UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of Earliest Event Reported): December 1, 2006

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

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

1311 Mamaroneck Avenue
Suite 260
White Plains, New York 10605
(Address of principal executive offices) (Zip Code)

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

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

[ ] Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

[ ] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

[ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

[ ] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 8.01. Other Events.

Acadia Realty Trust (the "Company") is filing this Current Report on Form 8-K to retrospectively adjust its historical financial information for each of the three years included in its Annual Report on Form 10-K for the fiscal year ended December 31, 2005 (the "Form 10-K"). This retrospective adjustment gives effect to the Company's elective retrospective application of the provisions of Emerging Issues Task Force ("EITF") 04-5, "Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights".

Pursuant to the provisions of EITF 04-5, the Company has determined that it should report its investments in Acadia Strategic Opportunity Fund I, LP, Acadia Strategic Opportunity Fund II, LLC, Acadia Mervyn Investors I, LLC and Acadia Mervyn Investors II, LLC on a consolidated basis rather than under the equity method of accounting, as it had previously reported such entities. The Company's election to retrospectively adjust its historical financial information is more fully described in the Notes to the Consolidated Financial Statements in Exhibit 99.1. In connection with the retrospective adjustment of its historical financial information, the Company has reclassified certain properties held for sale subsequent to December 31, 2005 as discontinued operations, as more fully described in Note 2 in the Notes to the Consolidated Financial Statements.

The information set forth in Exhibit 99.1 to this Current Report on Form 8-K updates Items 6, 7, 7A, 8 and 15(a) of the Form 10-K to reflect the retrospective application of EITF 04-5 and the reclassification of certain properties as discontinued operations, as described above. The updated information relates to Selected Financial Data, Management's Discussion and Analysis of Financial Condition and Results of Operations, Quantitative and Qualitative Disclosures about Market Risk and Financial Statements for the years presented in the Form 10-K. The Company is not required to amend its Form 10-K but has voluntarily elected to provide this retrospectively adjusted historical financial information.

The Company has not updated matters in the Form 10-K, except to the extent expressly provided above. The information set forth in Exhibit 99.1 to this Current Report on Form 8-K does not reflect events that occurred after the filing of the Form 10-K and does not modify or update the disclosure in the Form 10-K other than to retrospectively adjust its historical financial information in accordance with EITF 04-5 and to reclassify its discontinued operations.

Item 9.01. Financial Statements, Pro Forma Financial Information and Exhibits.

(d) Exhibits.

Exhibit Number.	Description
23.1	Consent of BDO Seidman LLP, independent registered public accounting firm
23.2	Consent of Ernst & Young LLP, independent registered public accounting firm
99.1	Item 6. Selected Financial Data, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, Item 7A. Quantitative and Qualitative Disclosures about Market Risk , Item 8. Financial Statements and Supplementary Data and Item 15(a). Financial Statements for the three years ended December 31, 2005.

SIGNATURES

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

ACADIA REALTY TRUST
(Registrant)

Date: December 1, 2006

By: /s/ Michael Nelsen

Name: Michael Nelsen
Title: Sr. Vice President and Chief Financial Officer

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

Acadia Realty Trust
White Plains, New York

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 33-95966 and 333-87993) pertaining to the 1999 Share Incentive Plan of Acadia Realty Trust; in the Registration Statement Form S-3 (No. 33-31630) of Acadia Realty Trust; in the Registration Statement Form S-3 (No. 333-104727) or Acadia Realty Trust; and in the Registration Statement Form S-8 (No. 333-106758) pertaining to the 2003 Employee Share Incentive Plan of Acadia Realty Trust of our report dated November 30, 2006, relating to the consolidated financial statements, which appear in this Current Report (Form 8-K).

/s/ BDO Seidman, LLP

BDO Seidman, LLP
New York, New York
December 1, 2006

Exhibit 23.2

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements (Form S-8 Nos. 33-95966 and 333-87993) pertaining to the 1999 Share Incentive Plan of Acadia Realty Trust; in the Registration Statement (Form S-3 No. 33-31630) of Acadia Realty Trust; in the Registration Statement (Form S-3 No. 333-104727) of Acadia Realty Trust; and in the Registration Statement (Form S-8 No. 333-106758) pertaining to the 2003 Employee Share Incentive Plan of Acadia Realty Trust, of our report dated November 30, 2006 with respect to the consolidated balance sheet of Acadia Realty Trust and subsidiaries as of December 31, 2004, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the two years in the period ended December 31, 2004 included in this Current Report (Form 8-K) for the year ended December 31, 2005.

/s/ ERNST & YOUNG LLP

New York, New York
November 30, 2006

ITEM 6. SELECTED FINANCIAL DATA

As more fully described in the accompanying Current Report on Form 8-K and the Notes to the Consolidated Financial Statements in Item 15(a) herein, this Exhibit 99.1 updates Items 6, 7, 7A, 8 and 15(a) of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2005 to reflect the retrospective application of EITF 04-5 and the reclassification of certain properties as discontinued operations.

The following table sets forth, on a historical basis, our selected financial data. This information should be read in conjunction with our audited consolidated financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations appearing elsewhere in this Form 10-K.

	Retrospectively Adjusted Years ended December 31,				
	2005	2004	2003	2002	2001
OPERATING DATA:					
Revenues	$ 100,806	$ 87,082	$ 82,791	$ 57,803	$ 49,030
Operating expenses	41,642	36,135	34,530	26,403	24,749
Interest expense	18,804	16,687	15,573	8,679	9,037
Depreciation and amortization	25,905	22,781	23,672	12,441	11,232
Abandoned project costs	--	--	--	274	--
Gain in sale of land	--	932	1,187	1,530	--
Equity in earnings of unconsolidated partnerships	21,280	513	985	542	518
Minority interest	(13,952)	(1,466)	(4,899)	(1,686)	(840)
Income taxes	(2,140)	--	--	--	--
Income from continuing operations	19,643	11,458	6,289	10,392	3,690
Income from discontinued operations	983	8,127	1,564	9,007	6,261
Income before cumulative effect of a change in accounting principle	20,626	19,585	7,853	19,399	9,951
Cumulative effect of a change in accounting principle	--	--	--	--	(149)
Net income	$ 20,626	$ 19,585	$ 7,853	$ 19,399	$ 9,802
Basic earnings per share:					
Income from continuing operations	$ 0.62	$ 0.39	$ 0.24	$ 0.41	$ 0.14
Income from discontinued operations	0.03	0.28	0.06	0.36	0.22
Cumulative effect of a change in accounting principle	--	--	--	--	(0.01)
Basic earnings per share	$ 0.65	$ 0.67	$ 0.30	$ 0.77	$ 0.35
Diluted earnings per share:					
Income from continuing operations	$ 0.61	$ 0.38	$ 0.23	$ 0.41	$ 0.14
Income from discontinued operations	0.03	0.27	0.06	0.35	0.22
Cumulative effect of a change in accounting principle	--	--	--	--	(0.01
Diluted earnings per share	$ 0.64	$ 0.65	$ 0.29	$ 0.76	$ 0.35
Weighted average number of Common Shares outstanding					
- basic	31,949	29,341	26,640	25,321	28,313
- diluted (1)	32,214	29,912	27,232	25,806	--
Cash dividends declared per Common Share	$ 0.7025	$ 0.6525	$ 0.595	$ 0.52	$ 0.48
BALANCE SHEET DATA:					
Real estate before accumulated depreciation	$ 709,906	$ 599,558	$ 541,892	$ 375,149	$ 331,397
Total assets	841,591	636,731	556,278	422,034	494,015
Total mortgage indebtedness	386,600	271,571	277,817	173,074	161,609
Minority interest in Operating Partnership	9,204	6,893	7,875	22,745	37,387
Minority interests in partially-owned affiliates	137,086	75,244	37,681	12,611	1,355
Total equity	220,576	216,924	169,734	161,323	179,098
OTHER:					
Funds from Operations (2)	$ 35,842	$ 30,004	$ 27,664	$ 30,162	$ 13,487
Cash flows provided by (used in):					
Operating activities	50,239	33,885	31,031	29,422	31,204
Investing activities	(135,470)	(72,860)	(76,552)	31,855	20,925
Financing activities	159,425	40,050	15,454	(50,215)	(40,085)

Notes:

(1) For 2001, the weighted average number of shares outstanding on a diluted basis is not presented as the inclusion of additional shares was anti-dilutive.

(2) The Company considers funds from operations ("FFO") as defined by the National Association of Real Estate Investment Trusts ("NAREIT") to be an appropriate supplemental disclosure of operating performance for an equity REIT due to its widespread acceptance and use within the REIT and analyst

communities. FFO is presented to assist investors in analyzing the performance of the Company. 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 and depreciation and amortization. However, the Company's method of calculating FFO may be different from methods used by other REITs and, accordingly, may not be comparable to such other REIT's. FFO does not represent cash generated from operations as defined by generally accepted accounting principles ("GAAP") and is not indicative of cash available to fund all cash needs, including distributions. It should not be considered as an alternative to net income for the purpose of evaluating the Company's performance or to cash flows as a measure of liquidity. Consistent with the NAREIT definition, the Company defines FFO as net income (computed in accordance with GAAP), excluding gains (losses) from sales of depreciated property, plus depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. See Management's Discussion and Analysis of Financial Condition and Results of Operations - Funds from Operations for the reconciliation of net income to FFO.

ITEM 7. MANAGEMENTS DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with our consolidated financial statements (including the related notes thereto) appearing elsewhere in this Form 10-K. Certain statements contained in this Annual Report on Form 10-K may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities and Exchange Act of 1934 and as such may involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Forward-looking statements, which are based on certain assumptions and describe our future plans, strategies and expectations are generally identifiable by use of the words "may," "will," "should," "expect," "anticipate," "estimate," "believe," "intend" or "project" or the negative thereof or other variations thereon or comparable terminology. Factors which could have a material adverse effect on our operations and future prospects include, but are not limited to those set forth under the heading "Risk Factors" in this Annual Report on Form 10-K. These risks and uncertainties should be considered in evaluating any forward-looking statements contained or incorporated by reference herein.

OVERVIEW

We currently operate 73 properties, which we own or have an ownership interest in, consisting of 71 neighborhood and community shopping centers and two multi-family properties, which are located primarily in the Northeast, Mid-Atlantic and Midwestern regions of the United States. We receive income primarily from the rental revenue from our properties, including recoveries from tenants, offset by operating and overhead expenses.

We focus on three primary areas in executing our business plan as follows:

- Focus on maximizing the return on our existing portfolio through leasing and property redevelopment activities. Our redevelopment program is a significant and ongoing component of managing our existing portfolio and focuses on selecting well-located neighborhood and community shopping centers and creating significant value through re-tenanting and property redevelopment.

- Pursue above-average returns through a disciplined and opportunistic acquisition program. The primary conduits for our acquisition program are through our existing acquisition joint venture, Acadia Strategic Opportunity Fund II, LLC ("Fund II"), as well as the Retailer Controlled Property Venture ("RCP Venture") established to invest in surplus or underutilized properties owned or controlled by retailers and the New York Urban Infill Redevelopment initiative which focuses on investing in redevelopment projects in urban, dense areas where retail tenant demand has effectively surpassed the supply of available sites.

- Maintain a strong balance sheet, which provides us with the financial flexibility to fund both property redevelopment and acquisition opportunities.

RESULTS OF OPERATION

Comparison of the year ended December 31, 2005 ("2005") to the year ended December 31, 2004 ("2004")

Revenues:	2005	2004	Change $	Change %
Minimum rents	$ 75.4	$ 68.9	$ 6.5	9%
Percentage rents	1.3	1.3	--	--
Expense reimbursements	14.9	13.3	1.6	12%
Other property income	2.3	0.8	1.5	188%
Management fee income	3.6	1.3	2.3	177%
Interest income	3.3	1.3	2.0	154%
Other	-	0.2	(0.2)	(100)%
Total revenues	$ 100.8	$ 87.1	$ 13.7	16%

Minimum rents within our Funds I and II ("Funds") increased $4.6 million primarily a result of minimum rents from properties we acquired through the Funds during 2004 and 2005 ("2004/2005 Fund Acquisitions") as discussed in "LIQUIDITY AND CAPITAL RESOURCES" in Item 7 of this Form 10K. $1.9 million of the increase in minimum rents was attributable to additional rents following our purchase of Amboy Road shopping center in July 2005, re-tenanting activities as well as increased occupancy across the remaining balance of our portfolio.

Tenant expense reimbursements within our Funds increased $0.9 million primarily a result of our 2004/2005 Fund Acquisitions. Real estate tax reimbursements within the balance of the portfolio increased $0.5 million primarily as a result of general increases in real estate taxes as well as re-tenanting activities. CAM expense reimbursements within the balance of our portfolio increased $0.5 million as a result of increased tenant reimbursements of higher snow removal costs in 2005.

Management fee income increased primarily as a result of management fees earned related to our acquisition of certain management contract rights in January 2004 and February 2005.

The increase in interest income was a combination of additional interest income earned on our notes receivable originated in 2004 and 2005 and additional interest income earned following our preferred equity investment in Levitz in 2005.

Operating Expenses:	2005	2004	Change $	Change %
Property operating	$ 16.1	$ 17.0	$ (0.9)	(5)%
Real estate taxes	9.4	8.2	1.2	15%
General and administrative	16.1	10.9	5.2	48%
Depreciation and amortization	25.9	22.8	3.1	14%
Total operating expenses	$ 67.5	$ 58.9	$ 8.6	15%

Property operating expenses within our Funds decreased $0.6 million primarily as a result of the reduction in the allowance for doubtful accounts as a result of the recovery of amounts due from Penn Traffic following its bankruptcy and the partial recovery of previous years CAM billings previously disputed by tenants. The decrease in property operating expenses within our remaining portfolio was primarily a result of our recovery of $0.5 million in 2005 related to the settlement of our insurance claim in connection with the flood damage incurred at Mark Plaza. A non-recurring charge of approximately $0.7 million related to this flood damage was recorded in 2004. This decrease was partially offset by higher snow removal costs in 2005.

Real estate taxes increased $0.8 million within our Funds primarily as a result of our 2004/2005 Fund Acquisitions. General increases in real estate taxes due to increases in assessments and tax rates were also experienced across our remaining portfolio.

The increase in general and administrative expense was attributable to increased compensation expense and other overhead expenses following the expansion of our infrastructure related to increased investment activity in fund assets and asset management services.

The $1.9 million increase in depreciation and amortization expense in 2005 within our Funds was primarily attributable to our 2004/2005 Fund Acquisitions. Within the balance of our portfolio, depreciation expense increased $0.3 million primarily related to capitalized tenant installation costs in 2004 and 2005. Amortization expense increased primarily as a result of the write-off of acquisition costs totaling $0.5 million allocable to specific Klaff management contracts following the disposition of the related assets.

Other:	2005	2004	Change $	Change %
Equity in earnings of unconsolidated partnerships	$ 21.3	$ 0.5	$ 20.8	4160%
Interest Expense	(18.8)	(16.7)	(2.1)	(13)%
Gain on Sale	-	0.9	(0.9)	(100)%
Minority Interest	(14.0)	(1.4)	(12.6)	(900)%
Income Taxes	(2.1)	-	(2.1)	--
Income from discontinued operations	1.0	8.1	(7.1)	(88)%

Equity in earnings of unconsolidated partnerships increased primarily as a result of our share of gain from the sale of certain Mervyn's locations.

The increase in interest expense was primarily attributable to our Fund Acquisitions and higher average interest rates on the portfolio mortgage debt in 2005.

The gain on sale of land in 2004 was related to a prior year sale of a contract to purchase land to the Target Corporation. We received additional sales proceeds of $0.9 million which were being held in escrow pending the completion

of certain site work by the buyer. Of these proceeds, $0.5 million were distributed to our joint venture partner in the sale and are a component of minority interest in the accompanying financial statements.

Income taxes in 2005 relate to our share of the income taxes on gain from the sale of certain Mervyn's locations during the third and fourth quarters of 2005.

Income (loss) from discontinued operations represents activity related to properties sold during 2004 and 2005 as well as property held for sale subsequent to 2005.

Comparison of the year ended December 31, 2004 ("2004") to the year ended December 31, 2003 ("2003")

Revenues:	2004	2003	Change $	Change %
Minimum rents	$ 68.9	$ 64.4	$ 4.5	7%
Percentage rents	1.3	1.1	0.2	18%
Expense reimbursements	13.3	14.1	(0.8)	(6%)
Other property income	0.8	0.9	(0.1)	(11%)
Management fee Income	1.3	0.3	1.0	333%
Interest income	1.3	0.8	0.5	63%
Other	0.2	1.2	(1.0)	(83%)
Total revenues	$ 87.1	$ 82.8	$ 4.3	5%

Minimum rents within our Funds increased $2.0 million primarily from properties we acquired through the Funds during 2003 and 2004 ("2003/2004 Fund Acquisitions") as discussed in "LIQUIDITY AND CAPITAL RESOURCES" in Item 7 of this Form 10K. $2.4 million of the increase in minimum rents was attributable to an increase in rents following our redevelopment of the Gateway shopping center in 2003 and an increase in rents from re-tenanting activities as well as increased occupancy across the balance of our portfolio.

