

ACADIA REALTY TRUST  
Form 8-K  
February 06, 2013

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): February 5, 2013

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

The following information sets forth the consolidated financial results of Acadia Realty Trust and subsidiaries (the "Company") for the quarter and year ended December 31, 2012 as well as additional recent developments. All per share amounts set forth below are on a fully diluted basis.

### Recent Development Highlights

#### Core Portfolio - \$224 Million of Acquisitions and Portfolio Performance

Same store net operating income ("NOI") (see financial information below for NOI definition and reconciliation to Net Income) for the fourth quarter up 7.6% compared to 2011; up 3.7% for full year 2012 over 2011

December 31, 2012 portfolio occupancy of 94.2%

During 2012, the Company closed on \$224.3 million of acquisitions; \$101.6 million during the fourth quarter for 13 properties located in Chicago, Washington, D.C., Westport, Connecticut, and Bloomfield, New Jersey

Fund Platform - Fund IV Invests on Lincoln Road in South Miami; Funds II and III Profitable Monetize Assets, including Self Storage

During 2012, closed on \$267.5 million of new Fund assets

Acadia Strategic Opportunity Fund IV LLC ("Fund IV") closed on its first three property acquisitions during the quarter for an aggregate purchase price of \$151.2 million

During the quarter, Acadia Strategic Opportunity Fund II, LLC ("Fund II") and, Acadia Strategic Opportunity Fund III LLC ("Fund III") sold 12 of 14 self-storage facilities for an aggregate sales price of \$261.6 million. The remaining two assets are under contract for sale

Fund II sold Canarsie Plaza, located in Brooklyn, New York for \$124.0 million during the quarter

#### Balance Sheet - Positioned for Growth

Raised \$227.3 million of net equity proceeds during 2012 to fund acquisitions, including \$128.6 million during the fourth quarter

Subsequent to year-end, closed on a new \$150 million unsecured line of credit

#### Fourth Quarter and Full Year 2012 Operating Results

Funds from Operations ("FFO") (see financial information below for FFO definition and reconciliation to Net Income) and Net Income from Continuing Operations for the quarter ended December 31, 2012 were \$14.7 million and \$8.7 million, respectively, compared to \$10.8 million and \$3.5 million, respectively, for the quarter ended December 31, 2011. For the year ended December 31, 2012, FFO and Net Income from Continuing Operations were \$48.8 million and \$24.0 million, respectively, compared to \$42.9 million and \$18.7 million, respectively, for the year ended December 31, 2011.

During 2012, the National Association of Real Estate Investment Trusts ("NAREIT") issued a clarification to the definition of FFO whereby impairment charges for depreciable real estate should be excluded in the calculation of FFO. Accordingly, 2011 FFO has been increased to exclude an impairment charge of \$2.6 million, resulting in a change in 2011 FFO per share from \$0.97 as originally reported, to \$1.04 as reflected below.

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Earnings for the quarters and years ended December 31, 2012 and 2011, on a per share basis, were as follows:

|                                  | Quarters ended December 31, |        |          | Years ended December 31, |        |           |
|----------------------------------|-----------------------------|--------|----------|--------------------------|--------|-----------|
|                                  | 2012                        | 2011   | Variance | 2012                     | 2011   | Variance  |
| FFO per share                    | \$0.29                      | \$0.25 | \$0.04   | \$1.04                   | \$1.04 | \$—       |
| EPS from continuing operations   | \$0.17                      | \$0.08 | \$0.09   | \$0.51                   | \$0.45 | \$0.06    |
| EPS from discontinued operations | \$0.25                      | \$0.11 | \$0.14   | \$0.34                   | \$0.80 | \$(0.46 ) |
| EPS                              | \$0.42                      | \$0.19 | \$0.23   | \$0.85                   | \$1.25 | \$(0.40 ) |

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### Core Portfolio - Exceeds 2012 Acquisition Goal by Closing on \$224 Million of Street and High-Density Locations

The Company's core portfolio ("Core Portfolio") is comprised of properties that are owned in whole or in part by the Company outside of its opportunity funds (the "Funds").

### Occupancy and Same-Store NOI

At December 31, 2012, the Company's Core Portfolio occupancy was 94.2%, up 130 basis points from September 30, 2012. Including space currently leased but not yet occupied, the Core Portfolio is 94.4% leased.

Core Portfolio same-store NOI increased 7.6% and 3.7%, respectively, for the fourth quarter and full year 2012 compared to 2011. Excluding the impact of the Re-anchoring Activities as defined below, same-store NOI increased 2.0% and 2.9%, respectively, for these periods.

