**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 7, 2020**
**TO THE COMPANY'S SHAREHOLDERS:**

Please take notice that the annual meeting of shareholders (the "Annual Meeting") of Acadia Realty Trust, a Maryland real estate investment trust (the "Company", "Acadia" "we", "us" or "our"), will be held on Thursday, May 7, 2020, at 1:00 p.m., EDT time. This year's Annual Meeting will be a completely "virtual meeting" of shareholders. You will be able to attend the Annual Meeting, vote and submit your questions during the Annual Meeting via live webcast by visiting www.virtualshareholdermeeting.com/AKR20. Prior to the Annual Meeting, you will be able to authorize a proxy to vote your shares at www.proxyvote.com. The Annual Meeting will be held for the purpose of considering and voting upon:

1. The election of eight Trustees to hold office until the next Annual Meeting or until their successors are duly elected and qualify;

2. The ratification of the appointment of BDO USA, LLP as the independent registered public accounting firm for the Company for the fiscal year ending December 31, 2020;

3. The approval, on a non-binding advisory basis, of the compensation of Named Executive Officers as disclosed in the Company's 2020 Proxy Statement in accordance with the compensation rules of the Securities and Exchange Commission;

4. To consider and act upon a proposal to approve the Acadia Realty Trust 2020 Share Incentive Plan; and

5. Such other business as may properly come before the Annual Meeting.

The Board of Trustees of the Company recommends a vote "FOR" proposals 1 through 4. You should carefully review the accompanying Proxy Statement which contains additional information.

The Board of Trustees has fixed the close of business on March 13, 2020 as the record date for the determination of shareholders entitled to notice of, and to vote at, the Annual Meeting and any adjournment or postponement thereof.

By order of the Board of Trustees

Jason Blacksberg, Secretary
March 24, 2020

**SHAREHOLDERS, WHETHER OR NOT THEY EXPECT TO ATTEND THE VIRTUAL MEETING, ARE REQUESTED TO AUTHORIZE A PROXY TO VOTE THEIR SHARES ELECTRONICALLY VIA THE INTERNET OR BY COMPLETING AND RETURNING THE PROXY CARD, IF YOU REQUESTED PAPER PROXY MATERIALS. VOTING INSTRUCTIONS ARE PROVIDED IN THE NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIALS, OR, IF YOU REQUESTED PRINTED MATERIALS, THE INSTRUCTIONS ARE PRINTED ON YOUR PROXY CARD AND INCLUDED IN THE ACCOMPANYING PROXY STATEMENT.**

**ANY PERSON GIVING A PROXY HAS THE POWER TO REVOKE IT AT ANY TIME PRIOR TO THE MEETING, AND SHAREHOLDERS WHO ATTEND THE MEETING MAY WITHDRAW THEIR PROXIES AND VOTE DURING THE MEETING. IT IS IMPORTANT THAT YOU VOTE YOUR COMMON SHARES. YOUR FAILURE TO PROMPTLY VOTE YOUR SHARES INCREASES THE OPERATING COSTS OF YOUR INVESTMENT.**

**YOU ARE CORDIALLY INVITED TO ATTEND THE VIRTUAL MEETING VIA LIVE WEBCAST BY VISITING *WWW.VIRTUALSHAREHOLDERMEETING.COM/AKR20*, BUT YOU SHOULD SUBMIT A PROXY BY INTERNET OR MAIL PRIOR TO THE MEETING, WHETHER OR NOT YOU PLAN TO ATTEND.**

**ACADIA REALTY TRUST**
**411 THEODORE FREMD AVENUE, SUITE 300, RYE, NEW YORK 10580**

# PROXY STATEMENT FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD May 7, 2020

## GENERAL INFORMATION

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Trustees (the "Board of Trustees" or the "Board") of Acadia Realty Trust, a Maryland real estate investment trust (the "Company") for use at the annual meeting of shareholders scheduled to be held on Thursday, May 7, 2020, at 1:00 p.m., EDT time, via live webcast at www.virtualshareholdermeeting.com/AKR20, or any postponement or adjournment thereof (the "Annual Meeting"). This Proxy Statement and accompanying form of proxy were first sent to shareholders on or about March 26, 2020.

**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting to be held on May 7, 2020.This Proxy Statement and the Company's 2019 Annual Report to shareholders are available at www.acadiarealty.com/proxy.**

The Company will bear the costs of the solicitation of its proxies in connection with the Annual Meeting, including the costs of retaining a third party that will assist the Company in preparing, assembling and mailing proxy materials and the handling and tabulation of proxies received. In addition to solicitation of proxies by mail, the Board of Trustees, officers and employees of the Company may solicit proxies in connection with the Annual Meeting by e-mail, telephone, personal interviews or otherwise. Trustees, officers and employees will not be paid any additional compensation for soliciting proxies. Arrangements have been made with brokerage firms, custodians, nominees and fiduciaries to forward solicitation materials to the beneficial owners of common shares of beneficial interest, par value $.001 per share, of the Company, (the "Common Shares") held of record by such persons or firms with their nominees, and in connection therewith, such firms will be reimbursed for their reasonable out-of-pocket expenses in forwarding such materials.

All properly executed and unrevoked proxies in the accompanying form that are received in time for the Annual Meeting will be voted at the Annual Meeting in accordance with the specification thereon. If no specification is made, signed proxies will be voted "FOR" each of proposals 1 through 3 set forth in the Notice of Annual Meeting.

You may revoke your proxy and reclaim your right to vote:

- by submitting a later-dated proxy either by Internet or telephone by following the instructions on your proxy or voting card;
- electronically during the Annual Meeting at www.virtualshareholdermeeting.com/AKR20 when you enter your 16-Digit Control Number;
- by submitting a later-dated written proxy to the address shown on your proxy or voting card; or
- if you are a holder of record, by (i) delivering by mail to the Company's Corporate Secretary at or prior to the Annual Meeting an instrument revoking your proxy or (ii) delivering a subsequently dated proxy with respect to the same Common Shares to the Company's Corporate Secretary at or prior to the Annual Meeting.

Any written notice revoking a proxy should be delivered at or prior to the Annual Meeting to the attention of the Corporate Secretary, Acadia Realty Trust, 411 Theodore Fremd Avenue, Suite 300, Rye, NY 10580.

The Board of Trustees recommends a vote "FOR" proposals 1 through 4.

## OUTSTANDING SHARES AND VOTING RIGHTS

As of March 13, 2020, there were 86,844,961 Common Shares outstanding. Holders of Common Shares are entitled to one vote for each Common Share registered in their names on the record date. The Board of Trustees has fixed the close of business on March 13, 2020 as the record date for determination of shareholders entitled to notice of, and to vote at, the Annual Meeting. The presence, in person or by proxy, of the holders of Common Shares entitled to cast a majority of all the votes entitled to be cast at the Annual Meeting on any matter will constitute a quorum at the Annual Meeting.

The affirmative vote of a majority of all the votes cast by holders of Common Shares in person or by proxy at the Annual Meeting at which a quorum is present is required for (i) the election of each Trustee, (ii) the ratification of the appointment of BDO USA, LLP as the independent registered public accounting firm for the year ending December 31, 2020, (iii) the approval, on an advisory (non-binding) basis of a resolution approving the compensation of the Company's Named Executive Officers, and (iv) the approval of the 2020 Share Incentive Plan. With respect to any of the foregoing, an “affirmative vote of a majority of all the votes cast” means that the number of votes cast “for” such Trustee-nominee or proposal must exceed the number of shares voted “against” such Trustee-nominee or proposal. There is no cumulative voting in the election of Trustees.

With respect to a particular Trustee-nominee or proposal, holders of Common Shares may vote for or against such Trustee-nominee or proposal by marking "FOR" or "AGAINST," respectively, on their proxy. Alternatively, holders of Common Shares may abstain from voting on a particular Trustee-nominee or proposal by marking "ABSTAIN" on their proxy. Proxies marked "ABSTAIN" (or for which no vote is indicated) are included in determining the presence of a quorum for the Annual Meeting. Except with respect to broker non-votes, proxies for which no vote is indicated are treated as votes cast and are voted in accordance with the recommendation of the Board of Trustees as set forth in this Proxy Statement. Proxies marked "ABSTAIN," on the other hand, are not treated as votes cast and thus are not the equivalent of votes for or against a Trustee-nominee or any of the other proposals, as the case may be, and will not affect the vote with respect to these matters.

A "broker non-vote" occurs when a nominee holding Common Shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that proposal and has not received instructions with respect to that proposal from the beneficial owner (despite voting on at least one other proposal for which it does have discretionary authority or for which it has received instructions). Broker non-votes, if any, will not be counted as votes cast and will have no effect on the result of the vote, although they will be considered present for the purpose of determining the presence of a quorum. Of the proposals to be voted upon at the Annual Meeting, the only vote that a nominee may cast without receiving instructions from the beneficial owner is the vote to ratify the appointment of the independent registered public accounting firm. Signed proxies returned without specific voting instructions will be voted "FOR" proposals 1-4.

## MATTERS TO BE CONSIDERED AND VOTED ON AT OUR 2020 ANNUAL MEETING

| Proposal | Board Recommendation | Page |
|---|---|---|
| **Proposal No. 1:** Election of Trustees | **FOR each nominee** | X |
| **Proposal No. 2:** Ratification of Independent Registered Public Accounting Firm | **FOR** | X |
| **Proposal No. 3:** Advisory Approval of the Company’s Executive Compensation | **FOR** | X |
| **Proposal No. 4:** Approval of the Company’s 2020 Share Incentive Plan | **FOR** | X |

## DETAILS REGARDING THE VIRTUAL ANNUAL MEETING

The Annual Meeting will be held online on Thursday, May 7, 2020, at 1:00 p.m., EDT time, via live webcast. Shareholders of record as of March 13, 2020 will be able to attend, participate in, and vote at the Annual Meeting online by accessing www.virtualshareholdermeeting.com/AKR20 and attending the log in instructions below. Even if you plan to attend the Annual Meeting online, we recommend that you also vote by proxy as described herein so that your vote will be counted if you decide not to attend the Annual Meeting.

***Access to the Audio Webcast of the Annual Meeting***. The live audio webcast of the Annual Meeting will begin promptly at 1:00 p.m., EDT time. Online access to the audio webcast will open approximately thirty minutes prior to the start of the Annual Meeting to allow time for our shareholders to log in and test the computer audio system. We encourage our shareholders to access the Annual Meeting prior to the start time.

***Log in Instructions***. To attend the Annual Meeting, log in at www.virtualshareholdermeeting.com/AKR20. Shareholders will need their unique 16-digit control number, which appears on the front of your voting instrument. In the event that you do not have a control number, please contact your broker, bank, or other nominee as soon as possible and no later than May 1, 2020, so that you can be provided with a control number and gain access to the Annual Meeting. If, for any reason, you are unable to locate your control number, you will still be able to join the Annual Meeting as a guest by accessing www.virtualshareholdermeeting.com/AKR20 and following the guest log-in instructions; you will not, however, be able to vote or ask questions.

***Submitting Questions at the Annual Meeting***. As part of the Annual Meeting, we will hold a live question and answer session, during which we intend to answer questions submitted during the meeting that are pertinent to the Company and the Annual Meeting matters, as time permits. Questions and answers will be grouped by topic and substantially similar questions will be grouped and answered once.

***Availability of live webcast to team members and other constituents***. The live audio webcast will be available to not only our shareholders but also to our team members and other constituents. Such constituents will be able to attend the virtual Annual Meeting by accessing www.virtualshareholdermeeting.com/AKR20 and following the guest log-in instructions; they will not, however, be able to vote or ask questions.

## PROPOSAL 1 - ELECTION OF TRUSTEES

There are eight nominees for election as Trustees, each to serve for a one-year term, expiring at the 2021 annual meeting of shareholders and until their respective successors are duly elected and qualify. Election of each Trustee requires the affirmative vote of a majority of all the votes cast by holders of Common Shares in person or by proxy at the Annual Meeting.

The Company's Declaration of Trust provides that the Board of Trustees may be composed of up to a maximum of 15 members. Pursuant to a resolution of the Board, the Board of Trustees currently consists of eight Trustees, each of whom serves until the next annual meeting and until his or her successor is duly elected and qualifies. As stated elsewhere herein, the enclosed proxy will be voted for the election as Trustee of each nominee whose name is set forth below unless a contrary instruction is given. All of the nominees currently serve as Trustees of the Company. Management believes that all of their nominees are willing and able to serve the Company as Trustees. If any nominee at the time of election is unable or unwilling to serve or is otherwise unavailable for election, and as a consequence thereof, other nominees are designated, the persons named in the enclosed proxy or their substitutes will have the discretion and authority to vote or refrain from voting for other nominees in accordance with their discretion.

### Trustee Independence

With seven independent Trustees out of eight, the Board has satisfied its objective that a majority of the Board should consist of independent Trustees. The Board of Trustees has affirmatively determined that each of Messrs. Crocker, Kellar, Spitz, Wielansky and Zoba, and Mss. Luscombe and Thurber is independent under the listing standards of the New York Stock Exchange. In determining this, the Board of Trustees considered transactions and relationships between each Trustee or any member of his or her immediate family and the Company and its subsidiaries and affiliates. The Board of Trustees has determined that each member of the Audit, Compensation and Nominating and Corporate Governance Committees is independent under the criteria for independence set forth in the listing standards of the New York Stock Exchange. Upon the election of all nominees, the Company will continue to meet the New York Stock Exchange requirement for a majority of independent Trustees serving on the Board of Trustees.

**Nominees for Election as Trustees**

The table below provides a summary of information about the nominees for election as Trustees of the Company:

| Name | Age | Director Since | Independent | Committee Memberships: Audit | Compensation | Nominating and Corporate Governance | Investment/Capital Markets |
|---|---|---|---|---|---|---|---|
| Kenneth F. Bernstein | 58 | 1998 | No | | | | X(2) |
| Douglas Crocker II | 79 | 2003 | Yes | | X | X | X(1) |
| Lorrence T. Kellar | 82 | 2003 | Yes | X | X | | |
| Wendy Luscombe | 68 | 2004 | Yes | X | | X(1) | |
| William T. Spitz | 68 | 2007 | Yes | X | X(1) | | X |
| Lynn C. Thurber | 73 | 2016 | Yes | X (1) | X | | |
| Lee S. Wielansky | 68 | 2000 | Yes | | | | X |
| C. David Zoba | 68 | 2015 | Yes | | | X | X |

Notes:

(1) Chairman of the committee.

(2) *Ex-Officio* member of the committee.

**Kenneth F. Bernstein,** age 58

**Professional Experience:** Mr. Bernstein has been Chief Executive Officer ("CEO") of the Company since January of 2001. He has been the President and a Trustee of the Company since August 1998, when the Company acquired substantially all of the assets of RD Capital, Inc. ("RDC") and affiliates. From 1990 to August 1998, Mr. Bernstein was the Chief Operating Officer of RDC. In such capacity, he was responsible for overseeing the day-to-day operations of RDC, its management companies, and its affiliated partnerships. Prior to joining RDC, Mr. Bernstein was an associate at the New York law firm of Battle Fowler, LLP. Mr. Bernstein received his Bachelor of Arts Degree from the University of Vermont and his Juris Doctorate from Boston University School of Law. Mr. Bernstein sits on the Board of Trustees of the International Council of Shopping Centers and served as its 2017/2018 Chairman. He has previously served as a co-chair of the Board of Governors for the National Association of Real Estate Investment Trusts ("NAREIT") and is a member of Urban Land Institute ("ULI") and the Real Estate Roundtable. He is also a member of the World President's Organization (YPO-WPO), where he was the founding chairman of the Real Estate Network and currently sits on the Board of Advisors. Mr. Bernstein is a member of the Board of Trustees of Golub Capital.

**Trustee Qualifications:** The Board believes Mr. Bernstein's qualifications to sit on the Board include his extensive real estate, management and board experience. Highlights of these qualifications include Mr. Bernstein's:

- service as president and chief executive officer of the Company for the past 19 years;
- extensive network of contacts in the real estate industry and his leadership positions with various industry and business associations;
- five years of experience as a real estate attorney;
- eight years of experience as the Chief Operating Officer of a private real estate company; and
- three years of experience as the Chief Operating Officer of a public real estate company.

**Douglas Crocker II**, age 79

**Professional Experience:** Mr. Crocker has been a Trustee of the Company since November 2003. Mr. Crocker has been the managing partner of DC Partners LLC since 2013. He was the Chief Executive Officer of Equity Residential, a multi-family residential real estate investment trust ("REIT"), from December 1992 until his retirement in December of 2002. During Mr. Crocker's tenure, Equity

Residential grew from 21,000 apartments with a total market capitalization of $700 million to a $17 billion company with over 225,000 apartments. Mr. Crocker was also a former Managing Director of Prudential Securities, and from 1982 to 1992 served as Chief Executive Officer of McKinley Finance Group, a privately held company involved with real estate, banking and corporate finance. From 1979 to 1982, Mr. Crocker was President of American Invesco, the nation's largest condominium conversion company, and from 1969 to 1979 served as Vice President of Arlen Realty and Development Company. He currently sits on the board of directors of the real estate investment trust Colony Capital, Inc. In addition, Mr. Crocker serves as a trustee of Milton Academy and the New Bedford Whaling Museum. Mr. Crocker has been a five-time recipient of Commercial Property News' Multifamily Executive of the Year Award, a three-time winner of their REIT Executive of the Year Award, a three-time winner of Realty Stock Review's Outstanding CEO Award, and received NAREIT's 2010 Edward H. Linde Industry Leadership Award. Mr. Crocker is also a member of the NACD.