Expense reimbursement from tenants within Fund I decreased $0.6 million primarily as a result of a decrease in reimbursable expenses at the Brandywine Portfolio. Real estate tax reimbursements increased $0.1 million within the balance of our portfolio primarily as a result of general increases in real estate taxes as well as re-tenanting activities. CAM expense reimbursements decreased $0.3 million within the balance of our portfolio primarily from a decrease in tenant reimbursable snow removal costs in 2004 offset by increased overall tenant reimbursements as a result of increased occupancy within the portfolio.

Management fee income increased as a result of asset management fees earned related to our acquisition of certain management contract rights in 2004.

Other income decreased primarily due to a lump sum additional rent payment of $1.2 million received from a former tenant during 2003 in connection with the re-anchoring of Branch Plaza.

Operating Expenses:	2004	2003	Change $	Change %
Property operating	$ 17.0	$ 16.1	$ 0.9	6%
Real estate taxes	8.2	7.6	0.6	8%
General and administrative	10.9	10.8	0.1	1%
Depreciation and amortization	22.8	23.7	(0.9)	(4%)
Total operating expenses	$ 58.9	$ 58.2	$ 0.7	1%

Property operating expenses increased $0.8 million within our Funds primarily due to our 2003/2004 Fund Acquisitions. Property operating expenses increased $0.1 million through our remaining portfolio primarily due to the result of a non-recurring charge of approximately $0.7 million related to flood damage at the Mark Plaza in 2004 offset by higher snow removal costs during 2003.

Real estate taxes increased $0.5 million within our Funds primarily due to our 2003/2004 Fund Acquisitions. The remaining increase was primarily due to a real estate tax refund received in 2003 related to the appeal of taxes paid in prior years at our Greenridge Plaza and higher real estate taxes throughout the balance of our portfolio in 2004.

General and administrative expense increased primarily as the result of additional professional fees related to Sarbanes-Oxley compliance in 2004 partially offset by certain employee termination costs in 2003 and our capitalization of certain internal leasing costs in 2004.

Depreciation and amortization expenses increased $0.9 million within our Funds primarily due to our 2003/2004 Fund Acquisitions. Within our remaining portfolio, depreciation expense decreased $2.6 million. This was a result of the write-off of $2.7 million of unamortized tenant improvement costs related to the buyout and termination of the former anchor at the Town Line Plaza redevelopment project in 2003. This decrease was offset by increased depreciation expense in 2004 following the Gateway redevelopment project being placed in service during

the second quarter of 2003. Amortization expense increased $0.8 million primarily as a result of the amortization of our investment in management contracts in 2004.

Other	2004	2003	Change $	Change %
Equity in earnings of unconsolidated partnerships	$ 0.5	$ 1.0	$ (0.5)	(50%)
Interest expense	(16.7)	(15.6)	(1.1)	7%
Gain on sale	0.9	1.2	(0.3)	(25%)
Minority interest	(1.4)	(4.9)	3.5	71%
Operating income from discontinued operations	1.6	1.5	0.1	7%
Discontinued operations - gain on sale of properties	6.7	0.0	6.7	100%

Interest expense increased $0.3 within our Funds primarily due to additional borrowings associated with 2003/2004 acquisitions. The balance of the increase was primarily attributable to an increase of $1.3 million as a result of higher average interest rates on the portfolio debt for 2004 and a decrease of $0.1 million in capitalized interest in 2004. These were offset by a decrease of $0.5 million as a result of lower outstanding borrowings in 2004.

Discontinued operations - gain on sale of properties increased $6.7 million due to a property sale in 2004.

Funds from Operations

We consider funds from operations ("FFO") as defined by the National Association of Real Estate Investment Trusts ("NAREIT") to be an appropriate supplemental disclosure of operating performance for an equity REIT due to its widespread acceptance and use within the REIT and analyst communities. FFO is presented to assist investors in analyzing our performance. It is helpful as it excludes various items included in net income that are not indicative of the operating performance, such as gains (losses) from sales of depreciated property and depreciation and amortization. However, our method of calculating FFO may be different from methods used by other REIT's and, accordingly, may not be comparable to such other REIT's. FFO does not represent cash generated from operations as defined by generally accepted accounting principles ("GAAP") and is not indicative of cash available to fund all cash needs, including distributions. It should not be considered as an alternative to net income for the purpose of evaluating our performance or to cash flows as a measure of liquidity.

Consistent with the NAREIT definition, we define FFO as net income (computed in accordance with GAAP), excluding gains (losses) from sales of depreciated property, plus depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. The reconciliations of net income to FFO for the years ended December 31, 2005, 2004, 2003, 2002 and 2001 are as follows:

Reconciliation of Net Income to Funds from Operations

	Restated For the Years Ended December 31, 2005	2004	2003	2002	2001
Net income	$ 20,626	$ 19,585	$ 7,853	$ 19,399	$ 9,802
Depreciation of real estate and amortization of leasing costs:					
Consolidated affiliates, net of minority interests' share	16,676	16,026	18,421	15,335	18,422
Unconsolidated affiliates	746	714	643	632	627
Income attributable to minority interest in operating partnership (1)	416	375	747	2,928	2,221
(Gain) loss on sale of properties	(2,622)	(6,696)	--	(8,132)	(17,734)
Cumulative effect of change in accounting principle	--	--	--	--	149
Funds from operations	$ 35,842	$ 30,004	$ 27,664	$ 30,162	$ 13,487

Notes:
(1) Represents income attributable to Common Operating Partnership Units and does not include distributions paid to Series A and B Preferred OP Unitholders.

LIQUIDITY AND CAPITAL RESOURCES

USES OF LIQUIDITY

Our principal uses of liquidity are expected to be for distributions to our shareholders and OP unit holders, debt service and loan repayments, and property investment which include the funding of our joint venture commitments, acquisition, redevelopment, expansion and re-tenanting activities.

Distributions

In order to qualify as a REIT for Federal income tax purposes, we must currently distribute at least 90% of our taxable income to our shareholders. For the first three quarters during 2005, we paid a quarterly dividend of $0.1725 per Common Share and Common OP Unit. In November of 2005, our Board of Trustees approved and declared a 7.2% increase in our quarterly dividend to $0.1850 per Common Share and Common OP Unit for the fourth quarter of 2005 which was paid January 13, 2006.

Acadia Strategic Opportunity Fund, LP ("Fund I")

In September 2001, we committed $20.0 million to a newly formed joint venture with four of our institutional shareholders, who committed $70.0 million, for the purpose of acquiring a total of approximately $300.0 million of community and neighborhood shopping centers on a leveraged basis. As of December 31, 2005, we have contributed $19.2 million to Fund I.

We are the manager and general partner of Fund I with a 22% interest. In addition to a pro-rata return on our invested equity, we are entitled to a profit participation based upon certain investment return thresholds. Cash flow is to be distributed pro-rata to the partners (including us) until they have received a 9% cumulative return on, and a return of all capital contributions. Thereafter, remaining cash flow is to be distributed 80% to the partners (including us) and 20% to us. We also earn a fee for asset management services equal to 1.5% of the allocated equity in the remaining Fund I assets, as well as market-rate fees for property management, leasing and construction services.

As of December 31, 2005, Fund I has purchased a total of 35 properties totaling 2.8 million square feet as further discussed in "PROPERTY ACQUISITIONS" in Item 1 of this Form 10-K.

Acadia Strategic Opportunity Fund II, LLC ("Fund II")

On June 15, 2004, we closed our second acquisition fund, Fund II, which includes all of the investors from Fund I as well as two additional institutional investors. With $300 million of committed discretionary capital, Fund II expects to be able to acquire up to $900 million of real estate assets on a leveraged basis. We are the managing member with a 20% interest in the joint venture. The terms and structure of Fund II are substantially the same as Fund I with the exceptions that the preferred return is 8% and the asset management fee is calculated on committed equity of $250 million through June 15, 2005 and then on the total committed equity of $300 million thereafter. As of December 31, 2005, we have contributed $67.0 million to Fund II.

Fund II has invested in the RCP Venture and the New York Urban/Infill Redevelopment initiatives and other investments as further discussed in "PROPERTY ACQUISITIONS" in Item 1 of this Form 10-K .

Other Investments

During 2004 and 2005, we made the following other investments as further discussed in "PROPERTY ACQUISITIONS" in Item 1 of this Form 10-K:

- i) $20.0 million in Levitz SL,
- ii) $16.8 million in Amboy Road,
- iii) $8.0 million for Klaff's management rights,
- iv) $3.2 million for Boonton and
- v) $9.8 million for Clark/Diversey.

Property Development, Redevelopment and Expansion

During 2005, we completed the development of the Bartow Avenue Center, located in Bronx, New York. A new anchor, Sleepy's, opened for business during the second quarter. This store occupies 6,430 square feet of formerly vacant space. Costs incurred to date for this project totaled $7.5 million.

Our redevelopment program focuses on selecting well-located neighborhood and community shopping centers and creating significant value through re-tenanting and property redevelopment. During 2005, we did not undertake any significant redevelopment projects within our core portfolio.

Additionally, for the year ending December 31, 2006, we currently estimate that capital outlays of approximately $5.0 million to $7.0 million will be required for tenant improvements, related renovations and other property improvements.

Share Repurchase

Repurchases of our Common Shares is an additional use of liquidity as discussed in Item 5 of this Form 10-K.

SOURCES OF LIQUIDITY

We intend on using Fund II as the primary vehicle for our future acquisitions, including investments in the RCP Venture and New York Urban/Infill Redevelopment initiative. Sources of capital for funding property acquisitions, redevelopment, expansion and re-tenanting, as well as future repurchases of Common Shares are expected to be obtained primarily from issuance of public equity or debt instruments, cash on hand, additional debt financings, unrelated member capital contributions and future sales of existing properties. As of December 31, 2005, we had a total of approximately $94.0 million of additional capacity under existing debt facilities, cash and cash equivalents on hand of $90.5 million, and 11 properties that are unencumbered and available as potential collateral for future borrowings. We anticipate that cash flow from operating activities will continue to provide adequate capital for all of our debt service payments, recurring capital expenditures and REIT distribution requirements.

Issuance of Equity

During November 2004, we issued 1,890,000 Common Shares (the "Offering"). The Offering was made under shelf registration statements filed under the Securities Act of 1933, as amended, and previously declared effective by the Securities and Exchange Commission. The $28.3 million in proceeds from the Offering, net of related costs, were used to retire above-market, fixed-rate indebtedness as well as to invest in real estate assets. Following this transaction, we have $46.7 million of remaining capacity to issue equity under our primary shelf registration statement.

Financing and Debt

At December 31, 2005, mortgage and other notes payable aggregated $406.9 million, net of a $4.1 million deferred credit required pursuant to the requirements of SFAS no. 141, and were collateralized by 51 properties and related tenant leases. Interest rates on our outstanding indebtedness ranged from 4.7% to 8.2% with maturities that ranged from January 2006 to January 2023. Taking into consideration $92.4 million of notional principal under variable to fixed-rate swap agreements currently in effect, $334.1 million of the portfolio, or 82%, was fixed at a 6.1% weighted average interest rate and $72.8 million, or 18% was floating at a 5.8% weighted average interest rate. There is $12.1 million of debt maturing in 2006 which was refinanced subsequent to December 31, 2005. In 2007, $55.5 million is scheduled to mature at a weighted average interest rate of 5.9%. As we do not anticipate having sufficient cash on hand to repay such indebtedness, we will need to refinance this indebtedness or select other alternatives based on market conditions at that time.

The following summarizes the financing and refinancing transactions since December 31, 2004:

On February 25, 2005, we drew down $20.0 million under an existing revolving facility, which bears interest at LIBOR plus 150 basis points. The proceeds from this drawdown were utilized for the Preferred Equity investment with Levitz SL, LLC.

During March 2005, Fund II obtained a secured revolving line of credit with a bank for $35,000. The revolving line of credit bears interest rate either at Prime plus 0% or LIBOR plus 0.75% at borrower's option. The loan matures at the earlier of three years or the date on which capital commitments have been fully drawn. At December 31, 2005, the outstanding line of credit balance was $24,400.

During April 2005, we borrowed $7.4 million under an existing secured revolving facility which was repaid in May 2005.

On May 26, 2005, we closed on a $65.0 million cross-collateralized revolving facility which is collateralized by five of our properties. The facility bears interest at LIBOR plus 130 basis points and matures June 1, 2010. At closing, the lender advanced $12.0 million, of which $7.4 million was used to refinance an existing facility with the same lender. On June 27, 2005, an additional $20.0 million was drawn on this line. On October 21, 2005, $10.0 million was repaid on this line resulting in $22.0 million outstanding under this facility as of December 31, 2005.

On August 31, 2005, we closed on a $17.6 million loan, which bears interest at a fixed rate of 4.98%. This loan, which matures September 2015, requires the payment of interest only until October 2010, and thereafter interest and principal based on 30 year amortization. The proceeds from this loan were in part used to pay down $15.0 million on an existing line.

Also during August 2005, Acadia-P/A obtained a $12,066 mortgage note secured by the building at 260 East 161st Street. The note bears interest rate either at LIBOR plus 1.50% or Prime Rate plus 0.5%. This loan was subsequently refinanced in the first quarter of 2006 with a $30,000 loan which bears interest at LIBOR plus 1.40% and matures in April 2008.

During September 2005, Acadia-P/A financed 4650 Broadway with a $19,000 mortgage loan which bears interest at a fixed rate of $5.26%. The loan matures on the earlier of September 1, 2007 or the termination of the lease with the City of New York.

On October 17, 2005, we closed on a $12.5 million loan, which bears interest at a fixed rate of 5.12%. This loan, which matures November 2015, requires the payment of interest only until November 2008, and thereafter interest and principal until maturity. The proceeds from this loan were in part used to pay down $10.0 million on the aforementioned $65.0 million revolving facility.

On December 9, 2005, we closed on a $34.6 million loan, which bears interest at a fixed rate of 5.53%. This loan, which matures January 2016, requires the payment of interest only until January 2010, and thereafter interest and principal until maturity.

In conjunction with the December, 2005 acquisition of 216th Street, Acadia-P/A obtained a $4,900 loan which bears interest at a rate of LIBOR plus 1.25% and matures in December 31, 2008.

Asset Sales

Asset sales are an additional source of liquidity for us. During 2005 and 2004, we sold the Berlin Shopping Center and East End Centre as discussed in "ASSET SALES AND CAPITAL/ASSET RECYCLING" in Item 1 of this Form 10-K.

CONTRACTUAL OBLIGATIONS AND OTHER COMMITMENTS

At December 31, 2005, maturities on our mortgage notes ranged from July 2007 to January 2016. In addition, we have non-cancelable ground leases at four of our shopping centers. We also lease space for our White Plains corporate office for a term expiring in 2010. The following table summarizes our debt maturities and obligations under non-cancelable operating leases of December 31, 2005:

(amounts in millions)	Payments due by period				
Contractual obligation	Total	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
Future debt maturities	$ 406.9	$ 24.9	$ 129.1	$ 50.6	$ 202.3
Interest obligations on debt	122.6	22.9	52.7	24.7	22.3
Operating lease obligations	131.3	3.3	6.7	8.1	113.2
Total	$ 660.8	$ 51.1	$ 188.5	$ 83.4	$ 337.8

OFF BALANCE SHEET ARRANGEMENTS

We have investments in five joint ventures for the purpose of investing in operating properties as follows:

We own a 49% interest in two partnerships which own the Crossroads Shopping Center ("Crossroads"). We account for the investment in Crossroads using the equity method of accounting as we have a non-controlling investment in Crossroads, but exercise significant influence. As such, our financial statements reflect our share of income from, but not the assets and liabilities of, Crossroads. Our pro rata share of Crossroads mortgage debt as of December 31, 2005 was $31.4 million. This fixed-rate debt bears interest at 5.4% and matures in December 2014.

In addition, Fund I owns interests in four entities for which it also uses the equity method of accounting as our Fund has a non-controlling investment in these entities, but exercises significant influence. As such, our financial statements reflect our Fund's share of income from, but not the assets and liabilities of, these entities. Fund I's pro-rata share of the mortgage debt for these entities aggregated $6.2 million as of December 31, 2005 with a weighted average interest rate of 6.0% and maturing in August 2010.

HISTORICAL CASH FLOW

The following discussion of historical cash flow compares our cash flow for the year ended December 31, 2005 ("2005') with our cash flow for the year ended December 31, 2004 ("2004").