### Rent Spreads on New and Renewal Leases

Year-to-date through December 31, 2012, the Company realized an increase in average rents of 6.2% on 315,000 square feet of executed new and renewal leases in its Core Portfolio. Excluding the effect of the straight-lining of rents, the Company experienced a decrease of 0.9% in average rents in its Core Portfolio.

### Core Portfolio Anchor Recycling

The Company previously announced three key re-anchoring initiatives at the Bloomfield Town Square, located in Bloomfield Hills, Michigan, and two former A&P supermarkets located in the New York metropolitan area (collectively, the "Re-anchoring Activities"). Earlier during 2012, the Company completed the Bloomfield Hills re-anchoring with the opening of a Dick's Sporting Goods, Ulta and Five Below at the center. During the fourth quarter, LA Fitness opened for business in 45,000 square feet at the Branch Plaza, replacing the majority of space previously occupied by one of the A&P supermarkets. The re-anchoring of the other A&P space at the Crossroads Shopping Center is anticipated to be completed during the second half of 2013.

### Acquisition Activity - Investing in Urban/Street Retail and High-Density Markets

During the year ended 2012, the Company acquired a total of 24 Core Portfolio properties for \$224.3 million, including the previously announced \$101.6 million fourth quarter acquisitions of the following 13 properties:

- Bloomfield, New Jersey - The Company acquired a 129,000 square foot stand-alone Home Depot located in Bloomfield, New Jersey for \$12.5 million. Situated in Northern New Jersey, the property is supported by a population in excess of 300,000 within three miles of the property.
- Connecticut Avenue NW, Washington, D.C. - The Company acquired a 42,000 square foot, two-property portfolio located in Washington, D.C., within walking distance of Dupont Circle for \$23.2 million.
- Main Street, Westport, Connecticut - The Company completed the acquisition of 181-185 Main Street in Westport, Connecticut for \$14.2 million. Westport is considered one of Fairfield County's affluent "Gold Coast" towns and this property is located at the northernmost anchor of Westport's Main Street shopping district.
- 639 West Diversey Parkway, Chicago, Illinois - The Company acquired a 22,000 square foot, two-level property located in the Lincoln Park section of Chicago for \$10.7 million including the assumption of \$4.4 million of debt. This strategic acquisition now provides the Company with two blocks of contiguous ownership on the south side of West Diversey Parkway.
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Street Retail Portfolio, Chicago, Illinois - The Company completed the acquisition of eight street retail properties for \$41.1 million. These properties represent the last of the previously announced, 18-property portfolio within Chicago's key street-retail markets.

The Company also has a current pipeline of \$86.6 million under contract, which is subject to certain closing conditions and, as such, no assurance can be given that closing will be successfully completed.

### Investments in Notes Receivable

During the fourth quarter, the Company invested an aggregate \$74.1 million in notes receivable, of which \$43.3 million was secured by first mortgages on properties located in New York City and Chicago.

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Fund Platform - 2012 Year-to-date Acquisitions Totaling \$267.5 Million - Fund IV Closes Initial Acquisitions; Fund II and Fund III Monetize Self-Storage and Other Assets

#### Fund IV Acquisitions

As previously announced, the Company completed the closing of Fund IV, which received total capital commitments of \$540.6 million including the Company's share of \$125.0 million, or 23%. This is the fourth in a series of institutional funds dedicated to making opportunistic and value-add investments in retail real estate. With leverage, Fund IV has up to \$1.5 billion of buying power. During the fourth quarter, Fund IV closed on its first three acquisitions for an aggregate \$151.2 million as follows:

Lincoln Road, Florida - Fund IV, in partnership with Terranova Corporation, acquired a 54,400 square foot, three-property portfolio on Lincoln Road in Miami Beach, Florida for \$139.0 million. The Company, through Fund III, is also partners with Terranova Corporation in its 2011 acquisition of the three-property, 60,700 square foot, portfolio located on Lincoln Road and Lincoln Lane.

Catonsville, Maryland - Fund IV, in partnership with MCB Holdings, acquired a 58,000 square foot, single-tenant property located in Catonsville, Maryland for \$4.7 million. The Company, through Fund III, previously partnered with MCB Holdings on three other acquisitions located in the Baltimore metropolitan area.

210 Bowery, Manhattan - Fund IV also acquired a 9,200 square foot, single-tenant property located at 210 Bowery in Manhattan for \$7.5 million.

#### Storage Post Portfolio Disposition

During December 2012, as previously announced, subsidiaries of Funds II and III sold 12 of their combined 14 property self-storage portfolio for an aggregate \$261.6 million. The Funds combined investment in these 12 assets aggregated approximately \$230 million including disposition costs. The remaining two properties, which also include the retail component of Fund II's Liberty Avenue property in Ozone Park, Queens, are under contract for sale at an aggregate price of \$32.3 million.

