowing costs to rise and may limit our ability to refinance debt".

The following table sets forth information as of June 30, 2023 concerning our long-term debt obligations, including principal cash flows by scheduled maturity (without regard to available extension options) and weighted average effective interest rates of maturing amounts (dollars in millions):

*Core Consolidated Mortgage and Other Debt*

| Year | Scheduled Amortization | Maturities | Total | Weighted-Average Interest Rate |
|---|---|---|---|---|
| 2023 (Remainder) | $ 1.0 | $ — | $ 1.0 | —% |
| 2024 | 1.8 | 7.3 | 9.1 | 4.7% |
| 2025 | 2.1 | 240.1 | 242.2 | 4.0% |
| 2026 | 2.4 | 400.0 | 402.4 | 4.0% |
| 2027 | 2.2 | 200.1 | 202.3 | 4.0% |
| Thereafter | 4.3 | 161.6 | 165.9 | 4.2% |
| | $ 13.8 | $ 1,009.1 | $ 1,022.9 | |

*Fund Consolidated Mortgage and Other Debt*

| Year | Scheduled Amortization | Maturities | Total | Weighted-Average Interest Rate |
|---|---|---|---|---|
| 2023 (Remainder) | $ 2.8 | $ 150.8 | $ 153.6 | 7.8% |
| 2024 | 3.9 | 239.7 | 243.6 | 4.0% |
| 2025 | 0.6 | 257.7 | 258.3 | 6.6% |
| 2026 | 0.3 | 34.0 | 34.3 | 7.8% |
| 2027 | 0.4 | — | 0.4 | —% |
| Thereafter | 0.2 | 61.3 | 61.5 | 6.0% |
| | $ 8.2 | $ 743.5 | $ 751.7 | |

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

| Year | Scheduled Amortization | Maturities | Total | Weighted-Average Interest Rate |
|---|---|---|---|---|
| 2023 (Remainder) | $ 0.8 | $ 45.5 | $ 46.3 | 6.1% |
| 2024 | 1.3 | 43.6 | 44.9 | 4.1% |
| 2025 | 0.6 | 74.8 | 75.4 | 4.6% |
| 2026 | 0.6 | 3.0 | 3.6 | 3.8% |
| 2027 | 0.6 | 22.7 | 23.3 | 6.0% |
| Thereafter | — | 12.3 | 12.3 | 5.9% |
| | $ 3.9 | $ 201.9 | $ 205.8 | |

Without regard to available extension options, in the remainder of 2023, $154.6 million of our total consolidated debt and $46.3 million of our pro-rata share of unconsolidated outstanding debt will become due. In addition, $252.8 million of our total consolidated debt and $44.9 million of our pro-rata share of unconsolidated debt will become due in 2024. As it relates to the aforementioned maturing debt in 2023 and 2024, we have options to extend consolidated debt aggregating $2.0 million and $0.0 million, respectively; however, there can be no assurance that the Company will be able successfully execute any or all of its available extension options. 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 rates, our interest expense would increase by approximately $5.0 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 $1.0 million. Interest expense on our variable-rate debt of $316.8 million, net of variable to fixed-rate swap agreements currently in effect, as of June 30, 2023, would increase $3.2 million if corresponding rate indices increased by 100 basis points. After giving effect to noncontrolling interests, our share of this increase would be $1.3 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 June 30, 2023, the fair value of our total consolidated outstanding debt would decrease by approximately $7.6 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 $6.5 million.

As of June 30, 2023, and December 31, 2022, we had consolidated notes receivable of $123.9 million and $123.9 million, respectively. We determined the estimated fair value of our notes receivable by discounting future cash receipts utilizing a discount rate equivalent to the rate at which similar notes receivable would be originated under conditions then existing.

Based on our outstanding notes receivable balances as of June 30, 2023, the fair value of our total outstanding notes receivable would decrease by approximately $1.1 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 $1.1 million.

**Summarized Information as of December 31, 2022**

As of December 31, 2022, we had total mortgage and other notes payable of $1,805.4 million, excluding the unamortized premium of $0.3 million and unamortized debt issuance costs of $12.7 million, of which $1,440.8 million, or 79.8% was fixed-rate, inclusive of debt with rates fixed through the use of derivative financial instruments, and $364.6 million, or 20.2%, was variable-rate based upon LIBOR rates plus certain spreads. As of December 31, 2022, we were party to 36 interest rate swap and three interest rate cap agreements to hedge our exposure to changes in interest rates with respect to $1,264.0 million and $103.8 million of LIBOR or SOFR-based variable-rate debt, respectively.