**Trustee Qualifications:** The Board believes Mr. Crocker's qualifications to sit on the Board include his extensive CEO, board, financial and real estate experience. Highlights of these qualifications include Mr. Crocker's:

- service as CEO of Equity Residential, a publicly traded REIT, for ten years;
- current service on the board of directors of another REIT;
- past service on the audit committees of the boards of directors of a number of publicly traded companies; and
- over 40 years of experience in the real estate industry.

**Lorrence T. Kellar**, age 82

**Professional Experience:** Mr. Kellar has been a Trustee of the Company since November 2003 and is an "audit committee financial expert" as that term is defined by the U.S. Securities and Exchange Commission ("SEC"). Mr. Kellar was Vice President at Continental Properties, a retail and residential developer from November 2002 until his retirement in November 2009. He recently retired as chairman of Multi-Color Corporation and also retired from the boards of Frisch’s Restaurant, Inc., and the Spar Group. Prior to joining Continental Properties in 2002, Mr. Kellar served as Vice President of Real Estate with Kmart Corporation from 1996 to 2002. From 1965 to 1996, Mr. Kellar served with The Kroger Co., the country's largest supermarket company, where his final position was Group Vice President of Finance and Real Estate. Mr. Kellar is also a member of the NACD.

**Trustee Qualifications:** The Board believes Mr. Kellar's qualifications to sit on the Board include his extensive real estate development, public company board, asset management and mergers and acquisitions experience, as well as financial expertise. Highlights of these qualifications include Mr. Kellar's:

- over 40 years of real estate operating and development experience;
- extensive experience managing financial functions, including general accounting, audit, finance, and treasury;
- qualification as an "audit committee financial expert" as that term is defined by the SEC;
- service on the boards of directors of eight public companies, including his service as the chair on two of those boards;
- service as chair of both the City of Cincinnati and Kroger pension funds;
- past service as chair of the Bartlett Management Trust mutual fund group; and
- involvement in a number of mergers and acquisitions transactions while with Kroger, U.S. Shoe, BT Office Products International and Multi-Color Corporation.

**Wendy Luscombe**, age 68

**Professional Experience**: Ms. Luscombe has been a Trustee of the Company since May 2004. Ms. Luscombe has served on the boards of companies in the real estate, mutual fund, reinsurance and manufacturing industries. Ms. Luscombe has represented two of the largest European institutional investors in their US real estate and alternative asset strategies. For 11 years, she was CEO of a REIT sponsored by a UK fund. Ms. Luscombe is currently actively involved in pursuing her interests in information security, risk management and renewable energy. She has fulfilled the training requirements for CISSP (Certified Information Systems Security Professional) and is understanding renewable energy by living entirely off the grid on solar and geothermal energy sources.

**Trustee Qualifications:** The Board believes Ms. Luscombe's qualifications to sit on the Board include her extensive real estate operational background, CEO experience, asset management experience, extensive board service and strong corporate governance, information security and risk management background. Highlights of these qualifications include Ms. Luscombe's:

- experience as the CEO of a public equity REIT in the United States for ten years;

- experience as the CEO of a UK urban renewal developer for two years;
- experience as the chief investment officer in the United States for a foreign pension fund and a real estate advisor to a U.S. pension fund;
- experience in a variety of real estate asset types including, among others, regional malls, community shopping centers and mixed use;
- service as an independent director for over 30 years, including service on all board committees including audit, compensation, investment and nominating and corporate governance, including chairmanships of committees and service as co-lead director;
- service on the NACD faculty that conducts in-board training;
- experience as one of the first governors of NAREIT;
- successful launch of two successful contested REIT takeovers;
- qualification as an "audit committee financial expert" as that term is defined by the SEC; and
- experience in website management, social media and internet reputation management.

**William T. Spitz**, age 68

**Professional Experience:** Mr. Spitz has been a Trustee of the Company since August 2007. Mr. Spitz is a principal and past Director of Diversified Trust Company, a private wealth management trust company. He served as Vice Chancellor for Investments and Treasurer of Vanderbilt University, Nashville, Tennessee from 1985 to July 2007. As Vice Chancellor for Investments at Vanderbilt, Mr. Spitz was responsible for managing the University's $3.5 billion endowment. He was also a member of the Senior Management Group of the University, which is responsible for the day- to-day operations of the institution. During his tenure, the Vanderbilt endowment earned returns in the top 10% of a broad universe of endowments for multiple time frames. While at Vanderbilt, Mr. Spitz conducted asset allocation studies and implemented detailed investment objectives and guidelines, developed a comprehensive risk management plan, invested in approximately two hundred limited partnerships in five illiquid assets classes, selected new custodians for both the endowment fund and the University's charitable remainder trusts and implemented a more aggressive approach to working capital management which increased returns by 2% per annum. In addition, Mr. Spitz was also on the faculty of Vanderbilt University as Clinical Professor of Management at the Owen Graduate School of Management. He has also held various high-level positions with successful asset management companies and has served on the board of several companies, including Cambium Global Timber Fund, The Common Fund, MassMutual Financial, and the Bradford Fund. He has also served on multiple advisory committees, including Acadia's Opportunity Fund Advisory Boards, on which he served from 2001 to July 2007. Mr. Spitz is a published author and frequent speaker at industry conferences and seminars.

**Trustee Qualifications:** The Board believes Mr. Spitz's qualifications to sit on the Board include his asset management experience as well as real estate development, board, fund, and REIT experience. Highlights of these qualifications include Mr. Spitz's:

- former role as Vice Chancellor for Investments and Treasurer of Vanderbilt University for over 20 years;
- former responsibilities managing Vanderbilt University's multi-billion dollar endowment fund;
- high-level positions with successful asset management companies;
- service on the boards of directors of several companies;
- service on multiple fund advisory committees, including, previously, the Company's fund advisory boards;
- involvement in numerous real estate development projects;
- former position as director of a private REIT;
- past service on the audit committee of MassMutual; and
- qualification as chartered financial analyst.

**Lynn C. Thurber**, 73

**Professional Experience:** Ms. Thurber has been a Trustee of the Company since March 2016. Ms. Thurber is past chairman (2007-2017) of LaSalle Investment Management, a global real estate money management firm with over $55 billion of assets under management, investing in private real estate as well as publicly-traded real estate companies on behalf of institutional and individual investors. Prior to becoming chairman of LaSalle Investment Management, Ms. Thurber was the Chief Executive Officer of LaSalle Investment Management from March 2000 to December 2006 and co-president from December 1994 to March 2000. Prior to Alex Brown, Kleinwort Benson ("ABKB") Realty Advisors' merger with LaSalle Partners in 1994, Ms. Thurber was Chief Executive Officer of that company. Before joining ABKB in 1992, she was a principal at Morgan Stanley & Co. Ms. Thurber is chairman of the board of Jones Lang LaSalle Income Property Trust, an SEC registered, non-traded REIT. Ms. Thurber earned an M.B.A. from Harvard Business School and an A.B. from Wellesley College. Ms. Thurber is a member of the board of Duke Realty Corporation. Ms. Thurber is a trustee and a past global Chairman of ULI-Urban Land Institute. In addition, Ms. Thurber is currently a member of the Wellesley College Business Leadership Council and a member of the board of the Bitterroot Land Trust. Ms. Thurber was the 2013 recipient of the Landauer White award from the Counselors of Real Estate and the 2015 recipient of the Lifetime Achievement Award from the ULI District Council of Chicago.

**Trustee Qualifications:** The Board believes Ms. Thurber's qualifications to sit on the Board include her extensive real estate investment, capital markets and board experiences. Highlights of these qualifications include Ms. Thurber's:

- experience as CEO, Co-president or Chairman of real estate investment management companies for over twenty-two years;
- extensive experience investing in and managing real estate properties including retail shopping centers, neighborhood and community centers and mixed-use properties;
- experience in investing and managing real estate in private fund entities on behalf of institutional investors for twenty-six years;
- qualification as an "audit committee financial expert" as that term is defined by the SEC;
- current service on one other public REIT board, one SEC registered non-traded REIT, and past service on numerous private real estate fund and company boards;
- service on audit, finance, nominating and compensation committees of real estate company boards; and
- over 35 years' experience in the real estate industry

**Lee S. Wielansky**, age 68

**Professional Experience:** Mr. Wielansky has been a Trustee of the Company since May 2000 and the Lead Trustee since 2004. Mr. Wielansky has been Chairman and Chief Executive Officer of Midland Development Group, Inc., which focuses on the development of retail properties in the mid-west and southeast, since May 2003. From November 2000 to March 2003, Mr. Wielansky served as Chief Executive Officer and President of JDN Development Company, Inc. and a director of JDN Realty Corporation through its merger with Developers Diversified Realty Corporation in 2003. He was also a founding partner and Chief Executive Officer of Midland Development Group, Inc. from 1983 through 1998 when the company sold its assets to Regency Centers Corporation. Mr. Wielansky is a member of the Board of Brookdale Senior Living and a member of the NACD.

**Trustee Qualifications:** The Board believes Mr. Wielansky's qualifications to sit on the Board include his real estate development, public company board, fund, asset management and CEO experience. Highlights of these qualifications include Mr. Wielansky's:

- over 38 years of real estate development experience;
- his role in developing over 150 shopping centers;
- his service as Chairman and CEO of Midland Development Group, Inc., which focuses on the development of retail properties in the mid-west and southeast, since May 2003;
- service on the boards of directors of four public companies, including one other current public company directorship;
- service on compensation and audit committees;
- current service as the Lead Trustee of the Company, a position he has held since 2004;
- responsibility for the asset management of 100 properties, accounting for over 11 million square feet;
- former position as CEO of JDN Development Company; and
- former position as Senior Vice President and Director of Regency Centers.

**C. David Zoba**, age 68

**Professional Experience:** Mr. Zoba has been a Trustee of the Company since August 2015. Mr. Zoba retired on January 31, 2016 from his position as Senior Real Estate Strategy advisor for Gap Inc. that he held since 2015, after having served, since 2009, as Senior Vice President of Global Real Estate and Store Development for Gap Inc., the $15 billion retailer operating as Gap, Banana Republic, Old Navy, Athleta, Intermix and Outlet Brands. Immediately prior to joining Gap, Inc., Mr. Zoba was Principal and Chief Operating Officer for Steiner +Associates, one of the country's most respected mixed-use retail developers. From November 2004 through April 2006, Mr. Zoba served as President and Chief Operating Officer of Premier Properties, a real estate development company. From 2001 through late 2004, Mr. Zoba worked for Galyan's Trading Company, Inc., where, as EVP, he helped create and launch a specialty sporting goods retailer that later became part of Dick's Sporting Goods. In the mid-1990s, Mr. Zoba was with The Limited (now L Brands) and served as Chief Transaction Attorney, and then expanded his responsibilities significantly to other areas during his seven years there. Mr. Zoba earned his undergraduate degree from Harvard University and attended the London School of Economics for graduate studies. Mr. Zoba has a Juris Doctorate from Case Western Reserve University Law School. Since July 2015, Mr. Zoba has been Chairman (Non-Executive), Global Retail Leasing Board, with Jones Lang LaSalle Incorporated. Mr. Zoba is also a past Trustee of the International Council of Shopping Centers and is a consultant to QC Terme (U.S.) Corp., an Italian based spa and wellness company on their expansion in North America. Mr. Zoba also serves on the Board of PF Baseline Fitness, a franchisee of Planet Fitness. Mr. Zoba is also a co-founder and principal of Direct Brands Group, which is a start-up company that serves as a platform for operating international retail brands in North America under its “HiO” brand.

**Trustee Qualifications:** The Board believes Mr. Zoba's qualifications to sit on the Board include his extensive retail, real estate and board experiences. Highlights of these qualifications include Mr. Zoba's:

- management of real estate transactions and professionals for Gap Inc.'s 3,300 retail stores operating in 10 countries;
- experience as a chief transaction attorney;
- experience in growing retail brands in both North America and globally;
- service on the boards of directors of several companies; and
- experience in supporting the strategy and growth of the retail leasing business for global real estate services and consulting businesses.

**Vote Required; Recommendation**

The election to the Board of Trustees of each of the eight nominees will require the affirmative vote of a majority of all the votes cast by the holders of Common Shares in person or by proxy at the Annual Meeting.

**The Board of Trustees unanimously recommends that the shareholders vote "FOR" the election of each of the eight nominees to the Board of Trustees.**

Unless otherwise indicated by a shareholder on a proxy and except with respect to broker non-votes, shares will be voted "FOR" the election of each nominee.

Because the election of nominees to the Board of Trustees is a non-routine matter under the listing standards of the New York Stock Exchange, brokerage firms, banks and other nominees who hold Common Shares on behalf of clients in "street name" are not permitted to vote such Common Shares if the client does not provide instructions.

For additional information regarding voting requirements, please refer to "Outstanding Shares and Voting Rights" above.

## PROPOSAL 2 - RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee of the Board of Trustees has appointed BDO USA, LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2020 and has directed that the appointment of the independent registered public accounting firm be submitted for ratification by the shareholders at the Annual Meeting.

Shareholder ratification of the appointment of BDO USA, LLP as the Company's independent registered public accounting firm is not required by the Company's Declaration of Trust, Bylaws or otherwise. However, the Audit Committee is submitting the appointment of BDO USA, LLP to the shareholders for ratification as a matter of what it considers to be good corporate practice. Notwithstanding the ratification of, or failure to, ratify the appointment, the Audit Committee of the Board of Trustees in its discretion may direct the appointment of a different independent accounting firm at any time during the year if the Audit Committee determines that such a change would be in the best interests of the Company.

Representatives of BDO USA, LLP, the Company's auditors for 2019, are expected to be present at the Annual Meeting and will have the opportunity to make a statement if such representatives desire to do so and will be available to respond to appropriate questions.

**Vote Required; Recommendation**

The affirmative vote of a majority of all the votes cast by holders of Common Shares in person or by proxy at the Annual Meeting is required to ratify the appointment of BDO USA, LLP as the independent registered public accounting firm for the fiscal year ending December 31, 2020.

**The Board of Trustees unanimously recommends that the shareholders vote "FOR" the ratification of BDO USA, LLP as the independent registered public accounting firm for the fiscal year ending December 31, 2020.**

Unless otherwise indicated by a shareholder on a proxy and except with respect to broker non-votes, shares will be voted "FOR" such ratification.

For additional information regarding voting requirements, please refer to "Outstanding Shares and Voting Rights" above.

## PROPOSAL 3 – NON-BINDING ADVISORY APPROVAL OF THE COMPANY'S EXECUTIVE COMPENSATION

As required under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act"), the Company is seeking a non-binding, advisory shareholder vote approving the compensation of Named Executive Officers as disclosed in this Proxy Statement in accordance with SEC rules and as discussed in "*Compensation Discussion and Analysis,"* the compensation tables and any related material. This vote is not intended to address any specific item of compensation, but rather the overall compensation of the Company's Named Executive Officers and the policies and practices described in this Proxy Statement.

The Board and management have thoughtfully designed the Company's executive compensation philosophy, policies and programs tailored with the understanding of the Company's business and the strategic mission of the Company.

The Compensation Committee's executive compensation objectives are as follows:

1. Motivating the Company's Named Executive Officers to create maximum shareholder value.
2. Providing incentives to the Company's Named Executive Officers that reward dedication, hard work and success.
3. Providing a compensation program that ensures "pay for performance."
4. Aligning the interests of the Company's Named Executive Officers and shareholders as closely as possible.
5. Aligning the interests of the Company's Named Executive Officers and the Company's external fund investors as closely as possible.
6. Creating the right mix of long-term incentives to motivate and to retain the Company's Named Executive Officers.
7. Creating an incentive compensation program that can go beyond the Company's Named Executive Officers and be utilized throughout the organization.

### Vote Required; Recommendation

The affirmative vote of a majority of all the votes cast by holders of Common Shares in person or by proxy at the Annual Meeting is required to approve the non-binding advisory resolution approving the Company's executive compensation program for Named Executive Officers as set forth in this Proxy Statement. Because the shareholder vote is advisory, the results will not be binding upon the Board. However, the Compensation Committee will take the outcome of the vote expressed by the shareholders into consideration for future executive compensation arrangements.

**The Board of Trustees unanimously recommends that the shareholders vote "FOR" the approval, on a non-binding advisory basis, of the Company's executive compensation program for Named Executive Officers as set forth in this Proxy Statement.**

Unless otherwise indicated by a shareholder on a proxy and except with respect to broker non-votes, shares will be voted "FOR" the approval of the executive compensation.

Because this proposal is a non-routine matter under the rules of the New York Stock Exchange, brokerage firms, banks and other nominees who hold Common Shares on behalf of clients in "street name" are not permitted to vote such Common Shares if the client does not provide instructions.

For additional information regarding voting requirements, please refer to "Outstanding Shares and Voting Rights" above.