Cash and cash equivalents were $90.5 million and $16.3 million at December 31, 2005 and 2004, respectively. The increase of $74.2 million was a result of the following increases and decreases in cash flows:

(amounts in millions)	Years Ended December 31, 2005	2004	Variance
Net cash provided by operating activities	$ 50.2	$ 33.9	$ 16.3
Net cash used in investing activities	(135.4)	(72.9)	(62.5)
Net cash provided by financing activities	159.4	40.0	119.4

The variance in net cash provided by operating activities resulted from an increase of $25.4 million in operating income before non-cash expenses in 2005, which was primarily due to a $20.8 million increase in distributions received from unconsolidated affiliates, additional fee income from the acquisition of certain management contracts rights in January 2004 and February 2005 and additional interest income resulting from our preferred equity investment in 2005. These increases were offset by additional general and administrative costs due to increased compensation and other overhead expenses following the expansion of our infrastructure. In addition, a net decrease in cash provided by operating assets and liabilities of $8.6 million resulted primarily from an increase in receivables related to third party construction cost reimbursements and an increase in accounts payable and accrued expenses in 2005.

The increase in net cash used in investing activities resulted primarily from an $82.5 million increase in expenditures for real estate acquisitions, development and tenant installation during 2005 and a $19.0 million Preferred Equity investment in 2005. These decreases were offset by a $30.3 million decrease in investments in and advances to unconsolidated affiliates in 2005, a $7.7 million increase in return of capital from unconsolidated affiliates in 2005 and $3.9 million of proceeds received from the sale of a property in 2005.

The increase in net cash provided by financing activities resulted from the following:

Debt repayment in 2004	$ 106.6
Debt repayment in 2005	(44.8)
Additional borrowings in 2005	90.2
Proceeds from issuance of Common Shares in 2004	(28.3)
Proceeds of exercise of Stock Options in 2004 over 2005	(9.0)
Additional capital contributions from partners and members in 2005	3.8
Miscellaneous	0.9
Total variance	$ 119.4

CRITICAL ACCOUNTING POLICIES

Management's discussion and analysis of financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. 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 the following critical accounting policies affect the significant judgments and estimates used by us in the preparation of our consolidated financial statements.

Valuation of Property Held for Use and Sale

On a quarterly basis, we review the carrying value of both properties held for use and for sale. We record impairment losses and reduce the carrying value of properties when indicators of impairment are present and the expected undiscounted cash flows related to those properties are less than their carrying amounts. In cases where we do not expect to recover our carrying costs on properties held for use, we reduce our carrying cost to fair value, and for properties held for sale, we reduce our carrying value to the fair value less costs to sell. For the year ended December 31, 2005, an impairment loss of $0.8 million was recognized related to a property that was sold in July of 2005. Management does not believe that the value of any properties in its portfolio was impaired as of December 31, 2005 or 2004.

Bad Debts

We maintain an allowance for doubtful accounts for estimated losses resulting from the inability of tenants to make payments on arrearages in billed rents, as well as the likelihood that tenants will not have the ability to make payment on unbilled rents including estimated expense recoveries and straight-line rent. As of December 31, 2005, we had recorded an allowance for doubtful accounts of $3.0 million. If the financial condition of our tenants were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

INFLATION

Our long-term leases contain provisions designed to mitigate the adverse impact of inflation on our net income. Such provisions include clauses enabling us to receive percentage rents based on tenants' gross sales, which generally increase as prices rise, and/or, in certain cases, escalation clauses, which generally increase rental rates during the terms of the leases. Such escalation clauses are often related to increases in the consumer price index or similar inflation indexes. In addition, many of our leases are for terms of less than ten years, which permits us to seek to increase rents upon re-rental at market rates if current rents are below the then existing market rates. Most of our leases require the tenants to pay their share of operating expenses, including common area maintenance, real estate taxes, insurance and utilities, thereby reducing our exposure to increases in costs and operating expenses resulting from inflation.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Reference is made to the Notes to Consolidated Financial Statements included in Item 8 of this Form 10-K.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our primary market risk exposure is to changes in interest rates related to our mortgage debt. See the consolidated financial statements and notes thereto included in this Annual Report on Form 10-K for certain quantitative details related to our mortgage debt.

Currently, we manage our exposure to fluctuations in interest rates primarily through the use of fixed-rate debt and interest rate swap agreements. As of December 31, 2005, we had total mortgage debt of $382.5 million of which $334.1 million, or 87% was fixed-rate, inclusive of interest rate swaps, and $48.4 million, or 13%, was variable-rate based upon LIBOR plus certain spreads. As of December 31, 2005, we were a party to five interest rate swap transactions to hedge our exposure to changes in interest rates with respect to $92.4 million of LIBOR based variable-rate debt. We also have three forward-starting interest rate swaps which commence during 2006, and 2007 and mature from 2010 to 2012 that will hedge our exposure to changes in interest rates with respect to $24.5 million of refinanced LIBOR-based variable rate debt with the matching maturities.

The following table sets forth information as of December 31, 2005 concerning our long-term debt obligations, including principal cash flows by scheduled maturity and weighted average interest rates of maturing amounts (amounts in millions):

Consolidated mortgage debt:

Year	Scheduled amortization	Maturities	Total	Weighted average interest rate
2006	$ 7.9	$ 17.0	$ 24.9	4.9%
2007	9.6	54.9	64.5	5.6%
2008	10.2	54.4	64.6	4.7%
2009	11.2	--	11.2	n/a
2010	2.7	36.7	39.4	6.4%
Thereafter	58.0	144.3	202.3	5.9%
	$ 99.6	$ 307.3	$ 406.9	

Mortgage debt in unconsolidated partnerships (at our pro rata share):

Year	Scheduled amortization	Maturities	Total	Weighted average interest rate
2006	$ --	$ --	$ --	n/a
2007	0.4	--	0.4	n/a
2008	0.5	--	0.5	n/a
2009	0.5	--	0.5	n/a
2010	0.5	6.1	6.6	5.5%
Thereafter	2.2	27.4	29.6	5.4%

$ 4.1	$ 33.5	$ 37.6

Of our total outstanding debt, $17.0 million and $54.9 million will become due in 2006 and 2007, respectively. As we intend on refinancing some or all of such debt at the then-existing market interest rates which may be greater than the current interest rate, our interest expense would increase by approximately $0.7 million annually if the interest rate on the refinanced debt increased by 100 basis points. Interest expense on our variable debt of $48.4 million as of December 31, 2005 would increase $0.5 million if the interest rates increased by 100 basis points. 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.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements and supplementary data listed in items 15(a) (1) and 15(a) (2) hereof are incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENTS SCHEDULES

(a) Financial Statements - Form 10-K. The following consolidated financial information was previously filed with the Company's Annual Report on Form 10-K filed for the fiscal year ended December 31, 2005, filed with the SEC on March 16, 2006.

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ACADIA REALTY TRUST AND SUBSIDIARIES

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Report of Independent Registered Public Accounting Firm

The Shareholders and Trustees of
Acadia Realty Trust

We have audited the accompanying consolidated balance sheet of Acadia Realty Trust and subsidiaries (the "Company") as of December 31, 2005 and the related consolidated statements of income, stockholders' equity, and cash flows for the year then ended. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Acadia Realty Trust and subsidiaries at December 31, 2005 and the consolidated results of their operations and their cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Acadia Realty Trust and subsidiaries' internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control--Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 8, 2006 expressed an unqualified opinion thereon.

As explained in Note 1 to the financial statements, effective January 1, 2006, Acadia Realty Trust and subsidiaries adopted the provisions of Emerging Issues Task Force 04-5, Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights.

/s/ BDO Seidman, LLP

New York, New York
November 30, 2006

Report of Independent Registered Public Accounting Firm

The Shareholders and Trustees of
Acadia Realty Trust

We have audited the accompanying consolidated balance sheet of Acadia Realty Trust and subsidiaries (the "Company") as of December 31, 2004, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the two years in the period ended December 31, 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Acadia Realty Trust and subsidiaries at December 31, 2004, and the consolidated results of their operations and their cash flows for each of the two years in the period ended December 31, 2004, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 1 to the consolidated financial statements, effective January 1, 2006, the Company retrospectively adopted the provisions of EITF 04-5, "Accounting for an Investment in a Limited Partnership When the Investor Is the Sole General Partner and the Limited Partners Have Certain Rights".

/s/ Ernst & Young LLP

New York, New York
November 30, 2006

Part I. Financial Information

Item 1. Financial Statements

ACADIA REALTY TRUST AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(dollars in thousands, except per share amounts)

	Retrospectively Adjusted December 31, 2005	2004
ASSETS		
Real estate:		
Land	$ 141,319	$ 87,573
Buildings and improvements	564,779	506,391
Construction in progress	3,808	5,594
	709,906	599,558
Less: accumulated depreciation	127,819	106,924
Net real estate	582,087	492,634
Cash and cash equivalents	90,475	16,281
Restricted cash	548	1,213
Cash in escrow	7,789	5,747
Investment in management contracts, net of accumulated amortization of $1,938 and $578, respectively	3,178	3,422
Preferred equity investment	19,000	--
Investments in and advances to unconsolidated affiliates	17,863	30,905
Rents receivable, net	13,000	9,556
Notes receivable	15,733	10,087
Prepaid expenses	4,980	3,229
Deferred charges, net	23,739	12,806
Acquired lease intangibles	8,119	2,178
Other assets	15,354	5,129
Assets of discontinued operations	39,726	43,544
	$ 841,591	$ 636,731
LIABILITIES AND SHAREHOLDERS' EQUITY		
Mortgage notes payable	$ 386,600	$ 271,571
Notes payable	24,400	--
Acquired leases and other intangibles	6,812	8,459
Accounts payable and accrued expenses	18,302	21,668
Dividends and distributions payable	6,088	5,597
Derivative instruments	180	2,136
Share of distributions in excess of share of income and investment in unconsolidated affiliates	10,315	9,304
Other liabilities	6,964	3,736
Liabilities of discontinued operations	15,064	15,199
Total liabilities	474,725	337,670
Minority interest in Operating Partnership	9,204	6,893
Minority interests in partially-owned affiliates	137,086	75,244
Total minority interests	146,290	82,137
Shareholders' equity:		
Common shares, $.001 par value, authorized 100,000,000 shares, issued and outstanding 31,542,942 and 31,340,637 shares, respectively	31	31
Additional paid-in capital	223,199	222,715
Accumulated other comprehensive loss	(12)	(3,180)
Deficit	(2,642)	(2,642)
Total shareholders' equity	220,576	216,924
	$ 841,591	$ 636,731

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

ACADIA REALTY TRUST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(dollars in thousands, except per share amounts)

	Retrospectively Adjusted Years ended December 31,		
	2005	2004	2003
Revenues			
Minimum rents	$ 75,441	$ 68,899	$ 64,509
Percentage rents	1,272	1,348	1,063
Expense reimbursements	14,944	13,336	14,072
Other property income	2,269	785	859
Management fee income from related parties, net	3,564	1,259	282
Interest income	3,316	1,245	788
Other	--	210	1,218
Total revenues	100,806	87,082	82,791
Operating Expenses			
Property operating	16,087	17,007	16,100
Real estate taxes	9,402	8,187	7,617
General and administrative	16,153	10,941	10,813
Depreciation and amortization	25,905	22,781	23,672
Total operating expenses	67,547	58,916	58,202
Operating income	33,259	28,166	24,589
Equity in earnings of unconsolidated affiliates	21,280	513	985
Interest expense	(18,804)	(16,687)	(15,573)
Gain on sale of land	--	932	1,187
Minority interest	(13,952)	(1,466)	(4,899)
Income from continuing operations before income taxes	21,783	11,458	6,289
Income taxes	(2,140)	--	--
Income from continuing operations	19,643	11,458	6,289
Discontinued operations:			
Operating income from discontinued operations	1,823	1,596	1,443
Impairment of real estate	(770)	--	--
(Loss) gain on sale of properties	(50)	6,696	--
Minority interest	(20)	(165)	121
Income from discontinued operations	983	8,127	1,564
Net income	$ 20,626	$ 19,585	$ 7,853
Basic earnings per share			
Income from continuing operations	$ 0.62	$ 0.39	$ 0.24
Income from discontinued operations	0.03	0.28	0.06
Basic earnings per share	$ 0.65	$ 0.67	$ 0.30
Diluted earnings per share			
Income from continuing operations	$ 0.61	$ 0.38	$ 0.23
Income from discontinued operations	0.03	0.27	0.06
Diluted earnings per share	$ 0.64	$ 0.65	$ 0.29

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

ACADIA REALTY TRUST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(dollars in thousands, except per share amounts)

	Common Shares		Additional	Accumulated Other		Total
	Shares	Amount	Paid-in Capital	Comprehensive Loss	Deficit	Shareholders' Equity
Balance at December 31, 2002	25,257	$ 25	$ 170,851	$ (6,874)	$ (2,679)	$ 161,323
Conversion of 2,058,804 OP Units to Common Shares by limited partners of the Operating Partnership	2,059	2	14,898	--	--	14,900
Conversion of 632 Series A Preferred OP Units to Common Shares by limited partners of the Operating Partnership	84	--	632	--	--	632
Employee restricted share award	8	--	410	--	--	410
Settlement of vested options	--	--	(750)	--	--	(750)
Dividends declared ($0.595 per Common Share)	--	--	(8,160)	--	(7,853)	(16,013)
Employee exercise of 250 options	--	--	2	--	--	2
Unrealized gain on valuation of swap agreements	--	--	--	1,369	--	1,369
Common Shares purchased under Employee Stock Purchase Plan	1	--	8	--	--	8
Net income	--	--	--	--	7,853	7,853
Balance at December 31, 2003	27,409	27	177,891	(5,505)	(2,679)	169,734
Conversion of 746,762 OP Units to Common Shares by limited partners of the Operating Partnership	747	1	6,395	--	--	6,396
Shares issued to trustees and employees	5	--	443	--	--	443
Employee restricted share award	22	--	394	--	--	394
Settlement of vested options	--	--	(67)	--	--	(67)
Dividends declared ($0.6525 per Common Share)	--	--	--	--	(19,548)	(19,548)
Employee and trustee exercise of 1,262,000 options	1,262	1	9,265	--	--	9,266
Unrealized gain on valuation of swap agreements	--	--	--	2,325	--	2,325
Common Shares issued under Employee Stock Purchase Plan	6	--	84	--	--	84
Issuance of 1,890,000 Common Shares, net of issuance costs	1,890	2	28,310	--	--	28,312
Net income	--	--	--	--	19,585	19,585
Balance at December 31, 2004	31,341	31	222,715	(3,180)	(2,642)	216,924
Conversion of 796 Series A Preferred OP Units to Common Shares by limited partners of the Operating Partnership	92	--	696	--	--	696
Employee restricted share awards	52	--	1,030	--	--	1,030
Dividends declared ($0.69 per Common Share)	--	--	(1,691)	--	(20,626)	(22,317)
Employee and trustee exercise of 51,200 options	51	--	345	--	--	345
Unrealized gain on valuation of swap agreements	--	--	--	3,168	--	3,168
Common Shares issued under Employee Stock Purchase Plan	7	--	104	--	--	104
Net income	--	--	--	--	20,626	20,626
Balance at December 31, 2005	31,543	$ 31	$ 223,199	$ (12)	$ (2,642)	$ 220,576

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

ACADIA REALTY TRUST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(dollars in thousands)

	Retrospectively Adjusted Years ended December 31,		
CASH FLOWS FROM OPERATING ACTIVITIES:	2005	2004	2003
Net income	$ 20,626	$ 19,585	$ 7,853
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	27,747	25,030	25,941
Gain on sale of land	--	(932)	(1,187)
Loss (gain) on sale of property	50	(6,696)	--
Impairment of real estate	770	--	--
Minority interests	13,972	1,631	4,778
Amortization of lease intangibles	980	(519)	(619)
Amortization of mortgage note premium	(530)	(524)	(495)
Equity in earnings of unconsolidated affiliates	(21,280)	(513)	(985)
Distributions of operating income from unconsolidated affiliates	21,498	720	985
Amortization of derivative settlement included in interest expense	460	125	23
Provision for bad debts	305	1,254	557
Changes in assets and liabilities:			
Restricted cash	701	(709)	(504)
Funding of escrows, net	(1,827)	(2,063)	(626)
Rents receivable	(3,309)	(1,998)	(4,967)
Prepaid expenses	(783)	(442)	(1,085)
Other assets	(8,785)	(3,204)	(1,475)
Accounts payable and accrued expenses	(2,826)	3,546	1,481
Due to/from related parties	--	(344)	(126)
Other liabilities	2,470	(62)	1,482
Net cash provided by operating activities	50,239	33,885	31,031
CASH FLOWS FROM INVESTING ACTIVITIES:			
Expenditures for real estate and improvements	(131,077)	(48,611)	(75,025)
Deferred acquisition and leasing costs	(5,670)	(3,014)	(2,333)
Payments of accrued expense related to redevelopment project	--	--	(2,488)
Investment in and advances to unconsolidated affiliates	(455)	(30,803)	
Return of capital from unconsolidated affiliates	22,847	15,136	62
Collection of notes receivable	1,868	3,929	3,232
Advances of notes receivable	(7,914)	(10,429)	--
Preferred equity investment	(19,000)	--	--
Proceeds from sale of land	--	932	--
Proceeds from sale of property	3,931	--	--
Net cash used in investing activities	(135,470)	(72,860)	(76,552)