#### Other Fund II Disposition

During the quarter, Fund II sold Canarsie Plaza, located in Brooklyn, New York, for \$124.0 million. During 2007, Fund II had acquired this property, which was a vacant warehouse building and subsequently developed it into a BJ's Wholesale Club anchored shopping center. Fund II's investment in this property, inclusive of disposition costs and net of \$24.5 million of lease termination income, was approximately \$98 million.

#### Balance Sheet - Positioned for Growth; Established New Unsecured Line

Subsequent to year-end, the Company closed on a new unsecured line of credit, replacing its existing \$64.5 million secured line. The current availability of up to \$150 million under the facility can be increased to \$300 million based on achieving certain thresholds. Interest is based on levels of leverage starting with a rate of LIBOR plus 155 basis points.

In connection with the above Core Portfolio acquisitions and the Company's pro-rata share of Fund acquisitions, during the fourth quarter, the Company issued 1.7 million Common Shares under its ATM program, and in a separate transaction, sold 3.5 million Common Shares, for aggregate net proceeds of \$128.6 million.



## ACADIA REALTY TRUST AND SUBSIDIARIES

## Financial Highlights

For the Quarters and Years ended December 31, 2012 and 2011

(dollars and Common Shares in thousands, except per share data)

|  | For the Quarters ended |          | For the Years ended |           |
|--|------------------------|----------|---------------------|-----------|
|  | December 31,           |          | December 31,        |           |
| Revenues   | 2012                   | 2011     | 2012                | 2011      |
| Minimum rents  | \$27,161               | \$20,434 | \$99,280            | \$79,779  |
| Percentage rents   | 69                     | 75       | 417                 | 361       |
| Mortgage interest income                                     | 1,863                  | 1,936    | 7,879               | 11,429    |
| Expense reimbursements                                       | 7,516                  | 5,727    | 24,385              | 21,141    |
| Other property income  | 243                    | 104      | 1,009               | 694       |
| Management fee income  | 289                    | 508      | 1,455               | 1,674     |
| Total revenues   | 37,141                 | 28,784   | 134,425             | 115,078   |
| Operating expenses   |                        |          |                     |           |
| Property operating   | 8,540                  | 4,783    | 25,889              | 18,968    |
| Real estate taxes  | 4,862                  | 3,984    | 18,811              | 15,320    |
| General and administrative                                   | 4,605                  | 5,935    | 21,532              | 23,066    |
| Reserve for notes receivable                                 | 405                    | —        | 405                 | —         |
| Depreciation and amortization                                | 9,117                  | 6,663    | 32,931              | 25,672    |
| Total operating expenses                                     | 27,529                 | 21,365   | 99,568              | 83,026    |
| Operating income   | 9,612                  | 7,419    | 34,857              | 32,052    |
| Equity in (loss) earnings of unconsolidated affiliates       | (750                   | ) (1,470 | ) 1,579             | 1,555     |
| Other interest income  | 37                     | 57       | 148                 | 276       |
| Gain on involuntary conversion of asset                      | 2,368                  | —        | 2,368               | —         |
| Interest expense and other finance costs                     | (7,061                 | ) (7,259 | ) (28,768           | ) (29,632 |
| (Loss) gain on extinguishment of debt                        | (198                   | ) —      | (198                | ) 1,268   |
| Income (loss) from continuing operations before income taxes | 4,008                  | (1,253   | ) 9,986             | 5,519     |
| Income tax benefit (provision)                               | 1,698                  | (467     | ) 568               | (461      |
| Income (loss) from continuing operations                     | 5,706                  | (1,720   | ) 10,554            | 5,058     |



## ACADIA REALTY TRUST AND SUBSIDIARIES

## Financial Highlights

For the Quarters and Years ended December 31, 2012 and 2011

(dollars and Common Shares in thousands, except per share data)