## PROPOSAL 4 -APPROVAL OF THE 2020 SHARE INCENTIVE PLAN

On March 23, 2020, the Company's Board of Trustees approved the 2020 Share Incentive Plan (the "2020 Plan"), subject to the approval of the shareholders of the Company at the Annual Meeting because the Board of Trustees believes that the 2020 Plan is an important factor in attracting, retaining and motivating employees. As of March 13, 2020, only 179,953 Common Shares remain available for future grants under the existing Second Amended and Restated 2006 Share Incentive Plan (the "2006 Plan"). The Board of Trustees believes that the Company needs a greater reserve of Common Shares for future awards to key employees to stimulate their efforts on the Company's behalf and strengthen their desire to remain with the Company and to ensure that the Company can continue to grant equity awards to eligible recipients at levels determined to be appropriate by the Board of Trustees. Accordingly, the Board of Trustees approved the 2020 Plan, which will increase the aggregate number of Common Shares authorized for issuance by 2,650,000 shares for an aggregate number of Common Shares authorized for issuance under the 2020 Plan of 2,829,953 (which includes the 179,953 shares carried over from the 2006 Plan). The Company will, at its expense, register with the SEC on a Form S-8 Registration Statement the 2,650,000 Common Shares that would be issuable under the 2020 Plan.

The 2020 Plan provides for the granting of Options, Share Appreciation Rights, Restricted Shares, Restricted Share Units, Unrestricted Shares, Dividend Equivalent Rights and Other-Share Based Awards (collectively, "Awards") to officers, employees and trustees of the Company and its subsidiaries and consultants and advisors to the Company or its subsidiaries (collectively, "Participants"). As of March 13, 2020, the class of Participants who would have been eligible to participate in the 2020 Plan had it been effective on such date is approximately 115 persons, which includes 5 executive officers, 100 employees who are not executive officers and 7 non-employee directors.

The following table sets forth information regarding historical awards granted and earned for the 2017 through 2019 period, and the corresponding burn rate, which is defined as the number of shares subject to stock Awards granted (or, for awards subject to performance based vesting, earned) in a fiscal year divided by the weighted average common shares outstanding for that fiscal year, for each of the last three fiscal years:

| Share Element | Fiscal 2019 | Fiscal 2018 | Fiscal 2017 |
|---|---|---|---|
| Stock Options Granted | — | — | — |
| Time-based full-value shares and units granted | 229,437 | 288,116 | 256,974 |
| Performance-based full-value shares and units earned during the year | 207,338 | 223,896 | 42,633 |
| Total time-based full-value Awards granted and performance-based full-value Awards earned | 436,775 | 512,013 | 299,607 |
| Weighted average common shares outstanding during the fiscal year | 84,435,826 | 82,080,159 | 83,685,471 |
| **Annual Burn Rate** | **0.52%** | **0.62%** | **0.36%** |
| **Three-Year Average Burn Rate (1)** | | | **0.50%** |

(1) As illustrated in the table above, the Company's three-year average burn rate for the 2017-2019 period was 0.50%, which is below the ISS industry category burn rate threshold of 2.92%.

As of March 13, 2020, there are no remaining stock options outstanding, and there are a total of 1,122,577 unvested Restricted Share Units and unvested LTIP Units. As of March 13, 2020, the Company had 86,844,961 Common Shares outstanding. Inclusive of 5,172,341 Common OP Units outstanding, the Company had 92,017,302 Common Shares and OP units outstanding as of March 13, 2020.

Based solely on the closing price of our Common Shares as reported by the New York Stock Exchange on March 13, 2020, the maximum aggregate market value of the 2,829,953 Common Shares that could be issued under the 2020 Plan (including the 179,953 shares carried over from the 2006 Plan) is $54,306,798.

The following is a summary of certain provisions of the 2020 Plan and is qualified by reference to the complete plan, a copy of which is attached as Exhibit A and is incorporated herein by reference. Terms below that appear in initial capital letters have the special meaning set forth either above or in the 2020 Plan.

**Summary of the 2020 Share Incentive Plan**

The 2020 Plan provides financial incentives to the Participants, rewarding them for making significant contributions to the Company's success and encouraging them to align their interests with those of the Company and its shareholders. The 2020 Plan also assists the Company in attracting and retaining competent and dedicated individuals whose efforts are important in helping the Company achieve its long-term growth objectives.

The 2020 Plan is administered by the Compensation Committee of the Board Trustees of the Company, each member of the Compensation Committee satisfies the requirements for a "non-employee director" within the meaning of Rule 16b-3 promulgated under Section 16(b) ("Rule 16b-3") of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Pursuant to the 2020 Plan, the Compensation Committee selects Participants to whom Awards will be granted and determines the type, size, terms and conditions of

Awards, including the per share purchase price and vesting provisions of Options and the restrictions or performance criteria relating to the Awards. The Compensation Committee administers construes and interprets the 2020 Plan. The Board may nevertheless act in lieu of the Compensation Committee. Under the terms of the 2020 Plan, without shareholder approval, no Options, or Share Appreciation Rights, may be re-priced in any manner.

**Securities Offered**

The maximum number of Common Shares that may be issued pursuant to Awards granted under the 2020 Plan will be 2,829,953 Common Shares, which includes 179,953 shares carried over from the 2006 Plan. In the event of any Change in Capitalization, the Compensation Committee may adjust the maximum number and class of Common Shares with respect to which Awards may be granted under the 2020 Plan, the maximum number of Common Shares with respect to which Awards may be granted to any Participant during the term of the 2020 Plan, the number and class of Common Shares which are subject to outstanding Awards granted under the 2020 Plan, and if applicable, the purchase price therefor. In addition, if any Award under the 2020 Plan or an award under the 2006 Plan expires or terminates without having been exercised, the Common Shares subject to that Award again become available for grant under the 2020 Plan; provided that Common Shares tendered or held back upon exercise of an Option or settlement of an Award to cover the exercise price or tax withholding and (ii) Common Shares subject a Share Appreciation Right that are not issued in connection with the stock settlement of the Share Appreciation Right upon the exercise thereof will not become available for grant under the 2020 Plan.

**Individuals Who May Participate in the 2020 Plan**

All of the Company's (and its subsidiaries') officers, employees and trustees together with its (and its subsidiaries') consultants and advisors are eligible to receive Awards under the 2020 Plan. Awards under the 2020 Plan are granted at the sole discretion of the Compensation Committee; subject to a limit of 2,829,953 Common Shares (which includes the 179,953 shares carried over from the 2006 Plan). The granting of an Award does not confer upon the Participant any right to continue in the employ or service of the Company or affect any right or power of the Company to terminate the services of such Participant at any time.

**Awards**

Options: The Compensation Committee may grant to Participants Options to purchase Common Shares. Subject to the provisions of the Code, Options may either be Incentive Share Options (within the meaning of Section 422 of the Code) or Nonqualified Share Options. The per Common Share purchase price (i.e., the "exercise price") under each Option is established by the Compensation Committee at the time the Option is granted. The per Common Share exercise price of any Option may not be less than 100% of the Fair Market Value, as determined under the 2020 Plan, of a Common Share on the date the Option is granted (110% in the case of an Incentive Share Option granted to a Ten-Percent Shareholder). Options may be exercisable at such times and in such installments as determined by the Compensation Committee. The Compensation Committee may accelerate the exercisability of any Option at any time. Each Option granted pursuant to the 2020 Plan has such term as determined by the Compensation Committee, provided, however, that no Option may be exercisable after the expiration of ten years from its grant date (five years in the case of an Incentive Share Option granted to a Ten-Percent Shareholder). The agreement evidencing the Option grant will set forth the terms and conditions applicable to such Option upon a termination or change in the employment or service status of the Optionee as determined by the Compensation Committee and in accordance with the 2020 Plan.

Unless permitted by the Compensation Committee, Options are not transferable by the Optionee other than by will or the laws of descent and distribution and may be exercised during the Optionee's lifetime only by the Optionee or the Optionee's guardian or legal representative. The purchase price for Common Shares acquired pursuant to the exercise of an Option must be paid (i) in cash, (ii) by transferring Common Shares to the Company, or (iii) a combination of the foregoing, upon such terms and conditions as determined by the Compensation Committee. Notwithstanding the foregoing, the Compensation Committee may establish cashless exercise procedures which provide for the simultaneous exercise of an Option and sale of the underlying Common Share. Upon a Change in Control, all Options outstanding under the 2020 Plan will become immediately and fully exercisable.

Share Appreciation Rights: The 2020 Plan permits the granting of Share Appreciation Rights to Participants in connection with an Option or as a freestanding right. A Share Appreciation Right permits the Participant to receive, upon exercise, cash and/or Common Shares, at the discretion of the Compensation Committee, equal in value to an amount determined by multiplying (i) the excess, if any, of (x) for those granted in connection with an Option, the per Common Share Fair Market Value on the date preceding the exercise date over the per Common Share purchase price under the related Option, or (y) for those not granted in connection with an Option, the per Common Share Fair Market Value on the date preceding the exercise date over the per Common Share Fair Market Value on the grant date of the Share Appreciation Right by (ii) the number of Common Shares as to which such Share Appreciation Right is being exercised.

Share Appreciation Rights granted in connection with an Option cover the same Common Shares as those covered by such Option and are generally subject to the same terms. A Share Appreciation Right granted in connection with an Incentive Share Option is exercisable only if the Fair Market Value of a Common Share on the exercise date exceeds the purchase price specified in the related Incentive Share Option Agreement. Freestanding Share Appreciation Rights may be granted on such terms and conditions as may be determined by the Compensation Committee, but may not have a term of greater than ten years. Upon a Change in Control, all Share Appreciation Rights will become immediately and fully exercisable.

Restricted Share Units: The terms of a Restricted Share Unit Award, including the restrictions placed on such Award and the time or times at which such restrictions will lapse, will be determined by the Compensation Committee at the time the Award is made. The Compensation Committee may determine at the time an Award of Restricted Share Units is granted that such Award may accrue dividend equivalent rights during the restriction period. Accrued dividend equivalent rights (together with any interest accrued thereon) will be paid upon the lapsing of restrictions on Restricted Share Units or forfeited upon the forfeiture of Restricted Share Units. The agreement evidencing Awards of Restricted Share Units will set forth the terms and conditions of such Awards upon a Participant's termination of employment or service. The extent, if any, to which the restrictions on Restricted Share Units will lapse upon a Change in Control will be determined by the Compensation Committee at the time of the grant of the Award of Restricted Share Unit and set forth in the agreement evidencing the Award.

Restricted Shares: The Compensation Committee may grant Restricted Shares to Participants. The terms of such Award shall include the restrictions placed on such Award and the time or times at which such restrictions will lapse, as determined by the Compensation Committee at the time the Award is made. The agreement evidencing Awards of Restricted Shares will set forth the terms and conditions of such Awards upon a Participant's termination of employment or service. The extent, if any, to which the restriction on Restricted Shares will lapse upon a Change in Control will be determined by the Compensation Committee at the time of the Award of Restricted Shares and set forth in the agreement evidencing the Award. During the restriction periods, dividends will accrue and will be paid to the Participant only if the Restricted Shares vest.

Unrestricted Shares: The Board may issue unrestricted shares to the non-management Trustees in lieu of cash fees.

Other Share-Based Awards: The Compensation Committee may grant awards of capital stock other than Common Shares and other awards that are valued in whole or in part by reference to or are otherwise based on, Common Shares, including, for example, profits interest in our Operating Partnership, convertible preferred stock, convertible debentures, exchangeable securities, awards valued by reference to book value or subsidiary performance. These awards may be subject to such conditions and restrictions as the Compensation Committee may determine. The extent, if any, to which the restrictions on Other Share-Based Awards will lapse upon a Change in Control will be determined by the Compensation Committee at the time of the grant of the Award of Other Share-Based Awards and set forth in the Agreement evidencing the Award.

**Additional Information**

The Compensation Committee has the sole discretion to interpret the requirements of the Code, including Section 409A, for purposes of the 2020 Plan and all Awards granted thereunder. The Compensation Committee, in its discretion, may require deferral election forms or decide to grant or unilaterally modify any Award consistent with the Compensation Committee's interpretation of the requirements of the Code.

The 2020 Plan provides that in satisfaction of the federal, state and local income taxes and other amounts as may be required by law to be withheld with respect to an Option or Award, the Participant may make a written election to have withheld a portion of the Common Shares issuable to him or her having an aggregate Fair Market Value equal to the required withholding taxes.

The Compensation Committee has the authority at the time a grant of Options or an Award is made to award designated Optionees or Participants tax bonuses that will be paid on the exercise of such Options or payment of such Awards. The Compensation Committee will have full authority to determine the amount of any such tax bonus and the terms and conditions affecting the vesting and payment thereof.

The 2020 Plan will terminate on the day preceding the tenth anniversary of the effective date of its amendment and restatement. The Board of Trustees may terminate or amend the 2020 Plan at any time, except that (i) no such amendment or termination may adversely affect outstanding Awards, and (ii) to the extent necessary under applicable law or securities exchange rule, no amendment will be effective unless approved by shareholders.

**Certain Federal Income Tax Consequences**

In general, an Optionee will not recognize taxable income upon grant or exercise of an Incentive Share Option and the Company will not be entitled to any business expense deduction with respect to the grant or exercise of an Incentive Share Option. (However, upon the exercise of an Incentive Share Option, the excess of the fair market value on the date of the exercise of the Common Shares received over the exercise price of Common Shares will be treated as an adjustment to alternative minimum taxable income). In order for the exercise of an Incentive Share Option to qualify for the foregoing tax treatment, the Optionee generally must be an employee of the Company or a Subsidiary from the date the Incentive Share Option is granted through the date three months before the date of exercise, except in the case of death or disability, where special rules apply.

If the Optionee has held the Common Shares acquired upon exercise of an Incentive Share Option for at least two years after the date of grant and for at least one year after the date of exercise, upon disposition of the Common Shares by the Optionee, the difference, if any, between the sale price of the Common Shares and the exercise price of the Option will be treated as long-term capital gain or loss. If the Optionee does not satisfy these holding period requirements, the Optionee will recognize ordinary income at the time of the disposition of the Common Shares, generally in an amount equal to the excess of the fair market value of the Common Shares at the time the Option was exercised over the exercise price of the Option. The balance of gain realized, if any, will be long-term or short-term capital gain, depending on whether or not the Common Shares were sold more than one year after the Option was exercised. If the Optionee sells the Common Shares prior to the satisfaction of the holding period requirements but at a price below the Fair Market Value of the Common Shares at the time the Option was exercised, the amount of ordinary income will be limited to the excess of the amount realized on the sale over the exercise price of the Option. Subject to Section 162(m) of the Code, the Company will be allowed a business expense deduction to the extent the Optionee recognizes ordinary income.

In general, an Optionee to whom a Nonqualified Share Option is granted will recognize no income at the time of the grant of the Option. Upon exercise of a Nonqualified Share Option, an Optionee will recognize ordinary income in an amount equal to the amount by which the fair market value of the Common Shares on the date of exercise exceeds the exercise price of the Option (special rules may apply in the case of an Optionee who is subject to Section 16(b) of the Exchange Act). Subject to Section 162(m) of the Code, the Company will be entitled to a business expense deduction in the same amount and at the same time as the Optionee recognizes ordinary income.

Under certain circumstances, the accelerated vesting of Options or the accelerated lapse of restrictions on other Awards in connection with a change in control of the Company might be deemed an “excess parachute payment” for purposes of the golden parachute tax provisions of Section 280G of the Code. To the extent it is so considered, the Optionee may be subject to a 20% excise tax and the Company may be denied a tax deduction.

Section 162(m) of the Code and the regulations thereunder generally disallowed the Company a federal income tax deduction for compensation paid to the chief executive officer and certain other current and former executive officers to the extent such compensation paid to any of such individuals exceeds one million dollars in any year.

**New Plan Benefits**

Because the grant of Awards under the 2020 Plan is within the discretion of the Compensation Committee, the Company cannot determine the dollar value or number of Common Shares that will in the future be received by or allocated to any participant in the 2020 Plan. Accordingly, in lieu of providing information regarding benefits that will be received under the 2020 Plan, the following table provides information concerning the benefits that were received by the following persons and groups during 2019: each named executive officer; all current executive officers, as a group; all current directors who are not executive officers, as a group; and all current employees who are not executive officers, as a group.

| | Stock Awards | | |
|---|---|---|---|
| | Dollar Value ($)[1] | | Number of Awards (#)[2] |
| *Named Executive Officers* | | | |
| Kenneth F. Bernstein, President & CEO | 5,022,426 | | 203,810 |
| John Gottfried, SVP & CFO | 1,324,347 | | 53,274 |
| Jason Blacksberg, SVP & GC | 686,701 | | 26,721 |
| Christopher Conlon, EVP & COO | 1,524,992 | | 61,916 |
| Joseph Napolitano, SVP & CAO | 773,634 | | 30,614 |
| *All current executive officers, as a group* | 9,332,100 | (3) | 376,335 |
| *All current directors who are not executive officers, as a group* | 994,443 | (3) | 35,323 |
| *All current employees who are not executive officers, as a group* | 1,549,901 | (3) | 60,440 |

(1) The valuation of stock awards is based on the grant date fair value computed in accordance with FASB ASC Topic 718. For a discussion of the assumptions used in calculating these values, see Note 13 to our consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019.
(2) Represents the maximum amount that can be earned.
(3) Represents the aggregate grant date fair value for the group.