ACADIA REALTY TRUST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(dollars in thousands)

	Retrospectively Adjusted		
CASH FLOWS FROM FINANCING ACTIVITIES:			
Principal payments on mortgage notes payable	(44,784)	(106,639)	(38,564)
Proceeds received on mortgage notes payable	184,466	94,251	51,000
Payment of deferred financing and other costs	(2,801)	(2,338)	(632)
Settlement of treasury lock	--	--	(132)
Capital contributions from partners and members	44,122	40,302	24,808
Distributions to partners and members	--	(3,238)	(3,889)
Dividends paid	(21,869)	(18,507)	(14,896)
Distributions to minority interests in Operating Partnership	(380)	(416)	(1,207)
Distributions on preferred Operating Partnership Units	(342)	(283)	(199)
Distributions to minority interests in majority-owned affiliates	(436)	(1,031)	(1,416)
Contributions from minority interests in majority-owned affiliates	1,000	1,587	1,323
Common Shares issued under Employee Stock Purchase Plan	104	84	8
Settlement of options to purchase Common Shares	--	(67)	(750)
Exercise of options to purchase Common Shares	345	9,340	--
Termination of derivative instrument	--	(1,307)	--
Issuance of Common Shares	--	28,312	--
Net cash provided by (used in) financing activities	159,425	40,050	15,454
Increase (decrease) in cash and cash equivalents	74,194	1,075	(30,067)
Cash and cash equivalents, beginning of period	16,281	15,206	45,273
Cash and cash equivalents, end of period	$ 90,475	$ 16,281	$ 15,206
Supplemental disclosure of cash flow information:			
Cash paid during the period for interest, including capitalized interest of $260, $304 and $403, respectively	$ 18,799	$ 19,167	$ 17,452
Supplemental disclosure of non-cash investing and financing activities:			
Acquisition of management contract rights through issuance of Common and Preferred Operating Partnership Units	$ 4,000	$ 4,000	$ --
Accrued earn-out liability on acquired real estate	$ --	$ 12,241	$ --
Acquisition of real estate through debt	$ --	$ --	$ 72,532
Acquisition of property through issuance of Preferred Operating Partnership Units	$ 200	$ --	$ --
Conversion of common equity interest into preferred equity interest in the Hitchcock and Pine Log investments	$ 3,255	$ --	$ --

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

ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Retrospectively Adjusted (dollars in thousands, except per share amounts)

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

Acadia Realty Trust (the "Company") is a fully integrated, self-managed and self-administered equity real estate investment trust ("REIT") focused primarily on the ownership, acquisition, redevelopment and management of retail properties, including neighborhood and community shopping centers and mixed-use properties with retail components.

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 its majority owned partnerships. As of December 31, 2005, the Company controlled 98% of the Operating Partnership as the sole general partner. As the general partner, the Company 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 represent entities or individuals who contributed their interests in certain properties or partnerships to the Operating Partnership in exchange for common or preferred units of limited partnership interest ("Common or Preferred OP Units"). Limited partners holding Common OP Units are generally entitled to exchange their units on a one-for-one basis for common shares of beneficial interest of the Company ("Common Shares"). This structure is commonly referred to as an umbrella partnership REIT or "UPREIT".

In 2001, the Company formed a partnership, Acadia Strategic Opportunity Fund I, LP ("Fund I"), and in 2004 formed a limited liability company, Acadia Mervyn Investors I, LLC ("Mervyns I"), with four institutional investors. The Company committed a total of $20,000 to Fund I and Mervyns I, and the four institutional shareholders committed $70,000, for the purpose of acquiring a total of approximately $300,000 in investments. As of December 31, 2005, the Company has contributed $16,514 to Fund I and $2,729 to Mervyns I.

The Company is the sole general partner or managing member, with a 22% interest in both Fund I and Mervyns I and is also entitled to a profit participation in excess of its invested capital based on certain investment return thresholds. Decisions made by the general partner, as it relates to purchasing, financing, and disposition of properties, are subject to the unanimous disapproval of the Advisory Committee of Fund I, which is comprised of representatives from each of the four institutional investors. Cash flow is distributed pro-rata to the partners (including the Company) until they have received a 9% cumulative return, and the return of all capital contributions. Thereafter, remaining cash flow is to be distributed 80% to the partners (including the Company) and 20% to the Company as a carried interest ("Promote"). Through December 31, 2005, the Company also earned a fee for asset management services equal to 1.5% of the allocated equity in the remaining Fund I assets, as well as market-rate fees for property management, leasing and construction services. Effective January 1, 2006, the Company converted the asset management and property management fees to priority distributions of the same amount as the fees, which entitles the Company to a special allocation of income equal to the amount of the priority distributions. Thereafter, cash flow is distributed as previously mentioned and the Company continues to earn the market leasing and construction fees. Following the recapitalization of the Brandywine Portfolio in January 2006, all capital contributions and the required 9% cumulative preferred return have been distributed to the institutional investors. Accordingly, the Company is now entitled to a Promote on all future earnings and distributions.

In June of 2004, the Company formed a limited liability company, Acadia Strategic Opportunity Fund II, LLC ("Fund II"), and in August 2004 formed another limited liability company, Acadia Mervyn Investors II, LLC ("Mervyns II"), with the investors from Fund I as well as two additional institutional investors. With $300,000 of committed discretionary capital, Fund II and Mervyns II expect to be able to acquire up to $900,000 of investments on a leveraged basis. The Company's share of committed capital is $60,000. The Company is the sole managing member with 20% interest in the limited liability companies and is also entitled to a profit participation in excess of its invested capital based on certain investment return thresholds. The terms and structure of Fund II are substantially the same as Fund I with the exceptions that the preferred return is 8%. As of December 31, 2005, the Company has contributed $10,943 to Fund II and $2,456 to Mervyns II.

As of December 31, 2005, the Company operated 73 properties, which it owns or has an ownership interest in, principally located in the Northeast, Mid-Atlantic and Midwest regions of the United States.

Principles of Consolidation

The consolidated financial statements include the consolidated accounts of the Company and its controlling investments in partnerships and limited liability companies including the Operating Partnership. The ownership interests of other investors in these entities are recorded as minority 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 loss) of these entities are included in consolidated net income.

Variable interest entities within the scope of Financial Accounting Statements Board ("FASB") Interpretation No. 46, "Consolidation of Variable Interest Entities" ("FIN 46-R") are required to be consolidated by their primary beneficiary. The primary beneficiary of a variable interest entity is determined

to be the party that absorbs a majority of the entity's expected losses, receives a majority of its expected returns, or both. Management has evaluated the applicability of FIN 46-R to its investments in certain joint ventures and determined that these joint ventures do not meet the requirements of a variable interest entity and, therefore, consolidation of these ventures is not required. Accordingly, these investments are accounted for using the equity method.

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

Principles of Consolidation, continued

In 2005, the Emerging Issues Task Force ("EITF") reached a consensus that the general partners in a limited partnership should determine whether they control a limited partnership based on the application of the framework as discussed in EITF 04-5, "Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights". Under EITF 04-5, the general partners in a limited partnership are presumed to control that limited partnership regardless of the extent of the general partners' ownership interest in the limited partnership. The assessment of whether the rights of the limited partners should overcome the presumption of control by the general partners is a matter of judgment that depends on facts and circumstances. If the limited partners have either (a) the substantive ability to dissolve (liquidate) the limited partnership or otherwise remove the general partners without cause or (b) substantive participating rights, the general partners do not control the limited partnership. EITF 04-5 was effective immediately for new partnerships formed and existing limited partnerships for which the partnership agreements are modified on or after June 29, 2005, and, for all other partnerships, EITF 04-5 would be effective no later than the beginning of the first reporting period in fiscal years beginning after December 15, 2005. The provisions of EITF 04-5 may be initially applied through either one of two methods: (1) similar to a cumulative effect of a change in accounting principle or (2) retrospective application. The Company has determined that its investments in Funds I and II, and Mervyns I and II, which were previously accounted for under the equity method of accounting, should be reported on a consolidated basis in the accompanying financial statements and has elected retrospective application. As a result, the previously issued consolidated financial statements for the three years ended December 31, 2005 have been retrospectively adjusted to reflect the adoption of EITF 04-05. As a result, the financial positions and the results of operations of Funds I and II, and Mervyns I and II, which were previously reflected on the equity basis, have been consolidated in the accompanying financial statements. There was no impact on net income or shareholders' equity for any of the reported periods in the accompanying consolidated financial statements as a result of the consolidation.

Use of Estimates

Accounting principles generally accepted in the United States of America ("GAAP") require the Company's management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The most significant assumptions and estimates relate to the valuation of real estate, depreciable lives, revenue recognition and the collectability of trade accounts receivable. Application of these assumptions requires the exercise of judgment as to future uncertainties and, as a result, actual results could differ from these estimates.

Real Estate

Real estate assets are stated at cost less accumulated depreciation. Expenditures for acquisition, development, construction and improvement of properties, as well as significant renovations are capitalized. Interest costs are capitalized until construction is substantially complete. Construction in progress includes costs for significant shopping center expansion and redevelopment. Depreciation is computed on the straight-line basis over estimated useful lives of 30 to 40 years for buildings and the shorter of the useful life or lease term for improvements, furniture, fixtures and equipment. Expenditures for maintenance and repairs are charged to operations as incurred.

Upon acquisitions of real estate, the Company assesses the fair value of acquired assets (including land, buildings and improvements, and identified intangibles such as above and below market leases and acquired in-place leases and customer relationships) and acquired liabilities in accordance with Statement of Financial Accounting Standards ("SFAS") No. 141, "Business Combinations" and SFAS No. 142," Goodwill and Other Intangible Assets", and allocates purchase price based on these assessments. The Company assesses fair value based on estimated cash flow projections that utilize appropriate discount and capitalization rates and available market information. Estimates of future cash flows are based on a number of factors including the historical operating results, known trends, and market/economic conditions that may affect the property.

The Company reviews its long-lived assets used in operations for impairment when there is an event, or change in circumstances that indicates impairment in value. The Company records impairment losses and reduces the carrying value of properties when indicators of impairment are present and the expected undiscounted cash flows related to those properties are less than their carrying amounts. In cases where the Company does not expect to recover its carrying costs on properties held for use, the Company reduces its carrying cost to fair value, and for properties held for sale, the Company reduces its carrying value to the fair value less costs to sell. During the year ended December 31, 2005, an impairment loss of $770 was recognized related to a property that was sold in July of 2005. Management does not believe that the values of its properties within the portfolio are impaired as of December 31, 2005.

Deferred Costs

Fees and costs paid in the successful negotiation of leases have been deferred and are being amortized on a straight-line basis over the terms of the respective leases. Fees and costs incurred in connection with obtaining financing have been deferred and are being amortized over the term of the related debt obligation.

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

Management Contracts

Income from management contracts, net of submanagement fees of $303 and $1,591 for the years ended December 31, 2005 and 2004, respectively, is recognized on an accrual basis as such fees are earned. The initial acquisition cost of the management contracts is being amortized over the estimated lives of the contracts acquired.

Revenue Recognition and Accounts Receivable

Leases with tenants are accounted for as operating leases. Minimum rents are recognized on a straight-line basis over the term of the respective leases. As of December 31, 2005 and 2004 unbilled rents receivable relating to straight-lining of rents were $7,020 and $5,395, respectively and deferred rents related to the straight lining of rents were $706 and $1,171, respectively. Certain of these leases also provide for percentage rents based upon the level of sales achieved by the tenant. Percentage rents are recognized in the period when the tenants' sales breakpoint is met. In addition, leases typically provide for the reimbursement to the Company of real estate taxes, insurance and other property operating expenses. These reimbursements are recognized as revenue in the period the expenses are incurred.

The Company makes estimates of the uncollectability of its accounts receivable related to base rents, expense reimbursements and other revenues. An allowance for doubtful accounts has been provided against certain tenant accounts receivable that are estimated to be uncollectible. Once the amount is ultimately deemed to be uncollectible, it is written off. Rents receivable at December 31, 2005 and 2004 are shown net of an allowance for doubtful accounts of $3,211 and $3,076, respectively. Interest income from notes receivable is recognized on an accrual basis based on the contractual terms of the notes.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Restricted Cash and Cash in Escrow

Restricted cash and cash in escrow consists principally of cash held for real estate taxes, property maintenance, insurance, minimum occupancy and property operating income requirements at specific properties as required by certain loan agreements.

Income Taxes

The Company has made an election to be taxed, and believes it qualifies as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended (the "Code"). To maintain REIT status for Federal income tax purposes, the Company is generally required to distribute to its stockholders at least 90% of its REIT taxable income as well as comply with certain other requirements as defined by the Code. Accordingly, the Company is not subject to federal corporate income tax to the extent that it distributes 100% of its REIT taxable income each year.

Although it may qualify for REIT status for Federal income tax purposes, the Company is subject to state income or franchise taxes in certain states in which some of its properties are located. In addition, taxable income from non-REIT activities managed through the Company's taxable REIT subsidiaries ("TRS") are subject to Federal, state and local income taxes.

TRS income taxes are accounted for under the asset and liability method as required SFAS No. 109, "Accounting for Income Taxes". Under the asset and liability method, deferred income taxes are recognized for the temporary differences between the financial reporting basis and the tax basis of the TRS assets and liabilities.

Stock-based Compensation

Prior to 2002, the Company accounted for stock options under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" and related interpretations. Effective June 30, 2005, the Company adopted the fair value method of recording stock-based compensation contained in SFAS No. 123R, "Accounting for Stock-Based Compensation". As such, all stock options granted after December 31, 2001 are reflected as compensation expense in the Company's consolidated financial statements over their vesting period based on the fair value at the date the stock-based compensation was granted. As provided for in SFAS No. 123, the Company elected the "prospective method" for the adoption of the fair value basis method of accounting for employee stock options. Under this method, the recognition provisions have been applied to all employee awards granted, modified or settled after January 1, 2002.

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

Stock-based Compensation, continued

The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value based method of accounting for stock-based employee compensation for vested stock options granted prior to January 1, 2002. See Note 11 - "Share Incentive Plan" for the assumptions utilized in valuing the below vested stock options:

	Years ended December 31,	
	2004	2003
Net income:		
As reported	$ 19,585	$ 7,853
Pro forma	$ 19,561	$ 7,829
Basic earnings per share:		
As reported	$ 0.67	$ 0.30
Pro forma	$ 0.67	$ 0.29
Diluted earnings per share:		
As reported	$ 0.65	$ 0.29
Pro forma	$ 0.65	$ 0.29

Recent Accounting Pronouncements

On December 16, 2004, the FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets - An Amendment of APB Opinion No. 29". The amendments made by SFAS No. 153 are based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged. Further, the amendments eliminate the narrow exception for nonmonetary exchanges of similar productive assets and replace it with a broader exception for exchanges of nonmonetary assets that do not have "commercial substance." SFAS No. 153 is effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. The adoption of SFAS No. 153 on its effective date did not have a material effect on the Company's consolidated financial statements.

On December 16, 2004, the FASB issued SFAS No. 123R (Revised 2004), "Share-Based Payment". SFAS 123R replaces SFAS No. 123, which the Company adopted on January 1, 2003. SFAS No. 123R requires that the compensation cost relating to share-based payment transactions be recognized in financial statements and be measured based on the fair value of the equity or liability instruments issued. SFAS No. 123R is effective as of the first interim or annual reporting period that begins after June 15, 2005. The Company does not believe that the adoption of SFAS No. 123R will have a material effect on the Company's consolidated financial statements.

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections - A Replacement of APB Opinion No. 20 and SFAS No. 3". SFAS No. 154 changes the requirements for the accounting and reporting of a change in accounting principle by requiring that a voluntary change in accounting principle be applied retrospectively with all prior periods' financial statements presented on the new accounting principle, unless it is impracticable to do so. SFAS No. 154 also requires that a change in depreciation or amortization for long-lived, non-financial assets be accounted for as a change in accounting estimate effected by a change in accounting principle and corrections of errors in previously issued financial statements should be termed a "restatement". SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The Company believes that the adoption of SFAS No. 154 will not have a material effect on its consolidated financial statements.