|  | For the Quarters ended<br>December 31, |           | For the Years ended<br>December 31, |           |
|--|--|-----------|-------------------------------------|-----------|
|  | 2012                                   | 2011      | 2012                                | 2011      |
| Discontinued operations:   |  |           |                                     |           |
| Operating income from discontinued operations  | 3,167                                  | 1,763     | 10,720                              | 8,752     |
| Loss on debt extinguishment  | (2,541 )                               | —         | (2,541 )                            | —         |
| Impairment of asset  | —                                      | —         | —                                   | (6,925 )  |
| Gain on sale of property   | 62,618                                 | 14,332    | 71,203                              | 46,830    |
| Income from discontinued operations  | 63,244                                 | 16,095    | 79,382                              | 48,657    |
| Net income   | 68,950                                 | 14,375    | 89,936                              | 53,715    |
| Loss (income) attributable to noncontrolling interests:                                |  |           |                                     |           |
| Continuing operations  | 2,976                                  | 5,182     | 13,480                              | 13,655    |
| Discontinued operations  | (50,650 )                              | (11,670 ) | (63,710 )                           | (15,815 ) |
| Net loss (income) attributable to noncontrolling interests                             | (47,674 )                              | (6,488 )  | (50,230 )                           | (2,160 )  |
| Net income attributable to Common Shareholders   | \$21,276                               | \$7,887   | \$39,706                            | \$51,555  |
| Supplemental Information   |  |           |                                     |           |
| Income from continuing operations attributable to                                      |  |           |                                     |           |
| Common Shareholders  | \$8,682                                | \$3,462   | \$24,034                            | \$18,713  |
| Income from discontinued operations attributable to                                    |  |           |                                     |           |
| Common Shareholders  | 12,594                                 | 4,425     | 15,672                              | 32,842    |
| Net income attributable to Common Shareholders   | \$21,276                               | \$7,887   | \$39,706                            | \$51,555  |
| Net income attributable to Common Shareholders per Common Share - Basic                |  |           |                                     |           |
| Net income per Common Share - Continuing operations                                    | \$0.17                                 | \$0.08    | \$0.51                              | \$0.45    |
| Net income per Common Share - Discontinued operations                                  | 0.25                                   | 0.11      | 0.34                                | 0.80      |
| Net income per Common Share  | \$0.42                                 | \$0.19    | \$0.85                              | \$1.25    |
| Weighted average Common Shares   | 50,047                                 | 41,785    | 45,854                              | 40,697    |
| Net income attributable to Common Shareholders per Common Share - Diluted <sup>1</sup> |  |           |                                     |           |

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|   |        |        |        |        |
|---|--------|--------|--------|--------|
| Net income per Common Share -<br>Continuing<br>operations   | \$0.17 | \$0.08 | \$0.51 | \$0.45 |
| Net income per Common Share -<br>Discontinued<br>operations | 0.25   | 0.11   | 0.34   | 0.80   |
| Net income per Common Share                                 | \$0.42 | \$0.19 | \$0.85 | \$1.25 |
| Weighted average Common Shares                              | 50,583 | 42,066 | 46,335 | 40,986 |

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## ACADIA REALTY TRUST AND SUBSIDIARIES

## Financial Highlights

For the Quarters and Years ended December 31, 2012 and 2011

(dollars and Common Shares in thousands, except per share data)

RECONCILIATION OF NET INCOME TO FUNDS FROM OPERATIONS <sup>2</sup>

|  | For the Quarters ended<br>December 31, |          | For the Years ended<br>December 31, |           |
|--|--|----------|-------------------------------------|-----------|
|  | 2012                                   | 2011     | 2012                                | 2011      |
| Net income attributable to Common Shareholders   | \$21,276                               | \$7,887  | \$39,706                            | \$51,555  |
| Depreciation of real estate and amortization of leasing costs<br>(net of noncontrolling interests' share): |  |          |                                     |           |
| Consolidated affiliates  | 6,782                                  | 4,692    | 23,090                              | 18,274    |
| Unconsolidated affiliates  | 426                                    | 477      | 1,581                               | 1,549     |
| Gain on sale and involuntary conversion of asset (net of noncontrolling interests' share):                 |  |          |                                     |           |
| Consolidated affiliates  | (14,060 )                              | (2,356 ) | (15,451 )                           | (31,716 ) |
| Unconsolidated affiliates  | —                                      | —        | (609 )                              | —         |
| Impairment of asset <sup>2</sup>   | —                                      | —        | —                                   | 2,616     |
| Income attributable to noncontrolling interests' in  |  |          |                                     |           |
| Operating Partnership  | 241                                    | 99       | 510                                 | 635       |
| Distributions - Preferred OP Units   | 4                                      | 5        | 18                                  | 18        |
| Funds from operations  | \$14,669                               | \$10,804 | \$48,845                            | \$42,931  |
| Funds from operations per share - Diluted Weighted average Common Shares and OP Units <sup>3</sup>         | 51,150                                 | 42,559   | 46,940                              | 41,467    |
| Funds from operations, per share   | \$0.29                                 | \$0.25   | \$1.04                              | \$1.04    |

## ACADIA REALTY TRUST AND SUBSIDIARIES

## Financial Highlights

For the Quarters and Years ended December 31, 2012 and 2011

(dollars in thousands)