### Vote Required; Recommendation

The affirmative vote of a majority of all the votes cast by holders of Common Shares in person or by proxy at the Annual Meeting is required to approve the 2020 Plan. The Board of Trustees unanimously recommends that the shareholders vote “FOR” the approval of the 2020 Plan. Unless otherwise indicated by a shareholder on a proxy and except with respect to broker non-votes, shares will be voted "FOR" the 2020 Plan

## BOARD OF TRUSTEES

### Trustee Meetings and Attendance

During 2019, the Board of Trustees held four in-person meetings, the Audit Committee held six telephonic meetings, the Compensation Committee held three in-person meetings and had a number of telephonic discussions, the Nominating and Corporate Governance Committee held two in person meetings and two telephonic meetings and the Investment/Capital Markets Committee held numerous telephonic discussions to discuss potential transactions. The Board of Trustees believes consistent attendance with a minimum of missed meetings is important in carrying out the responsibilities of being a Trustee. Trustee attendance for Board and committee meetings was 100%.

The Company does not have a formal policy requiring Trustees to be present at Annual Meetings, although the Company does encourage their attendance. All of the Trustees attended the 2019 Annual Meeting.

### Board Leadership Structure

The Board's Lead Trustee and the Company's Chief Executive Officer generally serve as the leadership of the Board. The Company does not have a chairperson of the Board. Mr. Wielansky, an independent Trustee who serves as a member of the Investment/Capital Markets Committee, has been selected by the Board to serve as the Lead Trustee. The duties of the Lead Trustee include, without limitation, the following:

- to chair and facilitate discussions among the independent Trustees;
- to facilitate communication between the independent Trustees, the Chief Executive Officer and management;
- to assist in the planning and preparation of meetings of the independent Trustees and meetings of the Board of Trustees, including the preparation of the agendas for such meetings;

- to be available to participate in any and all committee meetings, as needed; and
- to act as the spokesperson of the independent Trustees in matters dealing with the press and public when called upon.

The Lead Trustee has final say on the agenda for all Board meetings.

The Chief Executive Officer presides over the regular meetings of the Board of Trustees, calling each meeting to order and leading the Trustees through the agenda items. The Lead Trustee presides over all meetings of the non-management Trustees held in executive session. "Non-management" Trustees are all those who are not Company officers and include Trustees, if any, who are not "independent" by virtue of the existence of a material relationship with the Company (although all of the current non-management trustees are also independent). An executive session is held in conjunction with each regularly scheduled Board meeting and other executive sessions may be called by the Lead Trustee in his own discretion or at the request of the Board. The Lead Trustee's responsibilities are more fully described in the Company's Corporate Governance Guidelines, which are available on the Company's website at www.acadiarealty.com in the "Investors - Corporate Governance" section. Please note that the information on the Company's website is not incorporated by reference in this Proxy Statement.

Because the Chief Executive Officer is the Trustee most familiar with the Company's business and industry and best equipped to effectively identify strategic priorities and lead the discussion regarding the execution of the Company's strategy, he usually leads discussion at Board meetings. Independent Trustees and management have different perspectives and roles in strategy development. The Company's independent Trustees bring experience, oversight and expertise from outside the Company, while the Chief Executive Officer brings company-specific experience and expertise. The Board believes that its leadership structure is appropriate because it results in an appropriate balance between independent leadership through the use of a Lead Trustee and strategic considerations, which result from the Chief Executive Officer leading the discussions on most Board topics.

**Committees of the Board of Trustees**

The Board of Trustees has standing Audit, Compensation, Nominating and Corporate Governance and Investment/Capital Markets Committees. The functions of each committee are detailed in its respective committee charter, which is available on the Company's website at www.acadiarealty.com in the "Investors - Corporate Governance" section. Please note that the information on the Company's website is not incorporated by reference in this Proxy Statement. Each committee has the authority to obtain advice and assistance from outside legal, accounting or other advisors as deemed appropriate to perform its duties and responsibilities.

The charters for each Board committee, as well as the Company's Corporate Governance Guidelines, Code of Business Conduct and Ethics and Whistleblower Policy may be found on the Company's website at www.acadiarealty.com in the "Investors - Corporate Governance" section. Please note that the information on the Company's website is not incorporated by reference in this Proxy Statement. Copies of these materials are also available to shareholders upon written request to the Company's Corporate Secretary, Acadia Realty Trust 411 Theodore Fremd Avenue, Suite 300, Rye, New York 10580.

*Audit Committee*

The Audit Committee has authority to engage the Company's independent registered public accounting firm and review the scope and results of the audit. The Audit Committee examines the accounting practices and methods of control and the manner of reporting financial results. These reviews and examinations include meetings with independent auditors, staff accountants and representatives of management. The results of the Audit Committee's examinations and the choice of the Company's independent registered public accounting firm are reported to the full Board of Trustees. The Audit Committee includes no officers or employees of the Company or any of its subsidiaries.

The Audit Committee Charter requires that the Audit Committee be comprised of at least three members, each of whom is "independent," as defined by the listing standards of the New York Stock Exchange and at least one of whom is an "audit committee financial expert," as that term is defined by the SEC.

The following Trustees are members of the Audit Committee: Ms. Thurber (Chair), Ms. Luscombe, Mr. Spitz and Mr. Kellar. Mr. Kellar and Ms. Luscombe have served as members of the Audit Committee since the 2004 Annual Meeting, Mr. Spitz was appointed a member in February 2010 and Ms. Thurber has been on the Audit Committee since 2016. The Board has determined that each of these members meets the independence requirements for members of audit committees prescribed by the listing standards of the New York Stock Exchange. The Board has determined that Mr. Kellar, Ms. Luscombe and Ms. Thurber are each an "audit committee financial expert," as that term is defined by the SEC. See the biographical information in "PROPOSAL 1 - ELECTION OF TRUSTEES" for their relevant experience.

*Compensation Committee*

The Compensation Committee is responsible for administering the Company’s incentive plan and recommending to the full Board the compensation of the executive officers of the Company. With respect to the Chief Executive Officer, the Compensation Committee, either as a Committee or together with the other independent Trustees (as directed by the Board), is responsible for determining and approving the Chief Executive Officer's compensation level. In addition, the Compensation Committee evaluates the Chief Executive Officer's performance, coordinates and reviews the Company's succession plans related to the Chief Executive Officer and other executive officers and reports the status of such plans to the Board annually.

The Compensation Committee Charter requires that the Compensation Committee be comprised of at least two members, with all committee members being "independent" as defined by the listing standards of the New York Stock Exchange.

The members of the Compensation Committee during the last fiscal year were Messrs. Spitz (Chair), Kellar and Crocker and Ms. Thurber. Mr. Spitz and Mr. Crocker have served as members since 2007, Mr. Kellar has served as a member since 2004 and Ms. Thurber has served as a member since 2016. The Board of Trustees has determined that each of these members is independent within the meaning of the listing standards of the New York Stock Exchange. See "Acadia Realty Trust Compensation Committee Report" below.

For information relating to the compensation consultant hired by the Compensation Committee, please refer to the discussions under the headings "Role of the Independent Compensation Consultant and Use of Peer Group Data" in "Compensation Discussion and Analysis" below.

*Compensation Committee Interlocks and Insider Participation*

During 2019, none of the Compensation Committee members (i) were officers or employees of the Company or any of its subsidiaries; (ii) are former officers of the Company or any of the Company's subsidiaries or (iii) had any relationship with the Company requiring disclosure under Item 404 of Regulation S-K. In addition, during the last completed fiscal year, none of the executive officers of the Company served as:

- a member of the compensation committee (or other board committee performing equivalent functions or, in the absence of any such committee, the entire board of directors) of another entity, in an instance where one of such entities' executive officers served on the Compensation Committee;
- a director of another entity, in an instance where one of such entities' executive officers served on the Compensation Committee; or
- a member of the compensation committee (or other board committee performing equivalent functions or, in the absence of any such committee, the entire board of directors) of another entity, in an instance where one of such entities' executive officers served as a Trustee of the Company.

*Nominating and Corporate Governance Committee*

The Nominating and Corporate Governance Committee is responsible for reviewing the qualifications and performance of the Board of Trustees and recommending nominees for Trustees and Board committees to the Board. The Nominating and Corporate Governance Committee is also responsible for recommending to the Board changes in the Company's Corporate Governance Guidelines. The Nominating and Corporate Governance Committee Charter requires the Nominating and Corporate Governance Committee to be comprised of at least two members, each of whom is "independent" as defined by the listing standards of the New York Stock Exchange.

Members of the Nominating and Corporate Governance Committee during the last fiscal year were Ms. Luscombe (Chair), who has served since 2005, Mr. Crocker, who has served since August 2005 and Mr. Zoba who has served since November 2015. The Board of Trustees has determined that these members are independent within the meaning of the listing standards of the New York Stock Exchange.

The Nominating and Corporate Governance Committee will consider all shareholder recommendations for candidates for the Board of Trustees. All shareholder recommendations should be sent to the Company's Corporate Secretary at Acadia Realty Trust, 411 Theodore Fremd Avenue, Suite 300, Rye, New York 10580, and should include all information relating to such person that is required to be disclosed in a proxy statement for the election of Trustees or is otherwise required pursuant to Regulation l4A under the Exchange Act. Shareholders must also include the nominee's written consent to being named in the proxy statement as a nominee and to serving as a Trustee if elected. Furthermore, the shareholder giving the notice and the beneficial owner, if any, on whose behalf the recommendation is made must include their names and addresses as they appear on the Company's books, as well as the class and number of Common

Shares of the Company that they beneficially own. The Nominating and Corporate Governance Committee may identify other candidates, if necessary, through recommendations from Trustees, management, employees or outside consultants. The Nominating and Corporate Governance Committee will review candidates in the same manner regardless of the source of the recommendation. The Committee received no shareholder recommendations for candidates for the Board of Trustees for this Annual Meeting. Under the Company's Bylaws, if a shareholder wishes to put forward a nominee for Trustee, it must deliver notice of such nominee to the Company's Corporate Secretary not less than 120 days and no more than 150 days prior to the first anniversary date of the proxy statement for the preceding year's annual meeting, provided, however, that in the event that the date of the annual meeting is advanced or delayed by more than 30 days from the anniversary date of the preceding year's annual meeting, notice by the shareholder must be so delivered not earlier than the 150th day prior to such annual meeting and not later than 5:00 p.m., Eastern Time, on the later of the 120th day prior to such annual meeting or the tenth day following the day on which public announcement of the date of such annual meeting is first made. See "Submission of Shareholder Proposals" below.

*Trustee Qualifications and Review of Trustee Nominees*

The Nominating and Corporate Governance Committee makes recommendations to the Board of Trustees regarding the size and composition of the Board. The Nominating and Corporate Governance Committee annually reviews the composition of the Board as a whole and recommends, if necessary, measures to be taken so that the Board reflects the appropriate balance of knowledge, experience, skills, expertise and diversity of backgrounds and contains at least the required minimum number of independent Trustees. The Nominating and Corporate Governance Committee is responsible for ensuring that the composition of the Board accurately reflects the needs of the Company to execute its strategic plan and achieve its objectives. In the event the Nominating and Corporate Governance Committee determines that additional expertise is needed on the Board, or if there is a vacancy, the Nominating and Corporate Governance Committee expects to use its network of contacts to compile a list of potential candidates, but may also engage, if it deems appropriate, a professional search firm.

The Company's strategic plan can be summarized in the following broad categories:

- Maintain a strong balance sheet;
- Maintain a strong core portfolio;
- Enhance the Company's external growth platform; and
- Utilize its experienced management team.

In evaluating a Trustee candidate, the Nominating and Corporate Governance Committee considers factors that are in the best interests of the Company and its shareholders, including the knowledge, experience, integrity and judgment of the candidate; the potential contribution of the candidate to the diversity of backgrounds, experience and competencies required by the Board; the candidate's ability to devote sufficient time and effort to his or her duties as a Trustee; independence and willingness to consider all strategic proposals and oversee the agreed-upon strategic direction of the Company; and any other criteria established by the Board, as well as other core competencies or technical expertise necessary to fill all of the committees of the Board.

The Nominating and Corporate Governance Committee will seek to ensure that each nominee meets the foregoing criteria and also brings a strong and unique background and set of skills to the Board, giving the Board, as a whole, competence and experience in a wide variety of areas:

- General real estate experience;
- Real estate investment experience;
- Asset management experience;
- REIT experience;
- Financial expertise;
- Real estate development experience;
- Retail real estate expertise;
- Public company board service;
- Information systems security and cyber risk oversight;
- Corporate governance expertise;
- CEO experience;
- Experience in risk management;
- Experience in mergers and acquisitions; and
- Experience in supporting strategy and growth of the retail leasing business.

*Investment/Capital Markets Committee*

The Investment/Capital Markets Committee (the "Investment Committee") has been established for the primary purpose of (i) screening all transactions that are within certain defined pre-approval limits to ensure such transactions are within such limits, (ii) acting as the pricing committee for all equity offerings and (iii) for other investments and capital market transactions, exercising such authority as is given to it from time to time by the Board of Trustees.

The Investment Committee Charter requires that it be comprised of at least three members, each of whom is "independent" as defined by the listing standards of the New York Stock Exchange. The Investment Committee Charter also provides that Company's Chief Executive Officer is a member of the Investment Committee by virtue of his executive position. Messrs. Crocker (Chair) and Wielansky have served as the members of the Investment Committee since the 2004 Annual Meeting, Mr. Spitz has served since 2007 and Mr. Zoba has served since November 2015. The Board of Trustees has determined that Messrs. Crocker, Wielansky, Spitz and Zoba are "independent" within the meaning of the listing standards of the New York Stock Exchange.

## CORPORATE GOVERNANCE HIGHLIGHTS
## WHAT WE DO

The Company regularly monitors developments in the area of corporate governance and seeks to enhance the Company's corporate governance structure based upon a review of new developments and recommended best practices, taking into account investor feedback. We believe that sound corporate governance strengthens the accountability of our Board and management, and promotes the long-term interests of our shareholders. Below are the highlights of our independent Board and leadership practices:

- **Opt-out of Board Self-classification Provisions of Subtitle 8.** We have opted out of the provisions of Subtitle 8 of the Maryland General Corporation Law (often referred to as the Maryland Unsolicited Takeovers Act, or MUTA), the effect of which is that the Company is prohibited, without the approval of shareholders, from classifying the Board, and the Company may only opt back into such provisions with the affirmative vote of a majority of votes cast by shareholders.
- **No Poison Pill.** No Shareholder Rights Plan in effect.
- **Annual Election of Trustees.** Our Board consists of a single class of Trustees who stand for election each year.
- **Majority Voting Standard for Trustees with Trustee Resignation Policy.** Our Bylaws include a majority voting standard for the election of Trustees in uncontested elections. Any incumbent Trustee who fails to receive the required vote for re-election must offer to resign from our Board of Trustees.
- **Independent and Diverse Board**. We seek to maintain a diverse board primarily comprised of independent trustees who represent a mix of varied experience, backgrounds, tenure and skills to ensure a broad range of perspectives is represented. Currently seven of our eight trustees are independent, including two female trustees, and all members serving on our Audit, Compensation and Nominating and Corporate Governance Committees are independent.
- **Executive Sessions of our Board.** An executive session of independent Trustees is held at each regularly-scheduled Board meeting.
- **Lead Trustee.** Our Lead Trustee ensures strong, independent leadership and oversight of our Board of Trustees by, among other things, presiding at executive sessions of the non-management Trustees.
- **Board Evaluations.** Our Nominating and Corporate Governance Committee oversees annual evaluations of our Board as a whole and each Trustee individually.
- **Regular Succession Planning.** A high priority is placed on regular and thoughtful succession planning for our senior management.
- **Risk Oversight by Full Board and Committees.** A principal function of our Board is to oversee risk assessment and risk management related to our business. Oversight for specific areas of risk exposure is delegated to our Board committees.
- **Code of Ethics.** A robust Code of Business Conduct and Ethics is in place for our Trustees, officers and employees.
- **Clawback Policy.** Our Board has voluntarily adopted a formal clawback policy that applies to cash and equity incentive compensation.
- **Anti-Hedging and Anti-Pledging.** Our Trustees, officers and employees are subject to anti-hedging and anti-pledging policies.
- **Annual Say-on-Pay.** We annually submit “say-on-pay” advisory votes for shareholder consideration and vote.
- **Sustainability.** We strive to conduct our business in a socially responsible manner that balances consideration of environmental and social issues with creating long-term value for our Company and our shareholders.
- **ESG Oversight -**Our Nominating and Corporate Governance Committee oversees our ESG efforts as tasked in its charter

- **No Over-boarding.** Our corporate governance guidelines limit Trustee membership on other public company boards subject to discretion of our Board.
- **Shareholder-requested Meetings.** Our Bylaws permit shareholders to call a special meeting.
- **Whistleblower Policy.** Our Board of Trustees has adopted a “whistleblower” policy.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE (“ESG”) ACHIEVEMENTS AND INITIATIVES

The Company is dedicated to responsible environmental, social and community stewardship as an essential part of our mission to build a successful business and to shape the communities we serve throughout our portfolio, in addition to our workplace community. We have established both ESG and human rights policies. We have a multi-disciplinary team, including several senior executives steering our ESG efforts, which are overseen by our Nominating and Corporate Governance Committee. Our corporate responsibility report can be found on our website at https://www.acadiarealty.com/sustainability/environmental. Below are some highlights of our commitment to ESG principles.