In February 2006, the FASB issued SFAS No. 155, "Accounting for Certain Hybrid Financial Instruments - an amendment of FASB Statements No. 133 and No. 14". This Statement amends SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", and SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" and resolves issues addressed in SFAS No. 133 Implementation Issue No. D1, "Application of SFAS No. 133 to Beneficial Interests in Securitized Financial Assets." This Statement (a) permits fair value remeasurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation, (b) clarifies which interest-only strips and principal-only strips are not subject to the requirements of SFAS No. 133, (c) establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation, (d) clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives and (e) amends SFAS No. 140 to eliminate the prohibition on a qualifying special-purpose entity from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument. This Statement is effective for all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after September 15, 2006. The Company believes that the adoption of SFAS No. 155 will not have a material effect on its consolidated financial statements.

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

Comprehensive income

The following table sets forth comprehensive income for the years ended December 31, 2005, 2004 and 2003:

	Years ended December 31,		
	2005	2004	2003
Net income	$ 20,626	$ 19,585	$ 7,853
Other comprehensive income (1)	3,168	2,325	1,369
Comprehensive income	$ 23,794	$ 21,910	$ 9,222

Notes: (1) Relates to the changes in the fair value of derivative instruments accounted for as cash flow hedges.

The following table sets forth the change in accumulated other comprehensive loss for the years ended December 31, 2005, 2004 and 2003:

	Years ended December 31,		
	2005	2004	2003
Beginning balance	$ 3,180	$ 5,505	$ 6,874
Unrealized gain on valuation of derivative instruments	(3,168)	(2,325)	(1,369)
Ending balance	$ 12	$ 3,180	$ 5,505

Reclassifications

Certain 2004 and 2003 amounts were reclassified to conform to the 2005 presentation.

2. Acquisition and Disposition of Properties and Discontinued Operations

A. Acquisition and Disposition of Properties

Currently the primary vehicles for the Company's acquisitions are Funds I and II (Note 1).

Dispositions relate to the sale of shopping centers and land. Gains from these sales are recognized in accordance with the provisions of SFAS No. 66, "Accounting for Sales of Real Estate".

Acquisitions

During July of 2005, the Company purchased 4343 Amboy Road located in Staten Island, New York for $16,635 in cash and $200 in Common OP Units.

In March, 2004, the Company, through a newly-formed joint venture with an unaffiliated third-party 10% investor, acquired a $9,600 first mortgage loan secured by a shopping center in Aiken, South Carolina, which was in default, for $5,500 and subsequently acquired the fee interest in this property through a deed in lieu of foreclosure. In September, 2004 this joint venture acquired an adjacent property for a cash price of $1,500. In the fourth quarter of 2005, the Company exchanged its common equity interest in these properties for a 15% preferred equity position. As a result of the afore-mentioned exchange, as of December 31, 2005, the Company accounts for this investment under the equity method (Note 4).

On September 29, 2004, in conjunction with an investment partner, P/A Associates, LLC ("P/A"), Fund II, through Acadia-P/A Holding Company, LLC ("Acadia-P/A"), purchased 400 East Fordham Road in the Bronx, New York for $30,197, inclusive of closing and other related acquisition costs for cash. Subsequent to the closing, Acadia P/A financed this acquisition with an $18,000 mortgage loan from a bank which bears interest at LIBOR plus 175 basis points and matures November 2007. On February 25, 2005, Acadia-P/A purchased a parcel of land adjacent to 400 E. Fordham Road for $867, inclusive of closing and related acquisition costs.

On October 1, 2004, Acadia-P/A entered into a 95-year ground lease to redevelop a 16-acre site in Pelham Manor, Westchester County, New York.

On April 6, 2005, Acadia-P/A purchased a 140,000 square foot building located in the Washington Heights section of Manhattan, New York for a purchase price of $25,000. In September 2005, Acadia-P/A obtained a mortgage loan of $19,000 secured by this property which requires monthly payments of interest only at a fixed interest rate of 5.26% and matures September 2007.

2. Acquisition and Disposition of Properties and Discontinued Operations, continued

A. Acquisition and Disposition of Properties, continued

Acquisitions, continued

During July 2005, Fund II, in conjunction with its partners in the Retailer Controlled Property Venture, invested $1,000 for a 50% interest in a leasehold located in Rockville, Maryland.

On August 5, 2005, Acadia-P/A purchased 260 East 161st Street in the Bronx, New York for $49,374, inclusive of closing and other related acquisition costs. Concurrent with the closing, Acadia-P/A obtained a short term loan of $12,066 which bears interest at LIBOR plus 150 basis points and matures March 2006.

On November 3, 2005, Fund II acquired a 36-year ground lease interest for a 112,000 square foot building located at Oakbrook Center in the Chicago Metro Area for $6,906, including closing and other acquisition costs. The ground lease expires in July 2017 and has three 10-year-options. The current tenant's lease expires in October 2006 with five 5-year-options at the current rent plus one 15-year option at fair market value. The tenant has exercised the first 5-year option which expires in October 2011.

In December 2005, Acadia-P/A acquired a 65,000 square foot parking garage located at 10th Avenue in Manhattan, New York for $7,000, including closing and other acquisition costs. Concurrent with the closing, Acadia-P/A obtained a $4,900 short term loan which matures on March 31, 2006 and bears interest at LIBOR plus 125 basis points.

Also in December 2005, Acadia-P/A acquired the remaining 40-year term of a leasehold interest on land located at Liberty Avenue in Queens, New York for $308.

Dispositions

On July 7, 2005, the Company sold the Berlin Shopping Center for $4,000. An impairment loss of $770 was recognized for the year ended December 31, 2005, to reduce the carrying value of this asset to fair value less costs to sell.

On November 22, 2004, the company disposed of the East End Centre, a 308,000 square foot shopping center in Wilkes-Barre, Pennsylvania, for approximately $12,405 resulting in a $6,696 gain on the sale.

On November 8, 2002, the Company and an unaffiliated joint venture partner completed the sale of a contract to purchase land in Bethel, Connecticut, to the Target Corporation for $1,540 after closing and other related costs. The joint venture received a $1,632 note receivable for the net purchase price and additional reimbursements due from the buyer and deferred recognition of the gain on sale in accordance with SFAS No. 66. The note was paid in full on January 10, 2003, and as such, the Company's share of the deferred gain, or $634, was recognized in 2003. Additional amounts held in escrow from the closing of $932 were released to the Company during 2004 and recognized as additional gain. Of this amount, $466 was attributable to the Company's joint venture partner and reflected in minority interest in the Company's consolidated statement of income.

B. Discontinued Operations

SFAS No. 144 requires discontinued operations presentation for disposals of a "component" of an entity. In accordance with SFAS No. 144, for all periods presented, the Company reclassified its consolidated statements of income to reflect income and expenses for properties which became held for sale subsequent to December 31, 2001, as discontinued operations and reclassified its consolidated balance sheets to reflect assets and liabilities related to such properties as assets and liabilities related to discontinued operations.

The combined results of operations of either sold properties or properties held for sale are reported separately as discontinued operations for the years ended December 31, 2005, 2004 and 2003. These are related to the Berlin Shopping Center, which was sold on July 7, 2005,the East End Centre, which was sold on November 22, 2004 and five properties which were being marketed for sale subsequent to December 31, 2005.

2. Acquisition and Disposition of Properties and Discontinued Operations, continued

B. Discontinued Operations, continued

The combined results of operations and assets and liabilities of the properties classified as discontinued operations are summarized as follows:

ASSETS	December 31, 2005	December 31, 2004
Net real estate	$ 35,538	$ 38,193
Rents receivable, net	2,214	2,961
Other assets	1,974	2,390
Total Assets	$ 39,726	$ 43,544
LIABILITIES AND DEFICIT		
Mortgage notes payable	$ 13,800	$ 14,079
Accounts payable and accrued expenses	653	568
Other liabilities	611	552
Total liabilities	15,064	15,199
Surplus	24,662	28,345
Total liabilities and surplus	$ 39,726	$ 43,544

	Years ended December 31,		
	2005	2004	2003
Total revenues	$ 9,437	$ 11,113	$ 10,982
Total expenses	7,614	9,517	9,539
	1,823	1,596	1,443
Impairment of real estate	(770)	--	--
(Loss) gain on sale of properties	(50)	6,696	--
Minority interest	(20)	(165)	121
Income from discontinued operations	$ 983	$ 8,127	$ 1,564

3. Segment Reporting

The Company has two reportable segments: retail properties and multi-family properties. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Company evaluates property performance primarily based on net operating income before depreciation, amortization and certain nonrecurring items. The reportable segments are managed separately due to the differing nature of the leases and property operations associated with the retail versus residential tenants. The following table sets forth certain segment information for the Company, reclassified for discontinued operations, as of and for the years ended December 31, 2005, 2004, and 2003 (does not include unconsolidated partnerships):

2005

	Retail Properties	Multi-Family Properties	All Other	Total
Revenues	$ 86,070	$ 7,688	$ 7,048	$ 100,806
Property operating expenses and real estate taxes	21,236	4,253	--	25,489
Other Expenses	9,396	267	6,490	16,153
Net property income before depreciation and amortization	$ 55,438	$ 3,168	$ 558	$ 59,164
Depreciation and amortization	$ 23,989	$ 1,465	$ 451	$ 25,905
Interest expense	$ 17,449	$ 1,355	$ --	$ 18,804
Real estate at cost	$ 668,273	$ 41,633	$ --	$ 709,906
Total assets	$ 755,691	$ 37,295	$ 48,605	$ 841,591
Expenditures for real estate and improvements	$ 130,059	$ 1,018	$ --	$ 131,077

Reconciliation to net income

Net property income before depreciation and amortization	$ 59,164
Depreciation and amortization	(25,905)
Equity in earnings of unconsolidated partnerships	21,280
Interest expense	(18,804)
Income from discontinued operations	983
Income taxes	(2,140)
Minority interest	(13,952)
Net income	$ 20,626

3. Segment Reporting, continued

2004

	Retail Properties	Multi-Family Properties	All Other	Total
Revenues	$ 76,529	$ 7,596	$ 2,957	$ 87,082
Property operating expenses and real estate taxes	21,060	4,134	--	25,194
Other expenses	7,593	490	2,858	10,941
Net property income before depreciation and amortization	$ 47,876	$ 2,972	$ 99	$ 50,947
Depreciation and amortization	$ 21,020	$ 1,433	$ 328	$ 22,781
Interest expense	$ 15,169	$ 1,518	$ --	$ 16,687
Real estate at cost	$ 558,943	$ 40,615	$ --	$ 599,558
Total assets	$ 579,110	$ 36,872	$ 20,749	$ 636,731
Expenditures for real estate and improvements	$ 47,769	$ 842	$ --	$ 48,611

Reconciliation to net income	
Net property income before depreciation and amortization	$ 50,947
Depreciation and amortization	(22,781)
Equity in earnings of unconsolidated partnerships	513
Interest expense	(16,687)
Gain on sale of land	932
Income from discontinued operations	8,127
Minority interest	(1,466)
Net income	$ 19,585

3. Segment Reporting, continued

2003

	Retail Properties	Multi-Family Properties	All Other	Total
Revenues	$ 73,185	$ 7,318	$ 2,288	$ 82,791
Property operating expenses and real estate taxes	19,530	4,187	--	23,717
Other expenses	8,751	1,005	1,057	10,813
Net property income before depreciation and amortization	$ 44,904	$ 2,126	$ 1,231	$ 48,261
Depreciation and amortization	$ 22,015	$ 1,336	$ 321	$ 23,672
Interest expense	$ 14,043	$ 1,530	$ --	$ 15,573
Real estate at cost	$ 502,118	$ 39,774	$ --	$ 541,892
Total assets	$ 505,818	$ 36,830	$ 13,630	$ 556,278
Expenditures for real estate and improvements	$ 73,647	$ 1,378	$ --	$ 75,025

Reconciliation to net income	
Net property income before depreciation and amortization	$ 48,261
Depreciation and amortization	(23,672)
Equity in earnings of unconsolidated partnerships	985
Interest expense	(15,573)
Gain on sale of land	1,187
Income from discontinued operations	1,564
Minority interest	(4,899)
Net income	$ 7,853

4. Investments in Unconsolidated Partnerships

Crossroads

The Company owns a 49% interest in the Crossroads Joint Venture and Crossroads II Joint Venture (collectively, "Crossroads") which collectively own a 311,000 square foot shopping center in White Plains, New York. The Company accounts for its investment in Crossroads using the equity method. Summary financial information of Crossroads and the Company's investment in and share of income from Crossroads follows:

	December 31, 2005	December 31, 2004
Balance Sheets		
Assets:		
Rental property, net	$ 6,458	$ 6,939
Other assets	5,543	6,129
Total assets	$ 12,001	$ 13,068
Liabilities and partners' equity		
Mortgage note payable	$ 64,000	$ 64,000
Other liabilities	2,359	2,481
Partners' equity	(54,358)	(53,413)
Total liabilities and partners' equity	$ 12,001	$ 13,068
Company's investment	$ (10,315)	$ (9,304)

	Years Ended December 31, 2005	2004	2003
Statements of Income			
Total revenue	$ 8,772	$ 8,160	$ 8,324
Operating and other expenses	2,581	2,707	2,465
Interest expense	3,632	2,740	2,542
Depreciation and amortization	654	778	570
Net income	$ 1,905	$ 1,935	$ 2,747
Company's share of net income	$ 988	$ 1,112	$ 1,377
Amortization of excess investment (See below)	392	392	392
Income from partnerships	$ 596	$ 720	$ 985

The unamortized excess of the Company's investment over its share of the net equity in Crossroads at the date of acquisition was $19,580. The portion of this excess attributable to buildings and improvements are being amortized over the life of the related property.

Fund I and Fund II

Funds I and II have a minority interest in the following investments which are accounted for under the equity method:

- Fund I has a 50% interest in Haygood Shopping Center and Sterling Heights Shopping Center which was acquired for an aggregate investment of $3,184. These assets are part of the portfolio that the Company currently manages as a result of its January 2004 acquisition of certain management contracts (note 7).

- Fund I has a 50% interest in a 35,000 square foot shopping center in Tarrytown, New York, in which the Company has invested approximately $3,200.

- Fund I has a preferred equity interest in Hitchcock and Pine Log Plazas (Note 2A).

- Fund II has a 50% interest in a leasehold located in Rockville, Maryland in which the Company has invested $1,008 together with its partners in the Retailer Controlled Property Venture.

4. Investments in Unconsolidated Partnerships, continued

Fund I and Fund II, continued

Summary financial information for these investments is as follows:

	December 31, 2005	December 31, 2004
Balance Sheets		
Assets:		
Rental property, net	$ 31,093	$ 22,895
Other assets	8,708	1,756
Total assets	$ 39,801	$ 24,651
Liabilities and partners' and members' equity		
Mortgage note payable	$ 16,340	$ 10,579
Other liabilities	5,265	1,401
Partners' equity	18,196	12,671
Total liabilities and partners' or members' equity	$ 39,801	$ 24,651
Company's investment	$ 10,489	$ 6,308

	Years Ended December 31, 2005	2004	2003
Statements of Income			
Total revenue	$ 3,778	$ 380	$ -
Operating and other expenses	2,206	-	-
Interest expense	906	384	-
Depreciation and amortization	927	416	-
Net loss	$ (261)	$ (420)	$ -
Company's share of net loss	$ (268)	$ (207)	$ -

As of December 31, 2005, the Company has provided $3,900 of mortgage financing secured by the Hitchcock Plaza and Pine Log Plaza. The loan matures March 2006 and currently requires the payment of interest at 6%. In addition, the Company had outstanding advances to affiliates totaling $752 and $997 as of December 31, 2005 and 2004, respectively.

Mervyns I and II

On January 27, 2004, the Company entered into the Retailer Controlled Property Venture ("RCP Venture") with Klaff Realty, L.P. ("Klaff") and Klaff's long-time capital partner Lubert-Adler Management, Inc. for the purpose of making investments in surplus or underutilized properties owned by retailers. On September 2, 2004, Mervyns I and Mervyns II invested, on a non-recourse basis, in the acquisition of Mervyn's through a minority interest in a newly-formed Limited Liability Company, KLA/Mervyns, L.L.C. ("KLAM") which, as part of an investment consortium of Sun Capital Partners, Inc. and Cerberus Capital Management L.P., acquired Mervyn's from Target Corporation. The total acquisition price was $1,175,000, with Mervyns I and II's combined $23,520 share of the investment divided equally between them. During the year ended December 31, 2005, Mervyns I and II contributed an additional total of $1,040 into KLAM. During the year ended December 31, 2005, Mervyns I and II recognized $20,902 of income from KLAM representing its share of net income from this investment and received distributions totaling $42,740. As of December 31, 2005, Mervyns I and II net investment in KLAM totaled $2,722.