RECONCILIATION OF OPERATING INCOME TO NET PROPERTY  
OPERATING INCOME ("NOI")

|   | For the Quarters ended |          | For the Years ended |           |
|---|------------------------|----------|---------------------|-----------|
|   | December 31,           |          | December 31,        |           |
|   | 2012                   | 2011     | 2012                | 2011      |
| Operating income                                      | \$9,612                | \$7,419  | \$34,857            | \$32,052  |
| Add back:   |                        |          |                     |           |
| General and administrative                            | 4,605                  | 5,935    | 21,532              | 23,066    |
| Depreciation and amortization                         | 9,117                  | 6,663    | 32,931              | 25,672    |
| Impairment of asset                                   | 405                    | —        | 405                 | —         |
| Less:   |                        |          |                     |           |
| Management fee income                                 | (289 )                 | (508 )   | (1,455 )            | (1,674 )  |
| Mortgage interest income                              | (1,863 )               | (1,936 ) | (7,879 )            | (11,429 ) |
| Straight line rent and other adjustments              | (2,549 )               | (1,738 ) | (10,261 )           | (6,644 )  |
| Consolidated NOI                                      | 19,038                 | 15,835   | 70,130              | 61,043    |
| Noncontrolling interest in NOI                        | (2,546 )               | (2,174 ) | (9,275 )            | (8,875 )  |
| Pro-rata share of NOI                                 | 16,492                 | 13,661   | 60,855              | 52,168    |
| Operating Partnerships' interest in Opportunity Funds | (1,947 )               | (2,184 ) | (7,274 )            | (7,573 )  |
| NOI - Core Portfolio                                  | \$14,545               | \$11,477 | \$53,581            | \$44,595  |

## SELECTED BALANCE SHEET INFORMATION

|                           | As of                  |                      |
|---------------------------|------------------------|----------------------|
|                           | December 31,<br>2012   | December 31,<br>2011 |
|                           | (dollars in thousands) |                      |
| Cash and cash equivalents | \$91,813               | \$89,812             |
| Rental property, at cost  | 1,249,140              | 880,377              |
| Total assets              | 1,908,440              | 1,653,319            |
| Notes payable             | 727,978                | 648,669              |
| Total liabilities         | 838,184                | 884,010              |



Notes:

<sup>1</sup> Reflects the potential dilution that could occur if securities or other contracts to issue Common Shares were exercised or converted into Common Shares. 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 noncontrolling interests in the consolidated financial statements. As such, the assumed conversion of these units would have no net impact on the determination of diluted earnings per share.

<sup>2</sup> The Company considers funds from operations (“FFO”) as defined by the National Association of Real Estate Investment Trusts (“NAREIT”) and net property operating income (“NOI”) to be appropriate supplemental disclosures of operating performance for an equity REIT due to their widespread acceptance and use within the REIT and analyst communities. FFO and NOI are presented to assist investors in analyzing the performance of the Company. They are helpful as they exclude various items included in net income that are not indicative of the operating performance, such as gains (losses) from sales of depreciated property, depreciation and amortization, and impairment of depreciable real estate. In addition, NOI excludes interest expense. The Company's method of calculating FFO and NOI may be different from methods used by other REITs and, accordingly, may not be comparable to such other REITs. FFO does not represent cash generated from operations as defined by generally accepted accounting principles (“GAAP”) and is not indicative of cash available to fund all cash needs, including distributions. It should not be considered as an alternative to net income for the purpose of evaluating 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. During 2012, NAREIT issued a clarification to the definition of FFO whereby impairment charges for depreciable real estate are to be excluded in the calculation of FFO. Accordingly, 2011 FFO has been restated to exclude an impairment charge of \$2.6 million.

<sup>3</sup> In addition to the weighted average Common Shares outstanding, basic and diluted FFO also assumes full conversion of a weighted average 566 and 493 OP Units into Common Shares for the quarters ended December 31, 2012 and 2011, respectively and 604 and 480 OP Units into Common Shares for the years ended December 31, 2012 and 2011, respectively. Diluted FFO also includes the assumed conversion of Preferred OP Units into 25 Common Shares for each of the quarters and years ended December 31, 2012 and 2011. In addition, diluted FFO also includes the effect of 511 and 256 employee share options, restricted share units and LTIP units for the quarters ended December 31, 2012 and 2011, respectively and 456 and 264 employee share options, restricted share units and LTIP units for the years ended December 31, 2012 and 2011, respectively.

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**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: February 6, 2013 By: /s/ Jonathan Grisham

Name: Jonathan Grisham  
Title: Sr. Vice President  
and Chief Financial Officer