### ENVIRONMENTAL

We are dedicated to making the conscious effort to better the community, environment and society through corporate initiatives, while maintaining high standards for the Company and our investors. We aim to enrich the lives of those affected by our properties, both environmentally and socially. We have undertaken numerous green initiatives that not only conserve energy and reduce waste, but also offer our tenants cost-effective incentives to promote sustainability efforts throughout our portfolio. We have developed multiple properties with LEED certification or the equivalent. As a result of sustainability efforts made at our corporate offices, we have been certified as a green business by the Green Business Partnership and were awarded the Outstanding Achievement in Land Use during 2019 by this organization.

- **LED Lighting Upgrade.** We have a robust energy reduction program at select suburban shopping centers by embracing LED lighting technology and smart lighting control systems for parking lots, common areas, walkways, signage and façade lighting. New developments are designed with this reduced energy consumption criteria in mind where applicable, and many of our existing centers have been converted to this energy reducing technology. We continue the process of replacing many of our incandescent or fluorescent lighting to high efficiency LED. To date we have spent nearly $2 million dollars on our LED initiatives. Our corporate office is equipped with automatic occupancy sensors and LED lighting to limit consumption and reduce our carbon footprint.

- **Waste Reduction.** We actively encourage departments to sign up for electronic/paperless billing whenever available, requesting vendors to send contracts and invoices electronically and we have implemented an electronic communication system for tenants, significantly reducing monthly and annual mailings. Additionally, our property management department uses 125 EarthCAM cameras at several properties to remotely monitor the properties while still allowing for quick response time. This has helped further reduce our carbon footprint by removing thousands of miles in unnecessary travel to and from our properties. We also focus on utilizing energy efficient windows and doors at our properties. At our corporate offices, we strongly encourage staff to recycle, reuse and rethink their use of resources.

- **Energy Efficient Roofs.** All new roofing projects are designed with criteria to increase energy efficiency whenever appropriate. Currently, we use either green roofs (which are covered with vegetation or grass) to reduce storm water runoff and increase energy efficiency by protecting buildings from direct solar heat and minimizing heat loss through added insulation on the roof, or white roofs (which reflect up to 90% of sunlight) to keep buildings cool and prevent heat from damaging the roofs.

- **Water Conservation.** Several of our properties have installed sub-meter monitoring systems which are used to alert us of excessive use due to leaks. We also use irrigation controls (which use, on average, approximately 30% less water), accessed through remote applications, to conserve water and time. In addition, a majority of our properties benefit from the use of a landscape design focused on drought resistant plantings. At our properties where we have irrigation, we utilize apps to remotely control the systems with features like rain sensors and real-time controls.

## SOCIAL

Whether through time, effort or monetary donations, we are committed to nourishing the betterment of the communities we serve, and our employees play active roles in numerous charitable organizations. Our employees participate in approximately 30 different charitable organizations. As a company, we have partnered with a local New York charity organization, Lifting Up Westchester, in an effort to better serve the community we call home. Events have included donating grocery store gift cards during the holidays, organizing days of activities with local summer camps, and quarterly visits to our local men's shelter.

We are also committed to the on-going development and execution of our Human Capital Plan, which seeks to foster a workplace where our employees are treated fairly and are highly motivated to succeed. Through our Human Capital Plan, we promote wellness initiatives, educational programs and leadership training. Our corporate wellness program focuses on the mind, body and spirit of our employees, and includes weekly health classes, healthy fruits and snacks at our corporate offices and the sponsoring of out-of-office group activities. We embrace diversity and are committed to providing equal employment opportunities for training, compensation, transfer, promotion and other aspects of employment for all qualified applicants and employees without regard to sex, race, color, religion, ethnicity, national origin, age, disability, sexual orientation, gender identity or gender expression.

## GOVERNANCE

We are dedicated to maintaining a high standard for corporate governance predicated on integrity, ethics, diversity and transparency. All of our board members stand for re-election every year. Two of the seven independent directors are female, earning our company recognition by 2020 Women on Boards for two consecutive years. Refer to page 19 of this Proxy for an outline of our governance highlights.

### Shareholder Outreach

Our Board and senior management believe that engaging in shareholder outreach is an essential element of strong corporate governance. We strive for a collaborative approach on issues of importance to investors and continually seek to understand better the views of our investors. Our senior management team engages with our shareholders throughout the year in a variety of forums and discusses, among other things, our business strategy and overall performance, executive compensation program and corporate governance.

### Communication with Trustees

You may communicate directly with the Board of Trustees by sending correspondence to the Company's Corporate Secretary at Acadia Realty Trust, 411 Theodore Fremd Avenue, Suite 300, Rye, New York 10580. The sender should indicate in the address whether it is intended for the entire Board, the independent Trustees as a group, or to an individual Trustee. Each communication intended for the Board, the independent Trustees or an individual Trustee received by the Corporate Secretary will be promptly forwarded to the intended recipients in accordance with the sender's instructions.

### Risk Oversight

The entire Board and each of its committees are involved in overseeing risk associated with the Company.

*Financial and Accounting*

The Board and the Audit Committee monitor the Company's financial and regulatory risk through regular reviews with management and internal and external auditors and other advisors. In its periodic meetings with the internal auditors and the independent registered public accounting firm, the Audit Committee discusses the scope and plan for the internal audit and the audit conducted by the independent registered accounting firm, and includes management in its review of accounting and financial controls and assessment of business risks.

*Governance and Succession*

The Board and the Nominating and Corporate Governance Committee monitor the Company's corporate governance policies and procedures by regular review with management and outside advisors. The Board and the Compensation Committee monitor CEO succession and the Company's compensation policies and related risks by regular reviews with management and the Committee's outside advisors.

*Cyber Security*

Cyber security is an integral part of the Board’s and the Audit Committee’s risk analysis and discussions with management. While the Company attempts to mitigate cyber security risks by employing a number of measures, including a dedicated information technology team, employee training and background checks, comprehensive monitoring of the Company’s networks and systems and maintenance of backup systems and redundancy along with purchasing available insurance coverage, the Company’s systems, networks and services remain potentially vulnerable to advanced threats.

*Compensation*

As part of its oversight of the Company's executive compensation program, the Compensation Committee considers the impact of the Company's executive compensation program, and the incentives created by the compensation awards that it administers, on the Company's risk profile. In addition, the Company reviews all of its compensation policies and procedures, including the incentives that they create and factors that may reduce the likelihood of excessive risk taking, to determine whether they present a significant risk to the Company. Based on these reviews, the Company has concluded that its compensation policies are not reasonably likely to have a material adverse effect on the Company.

**Code of Business Conduct and Ethics**

The Board adopted a Code of Business Conduct and Ethics, which governs business decisions made, and actions taken by, our trustees, officers and employees. A copy of the Code of Business Conduct and Ethics is available on our website at www.acadiarealty.com under the heading “Investors” and subheading “Corporate Governance”. We intend to disclose on our website any amendment to, or waiver of, any provision of the Code of Business Conduct and Ethics applicable to our trustees and executive officers that would otherwise be required to be disclosed under the rules of the SEC or the NYSE.

## MANAGEMENT

**Executive Officers**

The executive officers of the Company as of the date of this Proxy Statement are as follows:

| Name | Age | Office Held | Year First Became Officer/Trustee | Term Expires |
|---|---|---|---|---|
| Kenneth F. Bernstein | 58 | Trustee, Chief Executive Officer and President | 1998 | 2020 |
| John Gottfried | 48 | Senior Vice President and Chief Financial Officer | 2016 | - |
| Christopher Conlon | 60 | Executive Vice President and Chief Operating Officer | 2008 | - |
| Joseph Napolitano | 55 | Senior Vice President and Chief Administrative Officer | 1998 | - |
| Jason Blacksberg | 44 | Senior Vice President, General Counsel, Chief Compliance Officer and Secretary | 2014 | - |

Biographical information with respect to Mr. Bernstein is set forth under "PROPOSAL 1 - ELECTION OF TRUSTEES," above.

**John Gottfried,** age 48, joined the Company in June 2016 as Chief Financial Officer. Mr. Gottfried is responsible for all accounting, financial reporting, budgeting/forecasting, real estate finance, capital market activities, tax and treasury functions. Mr. Gottfried joined the Company after 18 years at PwC, where he was a Partner and most recently served as the assurance leader of PwC’s New York City Real Estate practice. He earned a Bachelor of Science degree in Business Administration from the University of Dayton and is a Certified Public Accountant and a member of the American Institute of Certified Public Accountants.

**Christopher Conlon,** age 60, has been Executive Vice President/Chief Operating Officer of the Company since January 2012. From February 2008 through 2011, Mr. Conlon served as Senior Vice President - Leasing and Development. From 1992 to 2007, Mr. Conlon was a partner at Ripco Real Estate Corporation where he was responsible for the leasing and development/redevelopment of neighborhood shopping centers, vertical urban retail centers and mixed-use properties with retail components. Mr. Conlon received his Bachelor of Arts from the State University of New York at Stony Brook and his J.D. from St. John's University School of Law.

**Joseph Napolitano**, age 55, has been Senior Vice President and Chief Administrative Officer of the Company since April 2007. He is accountable for managing the Company's property management, human resources, marketing and information technology disciplines. Mr. Napolitano has been with the Company since January 1995, and has 35 years of real estate experience. Mr. Napolitano has a bachelor's degree in Business Administration from Adelphi University, is a Master Human Capital Strategist (MHCS) as certified by the Human Capital Institute, is a Certified Property Manager (CPM) by the Institute of Real Estate Management, and is a Real Property Administrator (RPA) certified by the Building Owners and Managers Institute International. Mr. Napolitano is also a board member for DDI (Developmental Disabilities Institute), a non-profit, multi-site agency serving the special needs of children with Autism and other developmental disabilities.

**Jason Blacksberg**, age 44, has been Senior Vice President and General Counsel for the Company since May 2014, as well as Chief Compliance Officer and Corporate Secretary since 2016. He is accountable for leading and executing the Company's legal strategy and affairs. Prior to joining the Company, Mr. Blacksberg was Senior Vice President of Investments & Assistant General Counsel at the Trump Organization. Prior to joining Trump, Mr. Blacksberg was an Associate at the law firm of Davis Polk & Wardwell. Mr. Blacksberg began his legal career as a law clerk to Chief Judge Marilyn Huff in the U.S. District Court, Southern District of CA. He received his law degree from Georgetown University Law Center and his bachelor's degree from the University of Pennsylvania.

## COMPENSATION DISCUSSION AND ANALYSIS

The "Compensation Discussion and Analysis" section of this Proxy Statement presents the detailed compensation arrangements for the Company's named executive officers ("NEOs") for fiscal year 2019, which were determined by the Compensation Committee. For the fiscal year ended December 31, 2019, the Company's NEOs and their titles were as follows:

- Kenneth F. Bernstein - President and Chief Executive Officer ("CEO");
- John Gottfried - Senior Vice President and Chief Financial Officer ("CFO");
- Jason Blacksberg - Senior Vice President, General Counsel, Chief Compliance Officer and Secretary ("GC");
- Christopher Conlon - Executive Vice President and Chief Operating Officer ("COO"); and
- Joseph Napolitano - Senior Vice President and Chief Administrative Officer ("CAO").

### Our Distinctive Business Model

The Company's business model is different than most other publicly-traded REITs in that we actively manage and invest in both a core portfolio and fund platform. The Company's long-term growth strategy is based on the following key principles:

| Core Portfolio | Fund Platform | Balance Sheet |
|---|---|---|
| Own and operate a portfolio of high-quality street and urban retail properties in high-barrier-to-entry, densely-populated metropolitan areas | Generate additional growth through opportunistic yet disciplined acquisitions with high inherent opportunity, execution on this opportunity and the realization of value through the sale of these assets | Maintaining a strong and flexible balance sheet through conservative financial practices while ensuring access to sufficient capital to fund future growth |

The Company attributes its success to its distinctive business model and to its uncompromising commitment to three core attributes:

1. **Stay focused.** The Company executes its strategy by focusing on four key business strengths: enhancing its core portfolio, maintaining a strong balance sheet, launching profitable external growth initiatives and energizing the Acadia Team.

2. **Maintain discipline.** The very nature of the Company's business is long-term, with horizons measured in years, not quarters. The Company waits patiently for the right opportunities to present themselves and makes strategic decisions that are driven by its commitment to sustain growth over the long term.

3. **Provide value.** The Company believes that the value it consistently creates and delivers is one of the attributes most admired by its varied constituency, consumers who shop in its centers, retailers who lease its properties, loyal shareholders who rely on its expertise, its business partners and the talented employees who are the face of Acadia.

**Performance Highlights**

During 2019, the executive officers led the Company to achieve solid operational results that reflect the continued strength of our Core Portfolio and the accretive impact of our recent investments, including the highlights below.

- ***Solid 2019 Core Operating Results:***
  - Achieved funds from operations ("FFO") per share of $1.41 in 2019 (above the mid-point of guidance of $1.40);
  - Generated same-property NOI growth of 3.9% driven by the strength of our street and urban portfolio;
  - Executed 42 new and renewal leases in 2019 representing 507,431 square-feet with rent spreads of 5.0% and 15.5% on a cash-basis and GAAP-basis; and
  - Core Portfolio occupancy remains strong with 94.8% leased as of December 31, 2019.

- ***Execution of Core Portfolio Transactions:***
  - After two years of no Core Portfolio acquisitions, we closed on $185.9 million in Core Portfolio properties at a blended going-in cap rate of approximately 5% that were consistent with our investment thesis and are accretive to net asset value, long-term earnings growth and brand consistent; and
  - In October 2019, the Company sold Pacesetter Plaza, a 95,000 square-foot suburban shopping center located in Pomona, NY for $22.6 million in an off-market transaction. This strategic disposition allowed Acadia to capitalize on attractive pricing and accretively reinvest the proceeds into higher growth street and urban assets.

- ***Continued to Maintain a Solid, Low-Levered Balance Sheet:***
  - Strengthened our balance sheet by match-funding Core acquisition activity, along with proceeds from the strategic disposition of Pacesetter Plaza. The Company raised gross proceeds of $147.7 million from the sale of 5.2 million shares through December 31, 2019 at an average gross price per share of approximately $28.60 through the Company's at-the-market ("ATM") program;
  - Over 95% of the Core Portfolio debt is fixed at an average rate of 3.7% and a maturity of 4.6 years; and
  - As of December 31, 2019, net debt to EBITDA ratio for the Core Portfolio was 5.4x.

- ***Execution of Fund Strategy:***
  - Completed $318 million of fund acquisitions during 2019;
  - Completed $86.8 million of fund dispositions during 2019; and
  - Fund V has $208 million of "dry powder" (equating to $625 million of buying power on a leveraged basis) allowing us to continue to actively execute on high-yield acquisitions as they arise.

- ***Total Shareholder Return Value Created as of December 31, 2019:***
  - Continued to deliver positive total shareholder return ("TSR") performance including a 13.7% return in 2019 and a 12.3% annualized return over the last ten years while also recognizing that our relative TSR performance has lagged our peers over the short-term; and
  - Increased quarterly dividend by approximately 3.6% in December 2019 (representing our 7$^{th}$ consecutive year of dividend increase).

See table on page 30 of this proxy for a reconciliation of Net Income (GAAP) to FFO.

**Executive Compensation Highlights**

The Company's success depends on developing, motivating and retaining executives who have the skills and expertise to lead a REIT that uses both a traditional core portfolio and a fund platform. The Company seeks to design an executive compensation program that supports its business model and aligns management's interests with its shareholders and fund investors.

| | |
|---|---|
| **Limited Fixed Compensation** | › Provide our NEOs with base salary compensation to promote retention and recruitment that represents less than 25% of total compensation on average (and less than 15% of our CEO's total compensation)<br>› Our CEO's salary is below the 25th percentile of the Peer Group as we seek to limit "guaranteed" compensation |
| **Formulaic Annual Incentives** | › 2019 annual incentives weighted 75% to objective, corporate measures for the CEO and 65% for the other NEOs (an increase from 50% in 2018)<br>› Corporate measures include metrics that are expected to meaningfully drive long-term value creation including FFO per share, same-property NOI growth, leverage and acquisitions<br>› Consistent with the Company's focus on creating long-term shareholder value, our annual incentive program includes a bonus exchange feature that encourages our employees to elect to receive time-based LTIP Units in lieu of cash. Any portion of the cash bonus elected to be received in LTIP Units receives a 20% discount, with such Units subject to a long-term, five-year vesting period. The Compensation Committee believes that this feature serves to reinforce a long-term focus by management and promote retention |
| **Balanced Long-Term Incentives** | › 50% of total award granted in time-based LTIP Units that vest ratably over a five-year period based on continued service<br>› 50% of total award granted in performance-based LTIP Units that vest between 0% and 200% of target performance based upon achievement of specified relative TSR hurdles at the end of a three-year performance period as compared to the SNL U.S. REIT Retail Shopping Center Index and the SNL U.S. REIT Retail Index<br>› Earned performance-based LTIP Units are not fully vested until two years following the end of the performance period<br>› Beginning with grants made in 2020 (for 2019 performance), our CEO will be subject to an additional 2-year post-vesting holding period on all time-based and performance-based LTIP Units<br>› We also maintain the long-term incentive alignment program to ensure alignment with our fund investors, which is based on the fundamental principle that participants should only realize value if a particular fund has achieved significant success by generating more than a 6% per annum preferred rate of return on its portfolio of investments and typically involves value creation over a seven- to ten-year period |
| **Committed to Strong Corporate Governance** | › Clawback policy for executive officers<br>› Share ownership requirements, including 10x base salary for our CEO<br>› Anti-hedging and anti-pledging policies<br>› Long-term vesting requirements on equity awards<br>› Caps on annual cash awards and equity award payouts<br>› Multiple performance factors<br>› Range of payouts (not all-or-nothing) |

We believe our compensation program demonstrates a strong pay-for-performance alignment that is consistent with value being created for shareholders given that:

- ***Pay-for-Performance Alignment*** – Our annual incentive program is based on challenging goals and is subject to meaningful changes in payout levels contingent on the achievement of these rigorous goals. Over the past three years, our CEO's annual cash incentives has paid out at 117%, 93% and 97% of target in 2019, 2018 and 2017, respectively.