4. Investments in Unconsolidated Partnerships, continued

Preferred Equity Investment

In March of 2005, the Company invested $20,000 in a preferred equity position ("Preferred Equity") with Levitz SL, L.L.C. ("Levitz SL"), the owner of 2.5 million square feet of fee and leasehold interests in 30 locations (the "Properties"), the majority of which are currently leased to Levitz Furniture Stores. Klaff Realty L.P. ("Klaff") is a managing member of Levitz SL. The Preferred Equity receives a return of 10%, plus a minimum return of capital of $2,000 per annum. At the end of 12 months, the rate of return will be reset to the six-month LIBOR plus 644 basis points. The Preferred Equity is redeemable at the option of Levitz SL at any time, although if redeemed during the first 12 months, the redemption price is equal to the outstanding amount of the Preferred Equity, plus the return calculated for the remainder of the 12-month period. In October 2005, Levitz Furniture filed for bankruptcy under Chapter 11. The Company has a preferred equity investment of $19,000 at December 31, 2005. Levitz was in arrears in minimum return of capital by $0.5 million. This investment was not made based on Levitz remaining as a tenant, but rather based on the underlying value of the real estate, which management believes is sufficient to recover our equity investment and the return attributable thereto. Accordingly, no reserve is required at December 31, 2005.

5. Deferred Charges

Deferred charges consist of the following as of December 31, 2005 and 2004:

	December 31, 2005	December 31, 2004
Deferred financing costs	$ 9,631	$ 7,552
Deferred leasing and other costs	25,855	16,293
	35,486	23,845
Accumulated amortization	(11,747)	(11,039)
	$ 23,739	$ 12,806

6. Mortgage Loans and Other Debt

At December 31, 2005, mortgage notes payable aggregated $382,463 and were collateralized by 51 properties and related tenant leases. Interest rates ranged from 4.7% to 8.2%. Mortgage payments are generally due in monthly installments of principal and/or interest and mature on various dates through 2022. Certain loans are cross-collateralized and cross-defaulted. The loan agreements contain customary representations, covenants and events of default. Certain loan agreements require the Company to comply with certain affirmative and negative covenants, including the maintenance of certain debt service coverage and leverage ratios.

On February 25, 2005, the Company drew down $20,000 under an existing revolving facility, which bears interest at LIBOR plus 150 basis points. The proceeds from this drawdown were utilized for the Preferred Equity investment (Note 4).

During April 2005, the company borrowed $7,400 under an existing secured revolving facility.

On May 26, 2005, the Company closed on a $65,000 cross-collateralized revolving facility which is collateralized by five of the Company's properties. The facility bears interest at LIBOR plus 130 basis points and matures June 1, 2010. At closing, the lender advanced $12,000, of which $7,400 was used to refinance an existing facility with the same lender. On June 27, 2005, an additional $20,000 was drawn on this line. On October 21, 2005, $10,000 was repaid on this line resulting in $22,000 outstanding under this facility as of December 31, 2005.

On August 31, 2005, the company closed on a $17,600 loan, which bears interest at a fixed rate of 4.98%. This loan, which matures September 2015, requires the payment of interest only until October 2010, and thereafter interest and principal based on 30 year amortization. The proceeds from this loan were in part used to pay down $15,000 on an existing line.

On October 17, 2005, the Company closed on a $12,500 loan, which bears interest at a fixed rate of 5.12%. This loan, which matures November 2015, requires the payment of interest only until November 2008, and thereafter interest and principal until maturity. The proceeds from this loan were in part used to pay down $10,000 on the aforementioned $65,000 revolving facility.

On December 9, 2005, the Company closed on a $34,600 loan, which bears interest at a fixed rate of 5.53%. This loan, which matures January 2016, requires the payment of interest only until January 2010, and thereafter interest and principal until maturity.

6. Mortgage Loans, continued

Fund II

During March 2005, the Fund obtained a secured revolving line of credit with a bank for $35,000. The revolving line of credit bears interest rate either at Prime plus 0% or LIBOR plus 0.75% at borrower's option. The loan matures at the earlier of three years or the date on which capital commitments have been fully drawn. At December 31, 2005, the outstanding line of credit balance was $24,400.

During August 2005, Acadia-P/A obtained a $12,066 mortgage note secured by the building at 260 East 161st Street. The note bears interest rate either at LIBOR plus 1.50% or Prime Rate plus 0.5%. This loan was subsequently refinanced in the first quarter of 2006 with a $30,000 loan which bears interest at LIBOR plus 1.40% and matures in April 2008.

During September 2005, Acadia-P/A financed 4650 Broadway with a $19,000 mortgage loan which bears interest at a fixed rate of $5.26%. The loan matures on the earlier of September 1, 2007 or the termination of the lease with the City of New York.

In conjunction with the December, 2005 acquisition of 216th Street, Acadia-P/A obtained a $4,900 loan which bears interest at a rate of LIBOR plus 1.25% and matures in December 31, 2008.

The following table summarizes the Company's mortgage indebtedness as of December 31, 2005 and 2004 (exclusive of mortgage debt of discontinued operations of $13,800 and $14,079, respectively):

	December 31, 2005	December 31, 2004	Interest Rate at December 31, 2005	Maturity	Properties Encumbered	Payment Terms
Mortgage notes payable - variable rate						
Washington Mutual Bank, FA	$ 23,669	$ 24,294	5.89% (LIBOR + 1.50%)	04/01/11	(1)	(23)
Bank of America, NA	44,485	44,485	5.79% (LIBOR + 1.40%)	06/29/12	(2)	(24)
Bank of America, NA	10,082	10,252	5.79% (LIBOR + 1.40%)	06/29/12	(3)	(23)
Bank of America, NA	22,000	--	5.69% (LIBOR + 1.30%)	06/01/10	(4)	(25)
Bank of America, NA	12,066	--	5.89% (LIBOR + 1.50%)	01/31/06	(5)	(25)
Bank of America, NA	4,900	--	5.64% (LIBOR + 1.25%)	12/31/08	(6)	(25)
Bank of China	18,000	18,000	6.14% (LIBOR +1.75%)	11/01/07	(7)	(25)
Bank One, N.A.	5,570	5,704	6.39% (LIBOR + 2.00%)	10/05/07	(8)	(23)
Interest rate swaps	(92,376)	(86,156)				
Total variable-rate debt	48,396	16,579				
Mortgage notes payable - fixed rate						
Bank of America, N.A.	15,882	16,062	7.55%	01/01/11	(9)	(23)
RBS Greenwich Capital	15,000	15,000	5.64%	09/06/14	(10)	(23)
RBS Greenwich Capital	15,894	16,000	5.19%	06/01/13	(11)	(26)
SunAmerica Life Insurance Company	12,936	13,189	6.46%	07/01/07	(12)	(23)
RBS Greenwich Capital	17,600	--	4.98%	09/06/15	(13)	(23)
RBS Greenwich Capital	12,500	--	5.12%	11/06/15	(14)	(27)
Bear Stearns Commercial Mortgage, Inc.	34,600	--	5.53%	01/01/16	(15)	(28)
Cortland Deposit Corp.	9,900	12,375	6.62%	02/01/09	(16)	(29)
Cortland Deposit Corp.	9,785	12,232	6.51%	01/15/09	(17)	(29)
The Ohio National Life Insurance Company	4,667	4,797	8.20%	06/01/22	(18)	(23)
Canada Life Insurance Company	6,945	7,128	8.00%	01/01/23	(19)	(23)
Bank of China	19,000	--	5.26%	09/01/07	(20)	(25)
UBS Warburg Real Estate Investments, Inc.	30,000	30,000	4.69%	02/11/08	(21)	
UBS Warburg Real Estate Investments, Inc.	21,018	21,253	7.01%	07/11/12	(21)	
UBS Warburg Real Estate Investments, Inc.	15,964	16,134	7.32%	06/11/12	(22)	
Interest rate swaps	92,376	86,156	5.77%	(30)		
Total fixed-rate debt	334,067	250,326				
	$ 382,463	$ 266,905				

6. Mortgage Loans, continued

Notes:

(1) Ledgewood Mall

(2) Branch Shopping Center
Abington Towne Center
Methuen Shopping Center

(3) Smithtown Shopping Center

(4) Bloomfield Town Square
Walnut Hill Plaza
Hobson West Plaza
Marketplace of Absecon
Village Apartments
There is additional capacity of
$43,000 on this facility

(5) 260 East 161st Street

(6) 216th Street

(7) 400 East Fordham Road

(8) Granville Center

(9) GHT Apartments/Colony

(10) New Loudon Center

(11) 239 Greenwich Avenue (12) Merrillville Plaza

(13) Crescent Plaza

(14) Pacesetter Park Shopping Plaza

(15) Elmwood Park Shopping Center

(16) Kroger Portfolio

(17) Safeway Portfolio

(18) Amherst Marketplace

(19) Sheffield Crossing

(20) 4650 Broadway Avenue

(21) Brandywine Town Center

(22) Market Square Shopping Center

(23) Monthly principal and interest payments

(24) Annual principal and monthly interest payments

(25) Interest only monthly payments

(26) Interest only until 5/05; monthly principal and interest payments thereafter

(27) Interest only until 11/08; monthly principal and interest payments thereafter

(28) Interest only until 1/10; monthly principal and interest payments thereafter

(29) Semi-annual interest and annual principal payments

(30) Maturing between 10/1/06 and 1/1/11

6. Mortgage Loans, continued

Pursuant to the requirements of SFAS No. 141, the Company has recorded a deferred credit of $4,137 and $4,666 as of December 31, 2005 and 2004, respectively, which is included in mortgage notes payable in the accompanying Consolidated Balance Sheet and is being amortized to interest expense over the remaining terms of the underlying mortgage loans.

The scheduled principal repayments of all indebtedness as of December 31, 2005 are as follows:

2006	$ 24,813
2007	64,463
2008	64,562
2009	11,230
2010	39,484
Thereafter	202,311
	$ 406,863

7. Shareholders' Equity and Minority Interests

Common Shares

In March of 2004, a secondary public offering was completed for a total of 5,750,000 Common Shares. The selling shareholders, Yale University and its affiliates ("Yale") and Ross Dworman, a former trustee, sold 4,191,386 and 1,558,614 Common Shares, respectively. The Company did not sell any Common Shares in the offering and did not receive any proceeds from the offering.

During November 2004, the Company issued 1,890,000 Common Shares (the "Offering"). The $28,312 in proceeds from the Offering, net of related costs, was used to retire above-market, fixed-rate indebtedness as well as to invest in real estate assets. Yale and Kenneth F. Bernstein, the Company's Chief Executive Officer, also sold 1,000,000, and 110,000 Common Shares, respectively, in connection with this transaction. Mr. Bernstein sold 110,000 Common Shares in connection with his exercise of options to purchase 150,000 Common Shares. In October 2005, the Board of Trustees approved a resolution permitting one of its institutional shareholders, which at the time owned approximately 3.8% of the Company's outstanding Common Shares, to acquire additional shares through open market purchases. This waiver of the Company's share ownership limitation permitted this shareholder to acquire up to an additional 6% of the Company's shares through December 31, 2005, or an aggregate of up to 9.8% of the Company's Common Shares.

Through December 31, 2005, the Company had repurchased 2,051,605 Common Shares at a total cost of $11,650 (of which 2,009,509 of these Common Shares have been subsequently reissued) under its share repurchase program that allows for the repurchase of up to $20,000 of its outstanding Common Shares. The repurchased shares are reflected as a reduction of par value and additional paid-in capital.

Minority Interests

Minority interest in the Operating Partnership represents (i) the limited partners' interest of 653,360 and 392,255 Common OP Units at December 31, 2005 and 2004, respectively, (ii) 884 and 1,580 Series A Preferred OP Units at December 31, 2005 and 2004, respectively, with a nominal value of $1,000 per unit, which are entitled to a preferred quarterly distribution of the greater of (a) $22.50 per unit (9% annually) per Series A Preferred OP Unit or (b) the quarterly distribution attributable to a Series A Preferred OP Unit if such unit were converted into a Common OP Unit, and (iii) 4,000 Series B Preferred OP Units at both December 31, 2005 and 2004 with a nominal value of $1,000 per unit, which are entitled to a preferred quarterly distribution of the greater of (a) $13.00 (5.2% annually) per unit or (b) the quarterly distribution attributable to a Series B Preferred OP Unit if such unit were converted into a Common OP Unit.

During July 2005, the Company issued to a third party 11,105 Restricted Common OP Units valued at $18.01 per unit in connection with the purchase of 4343 Amboy Road. The holder of the Common OP Units was restricted from selling these for six months from the date of the transaction.

Minority interests in partially-owned affiliates include third-party interests in three partnerships in which the Company has a majority ownership position. As discussed in Note 1, the Company's previously issued consolidated financial statements for the three years ended December 31, 2005 have been restated to reflect the adoption of EITF 04-5. Accordingly, the accompanying financial statements have been adjusted to include the limited partners' and non-managing members' interests in Funds I and II, and Mervyns I and II as additional minority interests in partially-owned affiliates.

7. Shareholders' Equity and Minority Interests, continued

In February 2005, the Company issued $4,000 (250,000 Restricted Common OP Units valued at $16.00 each) of Restricted Common OP Units to Klaff in consideration for the 25% balance of certain management contract rights as well as the rights to 25% of certain potential future revenue streams. This followed the acquisition of 75% of the management contract rights and 75% of certain potential future revenue streams from Klaff in January 2004 as reflected below. The Restricted Common OP Units are convertible into the Company's Common Shares on a one-for-one basis after a five-year lock-up period. $1,116 of the purchase price was allocated to investment in management contracts in the consolidated balance sheet and is being amortized over the estimated remaining life of the contracts. The remainder of the purchase price has been allocated to deferred charges in the consolidated balance sheet and will be allocated to future revenue streams as identified.

During 2005 and 2004, various limited partners converted a total of 746,762 and 2,058,804 Common OP Units into Common Shares on a one-for-one basis, respectively. Mr. Dworman, a trustee of the Company, received 34,841 of Common OP Units through various affiliated entities during 2003 (Note 8).

The Series A Preferred OP Units were issued on November 16, 1999 in connection with the acquisition of all the partnership interests of the limited partnership which owns the Pacesetter Park Shopping Center. Certain Series A Preferred OP Unit holders converted 696 Series A Preferred OP Units into 92,800 Common OP Units and then into Common Shares during 2005. The Series A Preferred OP Units are currently convertible into Common OP Units based on the stated value divided by $7.50. After the seventh anniversary following their issuance, either the Company or the holders can 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.

The Series B Preferred OP Units were issued to Klaff Realty LP ("Klaff") in January 2004 in consideration for the acquisition of certain management contract rights. The Preferred OP Units are convertible into Common OP Units based on the stated value of $1,000 divided by $12.82 at any time. Additionally, Klaff may redeem them at par for either cash or Common OP Units after the earlier of the third anniversary of their issuance, or the occurrence of certain events including a change in the control of the Company. Finally, after the fifth anniversary of the issuance, the Company may redeem the Preferred OP Units and convert them into Common OP Units at market value as of the redemption date.

8. Related Party Transactions

In February 2005, the Company issued $4,000 of Restricted Common OP Units to Klaff for the balance of certain management contract rights as well as the rights to certain potential future revenue streams (Note 7).

In March 2005, the Company completed a $20,000 Preferred Equity Investment with Levitz SL, of which Klaff, a common and preferred OP unit holder, is the managing member.

The Company also earns fees in connection with its rights to provide asset management, leasing, disposition, development and construction services for an existing portfolio of retail properties and/or leasehold interests in which Klaff, a preferred OP unit holder, has an interest. Net fees earned by the Company in connection with this portfolio were $3,602 and $885 for the years ended December 31, 2005 and 2004, respectively. These amounts are net of the payment of sub-management fees to Klaff of $303 and $1,591 for the years ended December 31, 2005 and 2004, respectively.

The Company managed one property in which a major shareholder of the Company had an ownership interest and earned a management fee of 3% of tenant collections. Management fees earned by the Company under this contract aggregated $142 for the year ended December 31, 2004. In addition, the Company earned leasing commission of $157 related to this property for the year ended December 31, 2004. In connection with the sale of the property on July 12, 2004, the management contract was terminated and the Company earned a $75 disposition fee.

Lee Wielansky, the Lead Trustee of the Company, was paid a consulting fee of $100 for both years ended December 31, 2005 and 2004.

8. Related Party Transactions, continued

On March 19, 2004, Ross Dworman, a former trustee of the Company, and certain entities controlled by Mr. Dworman converted 1,000,000 share options and 548,614 OP Units held by them in connection with a secondary public offering. Included in the Common OP Units converted to Common Shares during 2003 were 2,300 Common OP Units converted by Mr. Dworman who then transferred them to a charitable foundation in accordance with a pre-existing arrangement.