Interest expense on our variable-rate debt of $364.6 million as of December 31, 2022, would have increased $3.6 million if corresponding rate indices increased by 100 basis points. Based on our outstanding debt balances as of December 31, 2022, the fair value of our total outstanding debt would have decreased by approximately $0.4 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 $2.6 million.

**Changes in Market Risk Exposures from December 31, 2022 to June 30, 2023**

Our interest rate risk exposure from December 31, 2022, to June 30, 2023, has decreased on an absolute basis, as the $364.6 million of variable-rate debt as of December 31, 2022 has decreased to $316.8 million as of June 30, 2023. As a percentage of our overall debt, our interest rate exposure has decreased as our variable-rate debt accounted for 20.2% of our consolidated debt as of December 31, 2022 compared to 17.9% as of June 30, 2023.

## ITEM 4. CONTROLS AND PROCEDURES.

### Disclosure Controls and Procedures

Our disclosure controls and procedures include internal controls and other procedures designed to provide reasonable assurance that information required to be disclosed in this and other reports filed under the Exchange Act, is recorded, processed, summarized, and reported within the required time periods specified in the SEC's rules and forms; and that such information is accumulated and communicated to management, including our chief executive officer and chief financial officer, to allow timely decisions regarding required disclosures. It should be noted that no system of controls can provide complete assurance of achieving a company's objectives and that future events may impact the effectiveness of a system of controls. Our chief executive officer and chief financial officer, after conducting an evaluation, together with members of our management, of the effectiveness of the design and operation of our disclosure controls and procedures as of June 30, 2023, have concluded that our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) were effective as of June 30, 2023, at a reasonable level of assurance.

### Changes in Internal Control Over Financial Reporting

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

## PART II – OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS.

From time to time, we are a party to various legal proceedings, claims or regulatory inquiries and investigations arising out of, or incident to, our ordinary course of business. While we are unable to predict with certainty the outcome of any particular matter, management does not expect, when such matters are resolved, that our resulting exposure to loss contingencies, if any, will have a material adverse effect on our consolidated financial position.

### ITEM 1A. RISK FACTORS.

Except to the extent additional factual information disclosed elsewhere in this Report relates to such risk factors (including, without limitation, the matters discussed in Part I, "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations"), there were no material changes to the risk factors disclosed in Part I, "Item 1A. Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2022.

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

Not applicable.

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

Not applicable.

### ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

### ITEM 5. OTHER INFORMATION.

Not applicable.

**ITEM 6. EXHIBITS.**

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

| Exhibit No. | Description | Method of Filing |
|---|---|---|
| 10.1 | Amended and Restated Acadia Realty Trust 2020 Share Incentive Plan | Incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2023. |
| 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 | Furnished 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 | Furnished herewith |
| 101.INS | XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document. | Filed herewith |
| 101.SCH | Inline XBRL Taxonomy Extension Schema Document | Filed herewith |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Document | Filed herewith |
| 101.DEF | Inline XBRL Taxonomy Extension Definitions Document | Filed herewith |
| 101.LAB | Inline XBRL Taxonomy Extension Labels Document | Filed herewith |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Document | Filed herewith |
| 104 | Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101) | Filed herewith |

## SIGNATURES

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

**ACADIA REALTY TRUST**
**(Registrant)**

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

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

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

Dated: August 2, 2023

**EXHIBIT 31.1**

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

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

I, Kenneth F. Bernstein, certify that:

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

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

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

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

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

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

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

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

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

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

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

/s/ Kenneth F. Bernstein

Kenneth F. Bernstein
President and Chief Executive Officer
August 2, 2023

**EXHIBIT 31.2**

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

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

I, John Gottfried, certify that:

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

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

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

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

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

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

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

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

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

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

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

/s/ John Gottfried

John Gottfried
Executive Vice President and
Chief Financial Officer
August 2, 2023

**EXHIBIT 32.1**

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

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

In connection with the Quarterly Report on Form 10-Q of Acadia Realty Trust (the “Company”) for the quarter ended June 30, 2023, 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
August 2, 2023

**EXHIBIT 32.2**

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

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

In connection with the Quarterly Report on Form 10-Q of Acadia Realty Trust (the “Company”) for the quarter ended June 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, John Gottfried, Executive 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
Executive Vice President and
Chief Financial Officer
August 2, 2023