- ***Significant Alignment with Shareholders*** – Most of the compensation paid to our executives is in the form of equity awards subject to five-year vesting periods (including more than 85% of our CEO's compensation) resulting in the majority of executive pay being subject to the same market fluctuations in our stock price as our shareholders.

- ***Meaningful Impact of Relative TSR*** – Performance-based LTIP Units (which represents half of our long-term incentive program) vest based on our relative TSR performance against our retail REIT peers motivating our management to deliver the strongest results possible relative to the market conditions within our sector. Accordingly, our trailing relative TSR performance over the short-term has resulted in the 2018 and 2019 grants tracking below target and below threshold, respectively.

## Shareholder Say-on-Pay Vote

At the 2019 Annual Meeting, the Company's shareholders approved, on a non-binding advisory basis, the Company's executive compensation plan with a vote of approximately 90.3%, which the Company believes affirms strong shareholder support of its executive compensation program. The Compensation Committee is committed to reviewing the results of the advisory say-on-pay vote, market practices and governance standards on an annual basis and making changes as appropriate.

### Compensation Program Objectives

Our executive compensation program is designed to help the Company achieve the objectives that are reflected in the Compensation Committee's Charter that is available on the Company's website at www.acadiarealty.com in the "Investors - Corporate Governance" section. Please note that the information on the Company's website is not incorporated by reference in this Proxy Statement. The Compensation Committee's executive compensation objectives for NEOs are as follows:

- Motivating the Company's NEOs to create maximum shareholder value.
- Providing incentives to the Company's NEOs that reward dedication, hard work and success.
- Providing a compensation program that ensures "pay for performance".
- Aligning the interests of the Company's NEOs and shareholders as closely as possible.
- Aligning the interests of the Company's NEOs and the Company's external fund investors as closely as possible.
- Creating the right mix of long-term incentives to motivate and retain the Company's NEOs.
- Creating an incentive compensation program that can go beyond the Company's NEOs and be utilized throughout the organization.

### How We Determine Compensation

The following sections describe the components of the Company's executive compensation program and the process for determining the compensation of the NEOs. The process includes input from the CEO (except with respect to his own compensation), the Compensation Committee and the Board of Trustees and an objective review of the Company's performance, the individual NEOs performance and the performance of the business unit that reports to each individual NEO. For a discussion of compensation for the members of the Board of Trustees, see "Board of Trustees Compensation," below.

| Compensation Committee | CEO and Company Management | Compensation Consultant |
| --- | --- | --- |
| • Exercises independent discretion with respect to executive compensation matters<br>• Administers our equity incentive programs, including reviewing and approving equity grants to our NEOs<br>• Recommends individual targets and actual compensation for the executive officers<br>• Evaluates performance, determines and approves compensation levels for the CEO | • CEO provides input on individual performance and results against key business goals<br>• Provides additional information as requested by the Compensation Committee | • Advises the Committee on competitive benchmarking on pay levels, practices, and governance trends<br>• Assists with peer group selection and analysis<br>• Reviews and advises on recommendations, plan design and establishing incentive plan goals |

*Role of the Compensation Committee*

The Compensation Committee recommends compensation for our NEOs to the full Board and consists of four independent Trustees. The purposes and responsibilities of the Compensation Committee include the following:

- Determine and approve (on its own or together with other independent Trustees) the CEO's compensation level, as well as evaluate the CEO's performance;
- Make recommendations to the Board with respect to the compensation of the executive officers other than the CEO; and
- Coordinate and review the Company's succession plans related to the CEO and other executive officers.

*Role of Management and the Chief Executive Officer in Setting Executive Compensation*

On an annual basis, the Compensation Committee considers market competitiveness, business results, experience and individual performance when evaluating executive compensation. The process includes input from the CEO (except with respect to his own compensation), including recommending for Compensation Committee approval the financial performance goals for annual incentives. Targets are set in order to drive both annual performance and long-term value creation for shareholders. The CEO is subject to the same financial performance goals as other executives, all of which are approved by the Compensation Committee. Upon the recommendation of the Compensation Committee, all final decisions affecting executive compensation are made by the entire Board of Trustees.

*Role of the Independent Compensation Consultant*

In 2019, the Compensation Committee engaged the services of an outside independent compensation consultant, FTI Consulting, Inc. ("FTI Consulting"), to assist it in evaluating the compensation program and determining the appropriate amounts, types and mix of compensation for executive officers in order to achieve the overall objectives as described above. In early 2020, the Compensation Committee engaged FPL Associates ("FPL") as its new compensation consultant, and FPL Associates assisted the Compensation Committee in formulating plans for 2020 as well as making decisions with respect to year-end 2019 compensation. The Compensation Committee has the sole authority to retain and terminate the independent compensation consultant and approve fees and other engagement terms. The Compensation Committee has determined that FTI Consulting and FPL are independent from management based upon the consideration of the final rules adopted by the SEC to implement Section 952 of the Dodd-Frank Act.

*Use of Peer Group Data*

Each year, we review the peer group to determine the appropriateness of each peer company, as well as the peer group in totality. In assessing our peer group, FTI Consulting prepared for the Compensation Committee a peer group using the following selection criteria:

- Retail property focus (shopping centers and regional malls); and
- Companies that are approximately no less than one-third (1/3) and no more than 3x the size of the Company in terms of implied market capitalization

Based on this assessment, we revised our peer group to remove CBL & Associates, whose relative size was no longer an appropriate comparison, and added Urstadt Biddle Properties, Inc. whose portfolio includes shopping center assets within an appropriate relative size range on an implied equity market capitalization and total enterprise value basis that is also located in the tri-state area. For 2019, our executive compensation peer group consisted of the following 15 companies (which peer group the Company carefully selected to include the most similar competitors based on size and asset holdings, so that comparisons of our compensation structure to such peers would be meaningful):

| | |
|---|---|
| Brixmor Property Group Inc. | SITE Centers Corp. |
| Kite Realty Group Trust | Spirit Realty Capital, Inc. |
| National Retail Properties, Inc. | Tanger Factory Outlet Centers, Inc. |
| Pennsylvania Real Estate Investment Trust | Urban Edge Properties |
| Retail Opportunity Investments Corp. | Urstadt Biddle Properties Inc. |
| Retail Properties of America, Inc. | Washington Prime Group Inc. |
| RPT Realty | Weingarten Realty Investors |
| Seritage Growth Properties | |

In August 2019, when the peer group was approved, our implied equity market capitalization and total enterprise value, compared to the new peer group, were each at or above the median based on the publicly available information at that time[(1)]:

| | **Implied Equity Market Capitalization** | **Total Enterprise Value** |
|---|---|---|
| **Acadia Realty Trust** | **$2,445.6** | **$4,771.2** |
| Peer Group Median | $2,260.3 | $3,753.0 |

[(1)] Data as of August 2, 2019 (Dollars in millions)
Source: S&P Global Market Intelligence

The Compensation Committee, with the help of our independent compensation consultant, reviews the compensation practices of the peer group in order to evaluate market trends and compare the Company's compensation program with its competitors. Based in part on this data and analysis, the Compensation Committee develops a compensation plan that is intended to maintain the link between corporate performance and shareholder returns while being generally competitive within the REIT industry. FPL also reviewed the proposed recommendations made to the Compensation Committee by management and provided commentary regarding the reasonableness of such pay programs and pay level adjustments. While the Compensation Committee does not aim to target any particular peer group percentile, it does review market data for the peer group to assess the competitiveness of the pay opportunities. The target compensation for our CEO approximates the median of the executive compensation peer group.

**Elements of Compensation**

Historically, the Company's primary components of compensation for its executive officers have been base salary, annual incentives, and annual long-term equity-based incentive compensation.

The Company seeks to maintain a competitive total compensation package that aligns the economic interest of the executives with that of shareholders while maintaining sensitivity to multiple factors including the Company's fiscal year budget, annual accounting cost and the impact to share dilution.

***Base Salary***

The Compensation Committee reviewed the base salaries of the NEOs and consistent with the Company's philosophy to offer competitive salaries to key executives relative to peers and to maintain appropriate internal pay equity noted the following:

- Our CEO's base salary was below the $25^{th}$ percentile of our Peer Group and accordingly, a more meaningful adjustment was appropriate. Following the 14% salary adjustment, our CEO's base salary continues to be below the $25^{th}$ percentile;

- The role of our SVP & GC has expanded significantly, and his salary should be adjusted to reflect the increase in responsibilities and his strong performance; and

- Other NEO's base salaries approximate or are slightly below the median of our Peer Group and accordingly, more modest adjustments were appropriate.

The Compensation Committee recommended, and the Board of Trustees (in Mr. Bernstein's case, solely the independent Trustees) approved increases in base salaries for our NEOs in 2019 as follows:

| Named Executive Officer | 2019 Base Salaries | 2018 Base Salaries | % Change |
|---|---|---|---|
| Ken Bernstein, President & CEO | $700,000 | $612,000 | 14% |
| John Gottfried, SVP & CFO | 449,000 | 436,000 | 3% |
| Jason Blacksberg, SVP & GC | 425,000 | 377,000 | 13% |
| Christopher Conlon, EVP & COO | 444,000 | 431,000 | 3% |
| Joseph Napolitano, SVP & CAO | 354,000 | 344,000 | 3% |

***Annual Incentives***

Each executive's annual incentive opportunity is based upon threshold, target and maximum percentages of base salary and were set at a level that would provide NEOs with varying total cash compensation contingent on Company and individual performance. The threshold, target and maximum percentages of base salary for our NEO's 2019 were as follows:

| Executive | Threshold | Target | Maximum |
|---|---|---|---|
| Ken Bernstein, President & CEO | 100% | 175% | 250% |
| John Gottfried, SVP & CFO | 25% | 75% | 125% |
| Jason Blacksberg, SVP & GC | 37.5% | 75% | 125% |
| Christopher Conlon, EVP & COO | 50% | 125% | 200% |
| Joseph Napolitano, SVP & CAO | 25% | 75% | 125% |

*2019 Annual Incentive Measures*

The 2019 annual incentive program was modified to significantly increase the weighting on objective financial metrics from 50% to 75% for the CEO and 65% for other NEOs. We reduced the weighting on subjective metrics from 50% to 25% for the CEO and 35% for other NEOs and reallocated these weighting to the FFO per share and same property NOI growth goals as follows:

| | | 2019 Weighting | |
|---|---|---|---|
| **Performance Criteria** | **2018 Weighting** | **CEO** | **Other NEOs** |
| FFO/Share | 15% | **25%** | **20%** |
| Same-Property NOI Growth | 10% | **25%** | **20%** |
| Leverage – Core Debt to EBITDA | 12.5% | **12.5%** | **12.5%** |
| Fund Acquisitions | 12.5% | **12.5%** | **12.5%** |
| Executing the Strategic Plan | 25% | **15%** | **15%** |
| Individual | 25% | **10%** | **20%** |

The 2019 annual incentive program was based on the following goals, with actual results achieved in 2019 shown for each measure:

| Performance Criteria | CEO Weighting | Other NEO Weighting | Threshold | Target | Maximum | Actual Results |
|---|---|---|---|---|---|---|
| FFO/share (1) | 25% | 20% | $1.34 | $1.40 | $1.46 | $1.41 |
| Same-Property NOI growth (2) | 25% | 20% | 3.0% | 3.5% | 4.0% | 3.9% |
| Leverage - Core Debt to EBITDA | 12.5% | 12.5% | 6.25x | 5.75x | 5.25x | 5.40x |
| Fund Acquisitions (in $mm) | 12.5% | 12.5% | $200.0 | $500.0 | $800.0 | $493.2 |
| Executing the Strategic Plan<br>Maintain a high-quality core portfolio of retail assets<br>Maintain a disciplined growth strategy that enables opportunistic investing | 15% | 15% | 1 | 3 | 5 | 3.5 |
| Individual | 10% | 20% | 1 | 3 | 5 | See Below |
| **Total** | **100%** | **100%** | | | | |

(1) See table below for a reconciliation of Net Income (GAAP) to FFO.

(2) Same-Store NOI excludes various items included in operating income (GAAP) that are not indicative of the operating performance of a store. Same-Store NOI is calculated by starting with operating income and (i) adding back general and administrative, depreciation and amortization, abandonment of project costs, reserve for notes receivable; and (ii) deducting management fee income; interest income; other income; lease termination income; and straight-line rent and other GAAP adjustments.

| RECONCILIATION OF NET INCOME TO FUNDS FROM OPERATIONS | | For the Year Ended December 31, 2019 |
|---|---|---|
| (dollars in thousands, except per share data) | | |
| Net income attributable to Acadia | $ | 53,045 |
| Depreciation of real estate and amortization of leasing costs (net of noncontrolling interests' share) | | 89,373 |
| Impairment charge (net of noncontrolling interests' share) | | 395 |
| Gain on disposition of properties (net of noncontrolling interests' share) | | (19,786) |
| Income attributable to Common OP Unit holders | | 3,295 |
| Distributions - Preferred OP Units | | 540 |
| Funds from operations attributable to Common Shareholders and Common OP Unit holders | $ | 126,862 |
| ***Funds from operations per share - Diluted*** | | |
| Weighted average Common Shares and OP Units | | 90,046 |
| Funds from operations, per Common Share and Common OP Unit | $ | 1.41 |

*Objective Financial Metric Measures*

The annual incentive plan is predominantly based on the achievement of objective Company financial performance goals. The objective financial measures are set based on Company-disclosed guidance and are consistent with market expectations. For 2019, the target ranges for FFO/share, same-property NOI growth and fund acquisitions were consistent with the Company's disclosed guidance with targets set at the midpoint of guidance range. Same-property NOI growth and fund acquisition targets were meaningfully increased from the prior year's target goals from 2% to 3.5% and $450mm to $500mm, respectively and Core Debt to EBITDA was consistent with our investment strategy and within acceptable leverage expectations in the retail REIT industry, which is subject to change on an annual basis.

*Executing the Strategic Plan Measure*

The strategic goals are structured to provide our management with the flexibility to assess and best execute the strategic plan given the unpredictable nature of the retail sector. However, the assessment of their success in maintaining the strategic goals is based on measurable achievements and tangible results. The Company's achievement of the 2019 strategic performance goals is outlined below and resulted in a 3.5 out of 5 rating:

| 2019 Strategic Goal | Related Accomplishments |
|---|---|
| Maintain a high-quality core portfolio of retail assets | • Executed 42 new and renewal leases in 2019 representing 507,431 square-feet with rent spreads of 5.0% and 15.5% on a cash-basis and GAAP-basis<br>• Core Portfolio occupancy remained strong with 94.8% leased as of December 31, 2019<br>• Added two more digitally-native brands to our Armitage Ave collection<br>• Furthered our City Center redevelopment in San Francisco by leasing space to Whole Foods and Tesla |
| Maintain a disciplined growth strategy that enables opportunistic investing | • After two years of no Core Portfolio acquisitions, we closed on $185.9 million in Core Portfolio properties at a blended going-in cap rate of approximately 5% that were consistent with our investment thesis and are accretive to net asset value, long-term earnings growth and brand consistent<br>• Completed $318 million of fund acquisitions during 2019 and ended 2019 with $208 million of "dry powder" (equating to $625 million of buying power on a leveraged basis) allowing us to continue to actively execute on high-yield acquisitions as they arise.<br>• Sold Pacesetter Plaza for $22.6 million in an off-market transaction that allowed Acadia to capitalize on attractive pricing and accretively reinvest the proceeds into higher growth street and urban assets. |

*Individual Performance Measures*

The 2019 annual incentive program contained an individual performance component comprising 10% of the CEO's total cash bonus award. The Compensation Committee concluded that the CEO merited an individual performance ranking of 3.5 based on its assessment of performance against his pre-established individual goals set in early 2019 as follows:

| CEO – Individual Performance Metrics | Assessment |
|---|---|
| Ensuring the Company's long-term financial stability by raising new sources of capital, and by preserving & expanding the Company's liquidity position | • Ended 2019 with $208 million of "dry powder" (equating to $625 million of buying power on a leveraged basis) allowing us to continue to actively execute on high-yield acquisitions as they arise<br>• Raised gross proceeds of $147.7 million from the sale of 5.2 million shares through December 31, 2019 at an average gross price per share of approximately $28.60 through the Company's ATM program<br>• Exercised the accordion on its credit facility, increasing its revolver capacity from $150.0 million to $250.0 million |
| Developing short & long-term value consistent with the current economic environment and forecasts | • Capitalized on more favorable market conditions and improved and more realistic seller pricing by adding properties in our existing gateway markets, while also expanding into Los Angeles on Melrose Place<br>• Able to backfill vacancies, including Homegoods at Hickory Ridge, Total Wine at Lincoln Place, Food Maxx at Promenade at Manassas, amongst several others |
| Success in interfacing with Board of Trustees to develop Company strategy to ensure shareholder value is maximized over the long-term | • Communicated to the Board on the Company's investment opportunities on a regular basis<br>• Led succession planning updates and reviews presented to the Board during 2019 |
| Stewardship at the top of the organization, and success in interfacing with major institutional investors and JV partners | • Regularly engages with the executive management team to suggest ideas and effectively execute the Company's overall strategy<br>• Prioritized building a strong succession planning platform and building management bench throughout the workforce, including SVP promotions in the acquisitions department |

The annual incentive program also contained an individual performance component comprising 20% of the other NEOs' total annual incentive opportunity. These goals are established at the beginning of the year and vary for each NEO based on the different Company disciplines for which each NEO was responsible. The CEO evaluated each of the other NEOs relative to their individual goals and determined that Messrs. Gottfried, Blacksberg, Conlon and Napolitano earned an overall score of 3.1, 3.55, 3.00 and 3.08, respectively.