During the year ended December 31, 2004, Kenneth F. Bernstein, President and Chief Executive Officer, and certain trustees of the Company exercised 400,000 and 20,000 options to purchase Common Shares, respectively.

9. Tenant Leases

Space in the shopping centers and other retail properties is leased to various tenants under operating leases that usually grant tenants renewal options and generally provide for additional rents based on certain operating expenses as well as tenants' sales volume.

Minimum future rentals to be received under non-cancelable leases for shopping centers and other retail properties as of December 31, 2005 are summarized as follows:

2006	$ 79,057
2007	72,790
2008	66,962
2009	62,664
2010	53,254
Thereafter	275,990
	$ 610,717

Minimum future rentals above include a total of $4,180 for three tenants (with four leases), which have filed for bankruptcy protection. None of these leases have been rejected nor affirmed. During the years ended December 31, 2005, 2004 and 2003, no single tenant collectively accounted for more than 10% of the Company's total revenues.

10. Lease Obligations

The Company leases land at six of its shopping centers, which are accounted for as operating leases and generally provide the Company with renewal options. Ground rent expense was $3,480 (including capitalized ground rent at a property under development of $2,684, $1,463 and $780 for the years ended December 31, 2005, 2004 and 2003, respectively. The leases terminate at various dates between 2008 and 2066. Four of these leases provide the Company with options to renew for additional terms aggregating from 20 to 60 years. The Company leases space for its White Plains corporate office for a term expiring in 2010. Office rent expense under this lease was $412, $239 and $242 for the years ended December 31, 2005, 2004 and 2003, respectively. Future minimum rental payments required for leases having remaining non-cancelable lease terms are as follows:

2006	$ 3,292
2007	3,348
2008	3,430
2009	3,727
2010	4,381
Thereafter	112,118
	$ 130,296

11. Share Incentive Plan

During 1999, the Company adopted the 1999 Share Incentive Plan (the "1999 Plan"), which replaced both the 1994 Share Option Plan and the 1994 Non-Employee Trustees' Share Option Plan. The 1999 Plan authorizes the issuance of options equal to up to 8% of the total Common Shares outstanding from time to time on a fully diluted basis. However, not more than 4,000,000 of the Common Shares in the aggregate may be issued pursuant to the exercise of options and no participant may receive more than 5,000,000 Common Shares during the term of the 1999 Plan. Options are granted by the Share Option Plan Committee (the "Committee"), which currently consists of two non-employee Trustees, and will not have an exercise price less than 100% of the fair market value of the Common Shares and a term of greater than ten years at the grant date. Vesting of options is at the discretion of the Committee with the exception of options granted to non-employee Trustees, which vest in five equal annual installments beginning on the date of grant.

11. Share Incentive Plan, continued

The 1999 Plan also provides for the granting of share appreciation rights, restricted shares and performance units/shares. Share appreciation rights provide for the participant to receive, upon exercise, cash and/or Common Shares, at the discretion of the committee, equal to the excess of the market value of the Common Shares at the exercise date over the market value of the Common Shares at the Grant Date. The Committee will determine the award and restrictions placed on restricted shares, including the dividends thereon and the term of such restrictions. The Committee also determines the award and vesting of performance units and performance shares based on the attainment of specified performance objectives of the Company within a specified performance period. Through December 31, 2005, no share appreciation rights or performance units/shares have been awarded.

During 2003, the Company adopted the 2003 Share Incentive Plan (the "2003 Plan") because no Common Shares remained available for future grants under the 1999 Plan. The 2003 Plan provides for the granting of options, share appreciation rights, restricted shares and performance units (collectively, "Awards") to officers, employees and trustees of the Company and consultants to the Company. The 2003 Plan is generally identical to the 1999 Plan, except that the maximum number of Common Shares that the Company may issue pursuant to the 2003 Plan is four percent of the Common Shares outstanding from time to time on a fully diluted basis. However, no participant may receive more than 1,000,000 Common Shares during the term of the 2003 Plan with respect to Awards. Pursuant to the 2003 Plan, non-employee Trustees receive an automatic grant of 3,000 options following each Annual Meeting of Shareholders.

As of December 31, 2005, the Company has 437,242 options outstanding to officers and employees. These fully vested options are for ten-year terms from the grant date and vested in three equal annual installments which began on the grant date. In addition, 40,000 options have been issued to non-employee Trustees of which 13,400 options were vested as of December 31, 2005.

During 2005, the Company issued a total of 109,826 restricted Common Shares ("Restricted Shares") to executive officers ("Officers") and 23,642 Restricted Shares (net of subsequent forfeitures) to certain employees ("Employees") of the Company. In general, the Restricted Shares carry all the rights of Common Shares including voting and dividend rights, but may not be transferred, assigned or pledged until the Recipients have a vested non-forfeitable right to such shares. Vesting with respect to the Restricted Shares issued to Officers, which is subject to the recipients' continued employment with the Company through the applicable vesting dates, is ratably over four years commencing on the first anniversary of the Grant Date and each of the next three anniversaries thereafter. In addition, vesting on 50% of these Restricted Shares is also subject to certain total shareholder returns on the Company's Common Shares. Vesting with respect to the Restricted Shares issued to Employees, which is subject to the Recipients' continued employment with the Company through the applicable vesting dates, is ratably over five years commencing on the Grant Date and each of the next four anniversaries thereafter. In addition, vesting on 25% of these Restricted Shares is also subject to certain total shareholder returns on the Company's Common Shares.

The total value of the above Restricted Share awards on the date of grant was $2,179 which will be recognized in compensation expense over the vesting period.

For the year ended December 31, 2004, 126,853 Restricted Shares (net of forfeitures) were issued pursuant to the 2003 Plan. The total value of the Restricted Share awards on the date of grant was $1,586 which will be recognized in expense over the vesting period. No awards of share appreciation rights or performance units/shares were granted for the years ended December 31, 2005, 2004 and 2003.

For the years ended December 31, 2005, 2004 and 2003, $1,029, $764 and $410, respectively, were recognized in compensation expense related to Restricted Share grants. Unearned compensation of $3,541 as of December 31, 2005 will be recognized in expense as such shares vest.

Effective January 1, 2002, the Company adopted the fair value method of recording stock-based compensation contained in SFAS No. 123, "Accounting for Stock-Based Compensation". As such, stock based compensation awards are expensed over the vesting period based on the fair value at the date the stock-based compensation was granted.

11. Share Incentive Plan, continued

The Company has used the Binomial method for 2005 and the Black-Scholes option-pricing model in previous years for purposes of estimating the fair value in determining compensation expense for options granted for the years ended December 31, 2005, 2004 and 2003. The Company has also used this model for the pro forma information regarding net income and earnings per share as required by SFAS No. 123 for options issued for the year ended December 31, 2001 as if the Company had also accounted for these employee stock options under the fair value method. The fair value for the options issued by the Company was estimated at the date of the grant using the following weighted-average assumptions resulting in:

	Years ended December 31,		
	2005	2004	2003
Risk-free interest rate	4.0%	4.0%	4.4%
Dividend yield	4.2%	4.2%	5.8%
Expected life	7.5 years	7.5 years	10.0 years
Expected volatility	18.0%	18.0%	18.0%
Fair value at date of grant (per option)	$ 2.57	$ 2.17	$ 0.82

Changes in the number of shares under all option arrangements are summarized as follows:

	Years ended December 31,		
	2005	2004	2003
Outstanding at beginning of year	464,650	2,095,150	2,472,400
Granted	69,296	19,000	8,000
Option price per share granted	$ 16.35	$ 12.55-14.13	$ 9.11-11.66
Cancelled	--	--	--
Exercisable at end of year	437,242	446,850	2,082,750
Settled (1)		39,500	385,000
Exercised	56,704	1,610,000	250
Expired	--	--	--
Outstanding at end of year	477,242	464,650	2,095,150
Option prices per share outstanding	$ 5.75-$16.35	$ 5.75-$14.13	$ 4.89-$11.66

(1) Pursuant to the 1999 Plan these options were settled and did not result in the issuance of any additional Common Shares.

As of December 31, 2005 the outstanding options had a weighted average exercise price of $8.08 and a weighted average remaining contractual life of approximately 5.1 years.

12. Employee Stock Purchase and Deferred Share Plan

In 2003, the Company adopted the Acadia Realty Trust Employee Stock Purchase Plan (the "Purchase Plan"), which allows eligible employees of the Company to purchase Common Shares through payroll deductions. The Purchase Plan provides for employees to purchase Common Shares on a quarterly basis at a 15% discount to the closing price of the Company's Common Shares on either the first day or the last day of the quarter, whichever is lower. The amount of the payroll deductions will not exceed a percentage of the participant's annual compensation that the Committee establishes from time to time, and a participant may not purchase more than 1,000 Common Shares per quarter. Compensation expense will be recognized by the Company to the extent of the above discount to the average closing price of the Common Shares with respect to the applicable quarter. During 2005, 2004 and 2003, 6,412, 6,397 and 810 Common Shares, respectively, were purchased by Employees under the Purchase Plan and the associated compensation expense was $16, $15 and $1 respectively.

In August of 2004, the Company adopted a Deferral and Distribution Election pursuant to the 1999 Share Incentive Plan and 2003 Share Incentive Plan, whereby the participants elected to defer receipt of 190,487 Common Shares ("Share Units") that would otherwise be issued upon the exercise of certain options. The payment of the option exercise price was made by tendering Common Shares that the participants owned for at least six months prior to the option exercise date. The Share Units are equivalent to a Common Share on a one-for-one basis and carry a dividend equivalent right equal to the dividend rate for the Company's Common shares. The deferral period is determined by each of the participants and generally terminates after the cessation of the participants continuous service with the Company, as defined in the agreement. In December 2004, optionees exercised 346,000 options pursuant to the Deferred Share Election and tendered 155,513 Common Shares in consideration of the option exercise price. In 2004 the Company issued 155,513 Common Shares to optionees and 190,487 Share Units. During 2005 there were no additional Shared Units

contributed to the plan.

13. 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 but not in excess of $14 for the year ended December 31, 2005. The Company contributed $128, $109, and $110 for the years ended December 31, 2005, 2004 and 2003, respectively.

14. Dividends and Distributions Payable

On November 8, 2005, the Company declared a cash dividend for the quarter ended December 31, 2005 of $0.185 per Common Share. The dividend was paid on January 13, 2006 to shareholders of record as of December 31, 2005.

15. Federal Income Taxes

The Company has elected to qualify as a REIT in accordance with the Internal Revenue Code (the "Code") and intends at all times to qualify as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended. To qualify as a REIT, the Company must meet a number of organizational and operational requirements, including a requirement that it currently distribute at least 90% of its annual REIT taxable income to its shareholders. As a REIT, the Company generally will not be subject to corporate Federal income tax, provided that distributions to its shareholders equal at least the amount of its REIT taxable income as defined under the Code. As the Company distributed sufficient taxable income for the years ended December 31, 2005, 2004 and 2003 no U.S. Federal income or excise taxes were incurred. If the Company fails to qualify as a REIT in any taxable year, it will be subject to Federal income taxes at the regular corporate rates (including any applicable alternative minimum tax) and may not be able to qualify as a REIT for the four subsequent taxable years. Even though the Company qualifies for taxation as a REIT, the Company is subject to certain state and local taxes on its income and property and Federal income and excise taxes on any undistributed taxable income. In addition, taxable income from non-REIT activities managed through the Company's TRS's are subject to Federal, state and local income taxes.

The primary difference between the GAAP and tax reported amounts of the Company's assets and liabilities are a higher GAAP basis in its real estate properties. This is primarily the result of assets acquired as a result of property contributions in exchange for OP Units.

15. Federal Income Taxes, continued

Reconciliation between GAAP Net Income and Federal Taxable Income

The following unaudited table reconciles GAAP net income to taxable income for the years ended December 31, 2005, 2004 and 2003:

	2005 (Estimated)	2004 (Actual)	2003 (Actual)
GAAP net income	$ 20,626	$ 19,585	$ 7,853
Less: GAAP net income of TRS	1,349	--	--
GAAP net income from REIT operations (1)	19,277	19,585	7,853
Book/tax difference in depreciation and amortization	5,163	3,438	3,828
Book/tax difference on exercise of options to purchase Common Shares	(26)	(8,970)	--
Book/tax difference on capital transactions	(50)	(1,354)	--
Other book/tax differences, net	(748)	1,953	(326)
REIT taxable income before dividends paid deduction	$ 23,616	$ 14,652	$ 11,355

(1) - All adjustments to GAAP net income from REIT operations are net of amounts attributable to minority interest and TRS.

Characterization of Distributions:

The Company has determined that the cash distributed to the shareholders is characterized as follows for Federal income tax purposes:

	For the years ended December 31,		
	2005	2004	2003
Ordinary income	95%	59%	100%
Section 1250 gain	3%	32%	--
Return of capital	2%	9%	--
	100%	100%	100%

Taxable REIT Subsidiaries ("TRS")

Income taxes have been provided for on the asset and liability method as required by SFAS No. 109. The Company's TRS income and provision for income taxes for the year ended December 31, 2005 is summarized as follows:

	2005 (Estimated)
TRS income before income taxes	$ 3,458
Less provision for income taxes:	
Federal	1,601
State and Local	508
Total provision for income taxes	2,109
GAAP net income TRS	$ 1,349

The Company has provided a full valuation allowance against its deferred tax asset of $247 due to the current uncertainty of its realization and as such is not included in the accompanying Consolidated Balance Sheets at December 31, 2005. This deferred tax asset relates primarily to the differences in the timing of the recognition of income/(deductions) and gain/(loss) between the GAAP and tax basis of accounting for (i) real estate joint ventures activities, (ii) capital transactions and (iii) other deductible temporary differences.

15. Federal Income Taxes, continued

The income tax provision differs from the amount computed by applying the statutory federal income tax rate to taxable income before income taxes as follows:

	2005
Federal provision at statutory tax rate (35%)	$ 1,210
State and local taxes, net of federal benefit	330
Tax effect of:	
Permanent differences	476
Valuation allowance against deferred tax asset	208
Utilization of loss and deduction carry forwards	(115)
Other	31
Total provision for income taxes	$ 2,140

16. Financial Instruments

Fair Value of Financial Instruments:

SFAS No. 107, "Disclosures About Fair Value of Financial Instruments" requires disclosure on the fair value of financial instruments. Certain of the Company's assets and liabilities are considered financial instruments. Fair value estimates, methods and assumptions are set forth below.

Cash and Cash Equivalents, Restricted Cash, Cash in Escrow, Rents Receivable, Notes Receivable, Prepaid Expenses, Other Assets, Accounts Payable and Accrued Expenses, Dividends and Distributions Payable, Due to Related Parties and Other Liabilities. The carrying amount of these assets and liabilities approximates fair value due to the short-term nature of such accounts.

Derivative Instruments - The fair value of these instruments is based upon the estimated amounts the Company would receive or pay to terminate the contracts as of December 31, 2005 and 2004 and is determined using interest rate market pricing models.

Mortgage Notes Payable - As of December 31, 2005 and 2004, the Company has determined the estimated fair value of its mortgage notes payable, including those relating to discontinued operations, are $235,297 and $153,612, respectively, by discounting future cash payments utilizing a discount rate equivalent to the rate at which similar mortgage notes payable would be originated under conditions then existing.

Derivative Financial Instruments:

SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" , as amended and interpreted, establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. As required by SFAS 133, the Company records all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative and the resulting designation. Derivatives used to hedge the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives used to hedge the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges.

For derivatives designated as fair value hedges, changes in the fair value of the derivative and the hedged item related to the hedged risk are recognized in earnings. For derivatives designated as cash flow hedges, the effective portion of changes in the fair value of the derivative is initially reported in other comprehensive income (outside of earnings) and subsequently reclassified to earnings when the hedged transaction affects earnings, and the ineffective portion of changes in the fair value of the derivative is recognized directly in earnings. The Company assesses the effectiveness of each hedging relationship by comparing the changes in fair value or cash flows of the derivative hedging instrument with the changes in fair value or cash flows of the designated hedged item or transaction. For derivatives not designated as hedges, changes in fair value are recognized in earnings.

16. Financial Instruments, continued

Derivative Financial Instruments, continued

As of December 31, 2005 and 2004, 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 as hedges.