***Cash Incentives***

On February 13, 2020, the Board of Trustees approved annual cash incentives payable at or above each NEO's target discussed above as follows:

| Named Executive Officer | 2019 Target Cash Bonus | 2019 Cash Bonus Payout | Payout as a % of Target |
|---|---|---|---|
| Ken Bernstein, President & CEO | $ 1,225,000 | $ 1,429,138 | 116.7% |
| John Gottfried, SVP & CFO | 336,750 | 409,825 | 121.7% |
| Jason Blacksberg, SVP & GC | 318,750 | 397,632 | 124.7% |
| Christopher Conlon, EVP & COO | 555,000 | 660,062 | 118.9% |
| Joseph Napolitano, SVP & CAO | 265,500 | 322,671 | 121.5% |

***Bonus Exchange Program***

Consistent with the Company's long-standing policy adopted by the Board of Trustees and the Company's focus on creating long-term shareholder value, the Company's NEOs have the option of exchanging all or a portion of their cash bonus for restricted share units or LTIP Units. The LTIP Units granted in lieu of the cash bonus are subject to a long-term five-year ratable vesting period and are granted based on a 20% discounted share price. The Compensation Committee believes that this deferral feature reinforces a long-term focus and promotes the retention of our management team and is appropriate relative to other REITs that utilize similar bonus deferral programs (the median discount used by other REITs is 20% based on an average three-year vesting period as compared to our program that provides for the same 20% discount but uses a longer five-year vesting period).

Furthermore, the 20% discounted value is factored into each NEO's pay opportunity to ensure that the deferral feature would not result in compensation in excess relative to our peers.

Based on the election of each of the NEOs, the 2019 annual incentives were paid as follows:

| Named Executive Officer | Cash (1) | Elective LTIP Units (2)(3) |
|---|---|---|
| Ken Bernstein, President & CEO | $ — | $ 1,739,349 |
| John Gottfried, SVP & CFO | 204,913 | 249,335 |
| Jason Blacksberg, SVP & GC | — | 483,981 |
| Christopher Conlon, EVP & COO | 400,000 | 316,536 |
| Joseph Napolitano, SVP & CAO | — | 392,704 |

Notes:
(1) Amount reflects the amount elected in cash.
(2) Amount reflects the amount elected in LTIP Units on February 13, 2020, inclusive of the additional value in connection with the 20% discounted share price. These awards are reported in the Summary Compensation Table for 2020.

(3) The valuation of the awards is based on the Company's closing Common Share price of $24.77 on the day preceding the grant date of February 13, 2020.

***Long-Term Incentives***

The Compensation Committee and the Board of Trustees continue to emphasize long-term performance in the form of:

- Time-based Restricted Share Units or LTIP Units;
- Performance-based Restricted Share Units or LTIP Units; and
- The Long-Term Investment Alignment Program.

In keeping with the long-term, highly technical and cyclical nature of the Company's business, the Compensation Committee places significant emphasis on a long-term approach to executive compensation while balancing the short-term needs of its executives. The Company's long-term incentives are intended to (i) retain its management team through the inclusion of vesting provisions, (ii) emphasize share ownership, (iii) create direct alignment with shareholder interests, and (iv) motivate management to focus on sustained Company performance.

*Annual Equity Compensation Awards*

In February 2020, the Board of Trustees, in consultation with FPL, awarded target equity grants for each NEO with 50% of the target value being granted in the form of time-based Restricted Share Units or LTIP Units and the remaining 50% of the target value being granted in the form of three-year performance-based Restricted Share Units or LTIP Units. The approved value of the equity award granted in February 2020 (for 2019 performance) is as follows:

| **Executive** | **Approved 2019 LTIP Unit Grant** (1) |
|---|---|
| Ken Bernstein | $ 2,950,000 |
| John Gottfried | 715,200 |
| Jason Blacksberg | 400,000 |
| Christopher Conlon | 900,000 |
| Joseph Napolitano | 350,000 |

Notes:
(1) Represents the approved value of 2019 equity awards (which are granted on February 13, 2020 for the previous year's performance).

The total annual equity compensation awards are comprised of two components as follows:

*Time-Based Long-Term Incentives*

The time-based long-term incentives represent 50% of the annual equity award granted to each NEO and were issued in the form of Restricted Share Units or LTIP Units. These shares vest ratably over five years for each of the NEOs.

Restricted LTIP Units are similar to Restricted Share Units but unlike Restricted Share Units, provide for a quarterly partnership distribution in a like amount as paid to holders of common partnership units in Acadia Realty Limited Partnership, the Company's operating partnership. The Restricted LTIP Units are convertible into common partnership units and, ultimately, Common Shares upon vesting.

Beginning with grants made in 2020 for 2019 performance, to promote further retention and emphasis on long-term performance, our CEO's time-based equity awards will be subject to an additional 2-year post-vest holding period.

*Performance-Based Long-Term Incentives*

The remaining 50% of the annual equity award is granted in performance-based Restricted Share Units or LTIP Units that may be earned based on the Company's attainment of specified relative TSR hurdles.

In 2017, the Board of Trustees modified our performance-based equity awards as compared to prior performance-based awards to remove the "all-or-nothing" approach in favor of a tiered payout structure that provides for LTIP Units to be earned between threshold and maximum based on performance between threshold and maximum. The performance hurdles and levels of opportunity for performance-based LTIP Units granted in 2020 (for 2019 performance) earned over a cumulative three-year performance period are as follows:

| | **Three-Year Relative TSR**[(1)] | |
|---|---|---|
| **Level** | **Relative TSR Hurdles (Percentile)** | **Payout Percentage** |
| Threshold | $25^{th}$ Percentile | 50% |
| Target | $50^{th}$ Percentile | 100% |
| Maximum | $75^{th}$ Percentile | 200% |

Notes:

(1) In the event the Relative TSR percentile falls between the $25^{th}$ percentile and the $50^{th}$ percentile, Relative TSR vesting percentage is determined using a straight-line linear interpolation between 50% and 100% and in the event that the Relative TSR percentile falls between the $50^{th}$ percentile and $75^{th}$ percentile, the Relative TSR vesting percentage is determined using a straight-line linear interpolation between 100% and 200%.

Two-thirds (2/3) of the performance-based LTIP Units will vest based on the Company's TSR for the three-year forward-looking performance period ending December 31, 2022 relative to the constituents of the SNL U.S. REIT Retail Shopping Center Index and one-third (1/3) on the Company's TSR for the three-year forward-looking performance period as compared to the constituents of the SNL U.S. REIT Retail Index (both on a non-weighted basis). If the Company's performance fails to achieve the aforementioned hurdles at the culmination of the three-year performance period, all performance-based shares will be forfeited.

Consistent with our Company's focus on long-term value creation, any earned performance-based shares vest 60% at the end of the three-year performance period, with the remaining 40% of shares vesting ratably over the next two years. Beginning with awards granted in 2020 for 2019 performance, our CEO's performance-based equity awards, if earned, will be subject to an additional 2-year post-vest holding period.

*Long-Term Incentive Alignment Program*

In 2009 the Compensation Committee and Board of Trustees approved the Company's Long-Term Incentive Alignment Program (the "Program"), a multi-year performance-based compensation program designed to provide an incentive for high, long-term performance by motivating management to create shareholder value by increasing earnings through the profitable management of investment funds and joint ventures. The Program is designed to accomplish the following:

- Reward management for true, long-term performance and not simply for making investment decisions without consideration of actual value realized;
- Motivate management to deliver superior returns to opportunity fund investors, as well as to the Company through its direct investment, strategic investments and successful liquidation of Acadia Strategic Opportunity Fund III LLC ("Fund III"), Acadia Strategic Opportunity Fund IV LLC ("Fund IV") and Acadia Strategic Opportunity Fund V LLC ("Fund V", and together with Fund III and Fund IV, the "Funds"), thereby increasing shareholder value;
- Provide a retention tool for years to come; and
- Further align the interests of management, shareholders and external investors.

The Program is directly tied to the actual performance of the Funds and is designed as follows: The Company is entitled to a profit participation (the "Promote") of 20% of all cash distributed from the Funds in excess of (i) the return of all invested capital and (ii) the

6% per annum preferred rate of return. Under the Program, after the payment of the preferred return and return of all invested capital, the Company may award up to 25% of its Promote to senior executives, or 5% of each dollar distributed by the Funds after the preferred return has been paid to investors. Each individual's allocation of the 25% of the Promote is subject to time-based, annual vesting over a five-year period from the grant date with 10% in years one and two, 20% in years three and four and 40% in year five for Funds III and IV. For Fund V, each individual's allocation of the Promote is subject to time-based, annual vesting over a five-year period from the grant date with 20% each year.

If the investors of the Funds do not receive a return of all their invested capital and the 6% preferred return, no Promote will be paid to the Company and senior executives will receive no compensation under the Program. There is no interim profit participation on a transaction by transaction basis and thus a greater emphasis is placed on all investments being carefully selected and managed for the long term. The Program increases the alignment between senior executives and the investors of the Funds. Additionally, it should be noted that the Company is a significant investor in the Funds, with a 25% investment in Fund III, a 23% investment in Fund IV and a 20% investment in Fund V. The long-term success of the Funds benefits the Company, and thus shareholders, through both its capital investment and the Promote. For 2019, no compensation was paid under the Program to any NEO.

Since 2009, the awards listed below, as a percentage of the potential Promote, were made as a result of the recommendation of the Compensation Committee and approval by the Board of Trustees. In the future, the Compensation Committee and the Board of Trustees may or may not recommend or approve awards to executive officers of additional allocations up to the permitted 25%.

**Fund III Awards** listed in the table below are reflective of each NEO's role in connection with investments made in Fund III. As of December 31, 2013, the Company had allocated the entire 25% of the Fund III Promote, including an aggregate amount of 7.7794% that was allocated to officers other than the NEOs.

| Named Executive Officer | 2009 Award Percentage | 2010 Award Percentage | 2011 Award Percentage | 2012 Award Percentage | 2013 Award Percentage | Total Percentage |
|---|---|---|---|---|---|---|
| Ken Bernstein, President & CEO | 6.2500% | 0.8350% | 0.8350% | 0.8350% | 1.4050% | 10.1600% |
| John Gottfried, SVP & CFO | —% | —% | —% | —% | —% | —% |
| Jason Blacksberg, SVP & GC[1] | —% | —% | —% | —% | —% | —% |
| Christopher Conlon, EVP & COO | 0.2500% | 0.5475% | 0.5475% | 0.5475% | 0.9931% | 2.8856% |
| Joseph Napolitano, SVP & CAO | 0.7500% | 0.1150% | 0.1150% | 0.1150% | 0.2150% | 1.3100% |
| **Total** | 7.2500% | 1.4975% | 1.4975% | 1.4975% | 2.6131% | 14.3556%(1) |

Note:

(1) The total percentage of the Promote allocated may not be directly correlated with the amount of the Fund's invested capital. This provides the Promote recipients with incentive to acquire appropriate assets with the remaining funds in the Fund and to ensure that diligent efforts will be made to achieve stabilization of those assets.

**Fund IV Awards** listed in the table below are reflective of each NEO's role in connection with investments made in Fund IV. The Company has allocated a total of 4.25% of the Company's 20% promote allocation (17.0% of the allowable 25%) to one or more of the other officers of the Company.

| Named Executive Officer | 2013 Award Percentage | 2014 Award Percentage | 2015 Award Percentage | 2016 Award Percentage | 2017 Award Percentage | Total Percentage |
|---|---|---|---|---|---|---|
| Ken Bernstein, President & CEO | 0.8750% | 0.8750% | 1.7500% | 1.7500% | 3.5000% | 8.7500% |
| John Gottfried, SVP & CFO | —% | —% | —% | 0.5000% | —% | 0.5000% |
| Jason Blacksberg, SVP & GC | —% | 0.1250% | 0.2500% | 0.2500% | 0.5000% | 1.1250% |
| Christopher Conlon, EVP & COO | 0.4000% | 0.4000% | 0.8000% | 0.8000% | 1.6000% | 4.0000% |
| Joseph Napolitano, SVP & CAO | 0.1250% | 0.1250% | 0.2500% | 0.2500% | 0.5000% | 1.2500% |
| **Total** | 1.4000% | 1.5250% | 3.0500% | 3.5500% | 6.1000% | 15.6250%(1) |

Note:

(1) The total percentage of the Promote allocated may not be directly correlated with the amount of the Fund's invested capital. This provides the Promote recipients with incentive to acquire appropriate assets with the remaining funds in the Fund and to ensure that diligent efforts will be made to achieve stabilization of those assets.

**Fund V Awards** listed in the table below are reflective of each NEO's role in connection with investments made in Fund V. The Company has allocated a total of 0.5225% of the Company's promote allocation (2.09% of the allowable 25%) to one or more of the other officers of the Company.

| Named Executive Officer | 2018 Award Percentage | 2019 Award Percentage | Total Percentage |
|---|---|---|---|
| Ken Bernstein, President & CEO | 0.8750% | 0.8750% | 1.7500% |
| John Gottfried, SVP & CFO | 0.1250% | 0.1250% | 0.2500% |
| Jason Blacksberg, SVP & GC | 0.1400% | 0.1400% | 0.2800% |
| Christopher Conlon, EVP & COO | 0.4000% | 0.4000% | 0.8000% |
| Joseph Napolitano, SVP & CAO | 0.1250% | 0.1250% | 0.2500% |
| **Total** | 1.6650% | 1.6650% | 3.3300% |

Note:

(1) The total percentage of the Promote allocated may not be directly correlated with the amount of the Fund's invested capital. This provides the Promote recipients with incentive to acquire appropriate assets with the remaining funds in the Fund and to ensure that diligent efforts will be made to achieve stabilization of those assets.

**Governance and Other Policies Relating to Compensation**

*Share Ownership Guidelines*

In order to further foster the strong ownership culture among the Company's senior executive management team and ensure the continued direct alignment of management and shareholder interests, and consistent with emerging corporate governance trends, the Company has adopted a share ownership policy. The policy contains guidelines for NEOs and Trustees to own at all times a certain level of the Company's Common Shares (including Restricted Share Units, LTIP Units, Restricted LTIP Units and OP units). The share ownership guidelines are not mandatory but rather are recommended targets as follows:

| Title | Multiple | Ownership Requirement Met as of December 31, 2019 |
|---|---|---|
| CEO | 10 x Base Salary + Cash Bonus | Yes |
| All other NEOs | 3 x Base Salary + Cash Bonus | Yes |
| Non-Employee Trustees | 3x total annual fees | Yes |

*Clawback Policy*

In the event of an accounting restatement due to material noncompliance with financial reporting requirement under the U.S. federal securities laws (a "Restatement"), the Compensation Committee has the right, in its sole discretion, to use reasonable efforts to recover from any current or former officer that has been designated an "officer" pursuant to Section 16, who received incentive based compensation (including annual cash incentives, non-qualified share options, restricted shares, or LTIPs) during the three-year period preceding the date on which the Company is required to prepare a Restatement, any excess incentive based compensation awarded in excess of the amount that would have been awarded if such incentive based compensation had been calculated based on the financial results reported in the Restatement.

*Anti-Hedging and Anti-Pledging Policies*

In addition, the Company has a corporate governance policy that prohibits Trustees and employees of the Company (including executive officers) from engaging in the following activities with respect to the Company securities: (i) short sales, (ii) purchases or sales of derivative securities of the Company or any derivative securities that provide the economic equivalent, (iii) maintaining a margin account secured by shares of the Company and (iv) pledges as collateral for a loan. All Trustee and executive officers subject to this policy were in compliance as of the date hereof.