The following table summarizes the notional values and fair values of the Company's derivative financial instruments as of December 31, 2005. The notional value does not represent exposure to credit, interest rate or market risks:

Hedge Type	Notional Value	Rate	Forward Start Date	Interest maturity	Fair Value
LIBOR Swap	$ 36,778	4.35%	n/a	1/1/11	$ 615
LIBOR Swap	20,000	4.53%	n/a	10/1/06	24
LIBOR Swap	15,149	4.32%	n/a	1/1/07	62
LIBOR Swap	11,719	4.11%	n/a	1/1/07	72
LIBOR Swap	8,730	4.47%	n/a	6/1/07	31
LIBOR Swap	4,640	4.71%	10/2/06	1/1/10	5
Interest rate swap receivable					$ 809
LIBOR Swap	11,410	4.90%	10/2/06	10/1/11	$ (59)
LIBOR Swap	8,434	5.14%	6/1/07	3/1/12	(121)
Interest rate swap liability					$ (180)

As of December 31, 2005, the derivative instruments were reported at fair value as reflected above. The interest rate swap receivable is included in Other Assets in the Consolidated Balance Sheets. As of December 31, 2004, the derivative instruments were reported at fair value as a derivative instrument liability of $2,136. As of December 31, 2005 and 2004, unrealized losses totaling $12 and $3,219, respectively, represented the fair value of the aforementioned derivatives, of which $12 and $3,180, respectively, were reflected in accumulated other comprehensive loss, and $0 and $39, respectively, as a reduction of minority interest in the Operating Partnership. For the years ended December 31, 2004 and 2003, the Company recorded in interest expense an unrealized loss of $37 and unrealized gain of $51, respectively, due to partial ineffectiveness on one of the swaps which was terminated in November 2004. The ineffectiveness resulted from differences between the derivative notional and the principal amount of the hedged variable rate debt.

The Company's interest rate hedges are designated as cash flow hedges and hedge the future cash outflows on mortgage debt. Interest rate swaps that convert variable payments to fixed payments, such as those held by the Company, as well as interest rate caps, floors, collars, and forwards are cash flow hedges. The unrealized gains and losses in the fair value of these hedges are reported on the balance sheet with a corresponding adjustment to either accumulated other comprehensive income or earnings depending on the type of hedging relationship. For cash flow hedges, offsetting gains and losses are reported in accumulated other comprehensive income. Over time, the unrealized gains and losses held in accumulated other comprehensive income will be reclassified to earnings. This reclassification occurs over the same time period in which the hedged items affect earnings.

17. Earnings Per Common Share

Basic earnings per share was determined by dividing the applicable net income to common shareholders for the year by the weighted average number of Common Shares outstanding during each year consistent with SFAS No. 128. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue Common Shares were exercised or converted into Common Shares or resulted in the issuance of Common Shares that then shared in the earnings of the Company. The following table sets forth the computation of basic and diluted earnings per share from continuing operations for the periods indicated:

	Years ended December 31,		
	2005	2004	2003
Numerator:			
Income from continuing operations - basic earnings per share	$ 19,643	$ 11,458	$ 6,289
Effect of dilutive securities:			
Preferred OP Unit distributions	-	-	-
Numerator for diluted earnings per share	19,643	11,458	6,289
Denominator:			
Weighted average shares - basic earnings per share	31,949	29,341	26,640
Effect of dilutive securities:			
Employee stock options	265	571	592
Dilutive potential Common Shares	265	571	592
Denominator for diluted earnings per share	32,214	29,912	27,232
Basic earnings per share from continuing operations	$ 0.62	$ 0.39	$ 0.24
Diluted earnings per share from continuing operations	$ 0.61	$ 0.38	$ 0.23

The weighted average shares used in the computation of basic earnings per share include unvested restricted shares (Note 11) and Share Units (Note 12) that are entitled to receive dividend equivalent payments. The effect of the conversion of Common OP Units is not reflected in the above table 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 minority interest in the accompanying consolidated financial statements. As such, the assumed conversion of these units would have no net impact on the determination of diluted earnings per share.

18. Summary of Quarterly Financial Information (unaudited)

The quarterly results of operations of the Company for the years ended December 31, 2005 and 2004 are as follows:

			Restated		
	March 31, 2005	June 30, 2005	September 30, 2005	December 31, 2005	Total for Year
Revenue	$ 23,776	$ 24,298	$ 27,818	$ 24,914	$ 100,806
Income from continuing operations	$ 4,013	$ 4,485	$ 6,714	$ 4,431	$ 19,643
Income (loss) from discontinued operations	$ 432	$ (140)	$ 511	$ 180	$ 983
Net income	$ 4,445	$ 4,345	$ 7,225	$ 4,611	$ 20,626
Net income per Common Share - basic:					
Income from continuing operations	$ 0.13	$ 0.14	$ 0.21	$ 0.14	$ 0.62
Income (loss) from discontinued operations	0.01	0.00	0.02	0.00	0.03
Net income	$ 0.14	$ 0.14	$ 0.23	$ 0.14	$ 0.65
Net income per Common Share - diluted:					
Income from continuing operations	$ 0.13	$ 0.14	$ 0.20	$ 0.14	$ 0.61
Income (loss) from discontinued operations	0.01	0.00	0.02	0.00	0.03
Net income	$ 0.14	$ 0.14	$ 0.22	$ 0.14	$ 0.64
Cash dividends declared per Common Share	$ 0.1725	$ 0.1725	$ 0.1725	$ 0.185	$ 0.7025
Weighted average Common Shares outstanding:					
Basic	31,867,185	31,898,644	32,008,982	32,017,316	31,948,610
Diluted	32,139,833	32,144,529	32,706,201	32,293,926	32,214,231

18. Summary of Quarterly Financial Information (unaudited), continued

	March 31, 2004	June 30, 2004	September 30, 2004	December 31, 2004	Total for Year
Revenue	$ 21,190	$ 21,242	$ 21,369	$ 23,281	$ 87,082
Income from continuing operations	$ 2,597	$ 3,466	$ 2,568	$ 2,827	$ 11,458
Income from discontinued operations	$ 253	$ 298	$ 327	$ 7,249	$ 8,127
Net income	$ 2,850	$ 3,764	$ 2,895	$ 10,076	$ 19,585
Net income per Common Share - basic					
Income from continuing operations	$ 0.09	$ 0.12	$ 0.09	$ 0.09	$ 0.39
Income from discontinued operations	0.01	0.01	0.02	0.24	0.28
Net income	$ 0.10	$ 0.13	$ 0.11	$ 0.33	$ 0.67
Net income per Common Share - diluted					
Income from continuing operations	$ 0.09	$ 0.12	$ 0.08	$ 0.09	$ 0.38
Income from discontinued operations	0.01	0.01	0.02	0.23	0.27
Net income	$ 0.10	$ 0.13	$ 0.10	$ 0.32	$ 0.65
Cash dividends declared per Common Share	$ 0.16	$ 0.16	$ 0.16	$ 0.1725	$ 0.6525
Weighted average Common Shares outstanding:					
Basic	27,890,065	29,333,184	29,459,175	30,665,688	29,340,992
Diluted	28,763,751	29,793,310	29,953,528	31,645,852	29,912,405

19. Commitments and Contingencies

Under various Federal, state and local laws, ordinances and regulations relating to the protection of the environment, a current or previous owner or operator of real estate may be liable for the cost of removal or remediation of certain hazardous or toxic substances disposed, stored, generated, released, manufactured or discharged from, on, at, under, or in a property. As such, the Company may be potentially liable for costs associated with any potential environmental remediation at any of its formerly or currently owned properties.

The Company conducts Phase I environmental reviews with respect to properties it acquires. These reviews include an investigation for the presence of asbestos, underground storage tanks and polychlorinated biphenyls (PCBs). Although such reviews are intended to evaluate the environmental condition of the subject property as well as surrounding properties, there can be no assurance that the review conducted by the Company will be adequate to identify environmental or other problems that may exist. Where a Phase II assessment is so recommended, a Phase II assessment was conducted to further determine the extent of possible environmental contamination. In all instances where a Phase I or II assessment has resulted in specific recommendations for remedial actions, the Company has either taken or scheduled the recommended remedial action. To mitigate unknown risks, the Company has obtained environmental insurance for most of its properties, which covers only unknown environmental risks.

The Company believes that it is in compliance in all material respects with all Federal, state and local ordinances and regulations regarding hazardous or toxic substances. Management is not aware of any environmental liability that they believe would have a material adverse impact on the Company's financial position or results of operations. Management is unaware of any instances in which it would incur significant environmental costs if any or all properties were sold, disposed of or abandoned. However, there can be no assurance that any such non-compliance, liability, claim or expenditure will not arise in the future.

For the year ended December 31, 2004, the Company accrued a reserve for $730 related to flood damage incurred at one of its properties. Under the terms of the Company's insurance policy, a maximum deductible of approximately $730 would apply in the event the flood damage was the direct result of a "named" storm. During the first quarter of 2005, the Company reduced the reserve by $480 due to the settlement of the insurance claim.

The Company is involved in various matters of litigation arising in the normal course of business. While the Company is unable to predict with certainty the amounts involved, the Company's management and counsel are of the opinion that, when such litigation is resolved, the Company's resulting liability, if any, will not have a significant effect on the Company's consolidated financial position or results of operations.

20. Subsequent Events

On January 4, 2006, the institutional investors of Fund I merged their 78% interest in the Brandywine Portfolio into affiliates of GDC Properties Incorporated ("GDC") in exchange for cash. The Company merged its 22% share of the Brandywine Portfolio into GDC in exchange for a 22% interest in GDC. Prior to the closing of this transaction, the Company provided $17.6 million of mortgage financing to GDC secured by certain properties within the Brandywine Portfolio.

ACADIA REALTY TRUST
SCHEDULE III-REAL ESTATE AND ACCUMULATED DEPRECIATION
Retrospectively Adjusted
December 31, 2005

Description	Encumbrances	Land	Buildings & Improvements	Costs capitalized Subsequent to Acquisition	Land	Buildings & Improvements	s Total	Accumulated Depreciation	Date of Acquisition (a) Construction(c)
Shopping Centers									
Crescent Plaza	$ 17,600	$ 7,425	$ 7,425	822	$ 1,147	$ 8,247	$ 9,394	4,344	1984(a)
Brockton, MA									
New Loudon Center	15,000	505	4,161	10,840	505	15,001	15,506	8,024	1982(a)
Latham, NY									
Ledgewood Mall	23,669	619	5,434	34,693	619	40,127	40,746	26,387	1983(a)
Ledgewood, NJ									
Mark Plaza	--	--	4,268	4,765	--	9,033	9,033	5,709	1968(c)
Edwardsville, PA									
Blackman Plaza	--	120	--	1,599	120	1,599	1,719	587	1968(c)
Wilkes-Barre, PA									
Plaza 422	--	190	3,004	720	190	3,724	3,914	2,714	1972(c)
Lebanon, PA									
Route 6 Mall	--	--	--	12,695	1,664	11,031	12,695	4,262	1995(c)
Honesdale, PA									
Bartow Avenue	--	1,691	5,803	44	1,691	5,847	7,538	133	2002(c)
Bronx, NY									
Amboy Rd. Shopping Ctr	--	--	11,909	--	--	11,909	11,909	145	2005(a)
Staten Island, NY									
Abington Towne Center	(1)	799	3,197	1,994	799	5,191	5,990	1,182	1998(a)
Abington, PA									
Bloomfield Town Square	(2)	3,443	13,774	4,684	3,443	18,458	21,901	3,561	1998(a)
Bloomfield Hills, MI									
Walnut Hill Plaza	(2)	3,122	12,488	844	3,122	13,332	16,454	2,983	1998(a)
Woonsocket, RI									
Elmwood Park Plaza	34,600	3,248	12,992	14,765	3,800	27,205	31,005	5,178	1998(a)
Elmwood Park, NJ									
Merrillville Plaza	12,936	4,288	17,152	1,199	4,288	18,351	22,639	3,723	1998(a)
Hobart, IN									
Marketplace of Absecon	(2)	2,573	10,294	2,467	2,573	12,761	15,334	2,501	1998(a)
Absecon, NJ									

ACADIA REALTY TRUST
SCHEDULE III-REAL ESTATE AND ACCUMULATED DEPRECIATION
Retrospectively Adjusted
December 31, 2005

Description	Encumbrances	Land	Buildings & Improvements	Costs capitalized Subsequent to Acquisition	Land	Buildings & Improvements s	Total	Accumulated Depreciation	Date of Acquisition (a) Construction(c)
Hobson West Plaza Naperville, IL	$ (3)	$ 1,793	$ 7,172	$ 687	$ 1,793	$ 7,859	$ 9,652	$ 1,700	1998(a)
Smithtown Shopping Center Smithtown, NY	10,082	3,229	12,917	1,230	3,229	14,147	17,376	3,173	1998(a)
Town Line Plaza Rocky Hill, CT		878	3,510	7,049	909	10,528	11,437	6,304	1998(a)
Branch Shopping Center Village of the Branch, NY	(1)	3,156	12,545	619	3,156	13,164	16,320	2,523	1998(a)
The Methuen Shopping Center Methuen, MA	(1)	956	3,826	-	956	3,826	4,782	705	1998(a)
Gateway Shopping Center Burlington, VT	(1)	1,273	5,091	11,517	1,273	16,608	17,881	1,851	1999(a)
Mad River Station Dayton, OH	-	2,350	9,404	419	2,350	9,823	12,173	1,763	1999(a)
Pacesetter Park Shopping Center Ramapo, NY	12,500	1,475	5,899	971	1,475	6,870	8,345	1,223	1999(a)
239 Greenwich Greenwich, CT	15,894	1,817	15,846	359	1,817	16,205	18,022	2,761	1999(c)
Residential Properties									
Gate House, Holiday House, Tiger Village Columbia, MO	10,588	2,312	9,247	3,092	2,312	12,339	14,651	3,053	1998(a)
Village Apartments Winston Salem, NC	(2)	3,429	13,716	2,727	3,429	16,443	19,872	3,769	1998(a)
Colony Apartments Columbia, MO	5,294	1,118	4,470	1,522	1,118	5,992	7,110	1,487	1998(a)
Brandywine Town Center Wilmington, DE	52,655	16,398	65,639	28,001	21,992	88,046	110,038	5,145	2003(a)
Market Square Wilmington, DE	17,467	3,840	15,361	2,102	4,259	17,044	21,303	1,236	2003(a)
Amherst Marketplace	5,102	1,534	6,144	-	1,534	6,144	7,678	583	2002(a)
Sheffield Crossing	7,508	2,049	7,557	46	2,049	7,603	9,652	619	2002(a)
Granville Center	5,571	2,186	8,744	59	2,186	8,803	10,989	751	2002(a)
Kroger/Safeway Various	19,685	-	48,938	-	-	48,938	48,938	16,780	2003(a)
400 E. Fordham Road Bronx, NY	18,000	11,144	18,010	2,567	12,012	19,709	31,721	567	2004(a)
Sherman Avenue New York, NY	19,000	25,267	-	62	25,267	62	25,329	-	2005(a)
216th Street New York, NY	4,900	7,313	-	20	7,313	20	7,333	-	2005(a)
161st Street Bronx, NY	12,064	16,679	28,410	-	16,679	28,410	45,089	296	2005(a)
Oakbrook Oakbrook, IL	-	-	6,906	-	-	6,906	6,906	97	2005(a)
Undeveloped land				250	250		250		
Properties under development	-	-	-	1,282	-	1,282	1,282	-	2005(a)
	$ 386,602	$ 131,941	$ 421,253	$ 156,712	$ 141,319	568,587	$ 709,906	127,819	

ACADIA REALTY TRUST
NOTES TO SCHEDULE III
Retrospectively Adjusted
December 31, 2005

1. These properties serve as collateral for the financing with Bank of America, FA in the amount of $44,485 (Note 6) 2. These properties serve as collateral for the financing with Bank of America, NA in the amount of $22,000 (Note 6). 3. Depreciation and investments in buildings and improvements reflected in the statements of income is calculated over the estimated useful life of the assets as follows:

Buildings	30 to 40 years
Improvements	Shorter of lease term or useful life

4. The aggregate gross cost of property included above for Federal income tax purposes was $373,098 as of December 31, 2005. 5. (a) Reconciliation of Real Estate Properties:

The following table reconciles the real estate properties from January 1, 2003 to December 31, 2005:

	For the year ended December 31, 2005	2004	2003
Balance at beginning of year	$ 599,358	$ 541,892	$ 375,149
Other improvements	12,700	6,909	13,568
Reclassification of tenant improvement activities	--	845	--
Property Acquired	97,848	49,912	153,175
Balance at end of year	$ 709,906	$ 599,558	$ 541,892

(b) Reconciliation of Accumulated Depreciation:

The following table reconciles accumulated depreciation from January 1, 2003 to December 31, 2005:

	For the year ended December 31, 2005	2004	2003
Balance at beginning of year	$ 106,924	$ 86,337	$ 64,454
Reclassification of tenant improvement activities	--	660	--
Depreciation related to real estate	20,895	19,927	21,883
Balance at end of year	$ 127,819	$ 106,924	$ 86,337