*Standard Employment Benefits*

The Company provides a variety of health and welfare benefits, including medical, dental, life, disability and accidental death and dismemberment insurance policies that are generally available to all of its full-time employees. The Company also provides a 401(k) savings plan for employees of the Company (the "401(k) Plan"), which provides for Company matching contributions of 50% up to the first 6% of the participant's base salary contributed to the 401(k) Plan. The All Other Compensation column of the Summary Compensation Table summarizes the matching contributions that the Company made to its NEOs for fiscal 2019, 2018 and 2017.

In 2003, the Company instituted the Acadia Realty Trust Employee Share Purchase Plan (the "Share Purchase Plan", and collectively with the Company's Second Amended and Restated 2006 Incentive Plan and, if approved, the 2020 Share Incentive Plan "Share Incentive Plans"). The Share Purchase Plan allows eligible employees of the Company to purchase, through payroll deductions, Common Shares in the Company 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 Share Purchase Plan is designed to retain and motivate employees of the Company and its designated affiliates by encouraging them to acquire ownership in the Company. The Company has reserved 100,000 Common Shares for issuance under the Share Purchase Plan. The Share Purchase Plan is intended to be an "employee stock purchase plan" within the meaning of Section 423 of the Internal Revenue Code of 1986 (the "Code"), as amended. During 2019, 2018 and 2017, 2,320, 3,495 and 4,514 Common Shares were purchased under the Share Purchase Plan, respectively. As of the date hereof, no NEOs participate in the Share Purchase Plan.

*Impact of Accounting and Tax Treatment*

Cash-based compensation, including salary and bonus, are generally charged as an expense in the period in which the amounts are earned by the NEO. The Company expenses the cost of share-based compensation, including Restricted Share Units and Restricted LTIP Units, in its financial statements in accordance with Statement of Financial Accounting Standards Board Accounting Standards Codification ("ASC") Topic 718, "Compensation - Stock Compensation" ("ASC Topic 718"). In accordance with ASC Topic 718, the grant date fair value of equity awards is recognized into expense on a straight-line or graded-vesting basis, as appropriate, over the vesting period.

Section 162(m) of the U.S. Internal Revenue Code of 1986 (the "Code"), as amended by the Tax Cuts and Jobs Act of 2017 (the "TCJA"), limits to $1 million the deduction that publicly traded corporations may take for compensation paid to "covered employees" of the corporation. Under a series of private letter rulings issued by the Internal Revenue Service (the "IRS") prior to the enactment of the TCJA, compensation paid by an operating partnership to executive officers of a REIT that serves as its general partner was not subject to the limitation on deductibility under Section 162(m) to the extent such compensation was attributable to services rendered to the REIT's operating partnership. In December 2019, the IRS issued proposed Treasury regulations under Section 162(m) (the "Proposed Regulations") that overturn the guidance in the private letter rulings and apply Section 162(m)'s $1 million deduction limit to a REIT's distributive share of any compensation paid by the REIT's operating partnership to certain current and former executive officers of the REIT. The guidance under the Proposed Regulations would apply to all compensation deductible in tax years ending on or after December 20, 2019 other than compensation paid pursuant to a written binding contract in effect on December 20, 2019 that is not subsequently materially modified. This guidance represents a significant change in IRS guidance regarding the deductibility of compensation for REITs and, to the extent that compensation paid to our executive officers does not qualify for deduction under Section 162(m), a larger portion of stockholder distributions may be subject to U.S. federal income taxation as dividend income rather than return of capital.

*Timing of Equity Grants*

The Company does not in any way time its share awards to the release of material non-public information. The CEO meets with the Compensation Committee in January, February or March of each year and recommends the share awards for the NEOs, other than himself to be granted for the prior year. The Compensation Committee reviews the recommendations and then recommends the awards to the full Board of Trustees for approval. The awards are granted in the first quarter of the current year. There is no consequence for selling vested Common Shares but the Company does encourage NEOs and Trustees to hold such Common Shares in accordance with the guidelines for share ownership for NEOs and Trustees.

*Relationship of Compensation Policies and Practices to Risk Management*

The Compensation Committee has considered the risks arising from the Company's compensation policies and practices for its employees, and does not believe those risks are reasonably likely to have a material adverse effect on the Company.

**SUMMARY COMPENSATION TABLE**

The following table lists the annual compensation for the fiscal years 2019, 2018 and 2017 awarded to the NEOs. Compensation included in the table relating to bonus and stock awards reflect amounts granted with respect to the periods reflected.

For information relating to the elements of compensation discussed in the Summary Compensation Table, please refer to the "Compensation Discussion and Analysis" above.

| Name and Principal Position | Year | Salary ($) | Bonus ($) | Stock Awards ($) (1) | Option Awards ($) (1) | Non-Equity Incentive Plan Compensation ($) | Change in Pension Value and Nonqualified Deferred Compensation Earnings ($) | All Other Compensation ($) (3) | Total ($) (4) |
|---|---|---|---|---|---|---|---|---|---|
| Kenneth F. Bernstein | 2019 | 700,000 | — | 3,779,601 | — | 1,242,825 (2) | — | 8,688 | 5,731,114 |
| Chief Executive | 2018 | 612,000 | — | 3,202,612 | — | 1,304,708 (2) | — | 8,305 | 5,127,625 |
| Officer and President | 2017 | 612,000 | 2,431,063 (2) | 1,296,606 | — | 166,333 | — | 8,161 | 4,514,163 |
| (Principal Executive Officer) | | | | | | | | | |
| John Gottfried | 2019 | 449,000 | — | 916,362 | — | 612,897 (2) | — | 8,688 | 1,986,947 |
| Chief Financial Officer | 2018 | 436,000 | — | 493,429 | — | 391,352 (2) | — | 8,305 | 1,329,086 |
| and Senior Vice President | 2017 | 436,000 | — | 135,476 | — | — | — | 8,161 | 579,637 |
| (Principal Financial Officer) | | | | | | | | | |
| Jason Blacksberg | 2019 | 425,000 | — | 320,327 | — | 366,374 (2) | — | 8,688 | 1,120,389 |
| General Counsel | 2018 | 377,000 | — | 320,279 | — | 354,852 (2) | — | 8,305 | 1,060,436 |
| and Senior Vice President | 2017 | 377,000 | 438,305 (2) | 233,775 | — | — | — | 8,161 | 1,057,241 |
| Christopher Conlon | 2019 | 444,000 | — | 1,153,092 | — | 771,900 (2) | — | 8,688 | 2,377,680 |
| Chief Operating | 2018 | 431,000 | — | 1,024,844 | — | 381,247 (2) | — | 8,305 | 1,845,396 |
| Officer and Executive Vice President | 2017 | 431,000 | 1,302,045 (2) | 481,088 | — | 43,124 | — | 6,526 | 2,263,783 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Joseph Napolitano | 2019 | 354,000 | — | 448,401 | — | 325,233 (2) | — | 8,655 | 1,136,289 |
| Chief Administrative | 2018 | 344,000 | — | 448,355 | — | 310,796 (2) | — | 8,305 | 1,111,456 |
| Officer and Senior Vice President | 2017 | 344,000 | 440,505 (2) | 234,921 | — | 21,212 | — | 8,161 | 1,048,799 |

Notes:

(1) Pursuant to SEC rules, the amounts disclosed in this column reflects the grant date fair value of each Restricted Share Unit and Restricted LTIP Unit award calculated in accordance with ASC Topic 718. The Grant Date fair values of performance-based awards included in this table were calculated based on the outcome of performance measured at target levels since that was the probable outcome at the time of grant. For further information as to the Company's Restricted Share Unit and Restricted LTIP Unit awards issued to employees, see Note 13 (Share Incentive and Other Compensation) to the Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2019 filed with the SEC on February 20, 2020.

(2) Cash bonus was received in the form of Restricted LTIP Units. The number of Restricted LTIP Units granted in connection with this portion of the LTIP Unit award were at a 20% discount as discussed above for 2018 performance but granted in 2019. In the case of Mr. Conlon, the 2019 amounts include a $400,000 cash bonus earned during 2019 but paid during 2020, the 2018 amounts include a $237,673 cash bonus earned during 2018 but paid during 2019 and the 2017 amounts include a $400,000 cash bonus earned during 2017 but paid during 2018. In the case of Mr. Gottfried, the 2019 amounts include a $204,912 cash bonus earned during 2019 but paid during 2020.

(3) Detail reflected in the All Other Compensation Table below.

| | Kenneth F. Bernstein | | | John Gottfried | | | Jason Blacksberg | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2019 | 2018 | 2017 | 2019 | 2018 | 2017 | 2019 | 2018 | 2017 |
| Perquisites and other personal benefits, unless the aggregate amount is less than $10,000 | $ — | $ — | $ — | $ — | $ — | $ — | $ — | $ — | $ — |
| Annual Company contributions or allocations to vested and unvested defined contribution plans (1) | 8,400 | 8,250 | 8,100 | 8,400 | 8,250 | 8,100 | 8,400 | 8,250 | 8,100 |
| The dollar value of insurance premiums paid by the Company on life insurance policies for the benefit of the NEO | 288 | 55 | 61 | 288 | 55 | 61 | 288 | 55 | 61 |
| Total Other Compensation | $ 8,688 | $ 8,305 | $ 8,161 | $ 8,688 | $ 8,305 | $ 8,161 | $ 8,688 | $ 8,305 | $ 8,161 |

| | Christopher Conlon | | | Joseph Napolitano | | |
|---|---|---|---|---|---|---|
| | 2019 | 2018 | 2017 | 2019 | 2018 | 2017 |
| Perquisites and other personal benefits, unless the aggregate amount is less than $10,000 | $ — | $ — | $ — | $ — | $ — | $ — |
| Annual Company contributions or allocations to vested and unvested defined contribution plans (1) | 8,400 | 8,250 | 6,465 | 8,400 | 8,250 | 8,100 |
| The dollar value of insurance premiums paid by the Company on life insurance policies for the benefit of the NEO | 288 | 55 | 61 | 255 | 55 | 61 |
| Total Other Compensation | $ 8,688 | $ 8,305 | $ 6,526 | $ 8,655 | $ 8,305 | $ 8,161 |

Notes:

(1) Represents contributions made by the Company to the account of the NEO under a 401(k) Plan.

**GRANTS OF PLAN-BASED AWARDS**

Pursuant to the Company's Share Incentive Plans, the Company granted annual bonus unit awards and long-term incentive awards to the NEOs on February 14, 2019 (with respect to services rendered in the fiscal year ended 2018). The annual bonus unit awards consisted of time-based unvested Restricted LTIP Units. The total long-term incentive awards consisted of unvested Restricted LTIP Units which were allocated 50% as time-based awards and 50% as performance-based awards. For the 50% performance-based award, the number of Restricted LTIP Units will be calculated over a three-year period as described above.

The following table provides a summary of all grants awarded to the NEOs during 2019:

| | | Estimated Future Payouts Under Performance-Based Non-Equity Incentive Plan Awards | | | Estimated Future Payouts Under Performance-Based Equity Incentive Plan Awards | | | All Other Stock Awards: Number of Shares Stock or Units | All Other Option Awards: Number of Securities Underlying Options | Exercise or Base Price of Option Awards | Grant Date Fair Value of Stock and Option Awards |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Name | Grant Date | Threshold ($) | Target ($) | Maximum ($) | Threshold (#) | Target (#) (1) | Maximum (#) | (#) (2) | (#) | ($/Sh) | (3) |
| Kenneth F. Bernstein | 2/14/2019 | — | — | — | — | — | — | 44,981 | — | — | $ 1,242,825 |
| | 2/14/2019 | — | — | — | 26,472 | 52,943 | 105,886 | — | — | — | 2,316,786 |
| | 2/14/2019 | — | — | — | — | — | — | 52,943 | — | — | 1,462,815 |
| | | | | | 26,472 | 52,943 | 105,886 | 97,924 | — | — | $ 5,022,426 |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Jason Blacksberg | 2/14/2019 | — | — | — | — | — | — | 13,260 | — | — | $ 366,374 |
| | 2/14/2019 | — | — | — | 2,244 | 4,487 | 8,974 | — | — | — | 196,351 |
| | 2/14/2019 | — | — | — | — | — | — | 4,487 | — | — | 123,976 |
| | | | | | 2,244 | 4,487 | 8,974 | 17,747 | — | — | $ 686,701 |
| Christopher Conlon | 2/14/2019 | — | — | — | — | — | — | 13,460 | — | — | $ 371,900 |
| | 2/14/2019 | — | — | — | 8,076 | 16,152 | 32,304 | — | — | — | 706,812 |
| | 2/14/2019 | — | — | — | — | — | — | 16,152 | — | — | 446,280 |
| | | | | | 8,076 | 16,152 | 32,304 | 29,612 | — | — | $ 1,524,992 |
| John Gottfried | 2/14/2019 | — | — | — | — | — | — | 14,766 | — | — | $ 407,985 |
| | 2/14/2019 | — | — | — | 6,418 | 12,836 | 25,672 | — | — | — | 561,703 |
| | 2/14/2019 | — | — | — | — | — | — | 12,836 | — | — | 354,659 |
| | | | | | 6,418 | 12,836 | 25,672 | 27,602 | — | — | $ 1,324,347 |
| Joseph Napolitano | 2/14/2019 | — | — | — | — | — | — | 11,771 | — | — | $ 325,233 |
| | 2/14/2019 | — | — | — | 3,141 | 6,281 | 12,562 | — | — | — | 274,857 |
| | 2/14/2019 | — | — | — | — | — | — | 6,281 | — | — | 173,544 |
| | | | | | 3,141 | 6,281 | 12,562 | 18,052 | — | — | $ 773,634 |

Notes:

(1) Represents the performance-based portion of the 2018 awards which will be earned over 5 years with 60% earned at the end of the third year subject to the Company meeting certain performance thresholds. The remaining 40% will be earned ratably over the following two years, provided that the initial 60% is earned as described above. The holders of these Restricted LTIP Units are entitled to receive distributions currently in an amount equal to the per share dividend paid to holders of Common Shares.

(2) The Restricted LTIP Units vest over 5 years with 20% vesting on January 6, 2020 and 20% on each anniversary thereof. The holders of these Restricted LTIP Units are entitled to receive distributions currently in an amount equal to the per share dividend paid to holders of Common Shares.

(3) Calculated in accordance with ASC Topic 718. The Grant Date fair values of performance-based awards were calculated based on the probable outcome of performance measured at target levels at the time of the grant.

## OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

| | | Option Awards | | | | | Stock Awards | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Name | Grant Date | Number of Securities Underlying Unexercised Options (#) Exercisable | Number of Securities Underlying Unexercised Options (#) Unexercisable | Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#) | Option Exercise Price ($) | Option Expiration Date | Number of Shares or Units of Stock That Have Not Vested (#) (7) | Market Value of Shares or Units of Stock That Have Not Vested ($) (1) (7) | Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#) (8) | Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($) (1) (8) |
| Kenneth F. Bernstein | 3/5/2015 | — | — | — | | | 3,529 (2) | 91,507 | 3,529 | 91,507 |
| | 3/5/2015 | — | — | — | | | 14,115 (2) | 366,002 | — | — |
| | 3/17/2016 | — | — | — | | | 7,964 (3) | 206,507 | 7,966 | 206,558 |
| | 3/17/2016 | — | — | — | | | 31,862 (3) | 826,182 | — | — |
| | 2/28/2017 | — | — | — | | | 47,084 (4) | 1,220,888 | — | — |
| | 2/28/2017 | — | — | — | | | 12,556 (4) | 325,577 | 20,927 | 542,637 |
| | 2/26/2018 | — | — | — | | | 44,754 (5) | 1,160,471 | — | — |
| | 2/26/2018 | — | — | — | | | 43,030 (5) | 1,115,768 | 26,894 | 697,361 |
| | 2/14/2019 | — | — | — | | | 44,981 (6) | 1,166,357 | — | — |
| | 2/14/2019 | — | — | — | | | 52,943 (6) | 1,372,812 | 26,472 | 686,419 |
| | | — | — | — | | | 302,818 | 7,852,071 | 85,788 | 2,224,482 |
| John Gottfried | 2/28/2017 | — | — | — | | | 1,312 (4) | 34,020 | 2,187 | 56,709 |
| | 2/26/2018 | — | — | — | | | 13,424 (5) | 348,084 | — | — |
| | 2/26/2018 | — | — | — | | | 6,630 (5) | 171,916 | 4,144 | 107,454 |
| | 2/14/2019 | — | — | — | | | 14,766 (6) | 382,882 | — | — |
| | 2/14/2019 | — | — | — | | | 12,836 (6) | 332,837 | 6,418 | 166,419 |
| | | — | — | — | | | 48,968 | 1,269,739 | 12,749 | 330,582 |
| Jason Blacksberg | 3/5/2015 | — | — | — | | | 342 (2) | 8,868 | 342 | 8,868 |
| | 3/5/2015 | — | — | — | | | 1,366 (2) | 35,420 | — | — |
| | 3/17/2016 | — | — | — | | | 1,231 (3) | 31,920 | 1,231 | 31,920 |
| | 3/17/2016 | — | — | — | | | 3,123 (3) | 80,979 | — | — |
| | 2/28/2017 | — | — | — | | | 2,264 (4) | 58,706 | 3,773 | 97,834 |
| | 2/28/2017 | — | — | — | | | 8,489 (4) | 220,120 | — | — |
| | 2/26/2018 | — | — | — | | | 12,173 (5) | 315,646 | — | — |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2/26/2018 | — | — | — | 4,303 (5) | 111,577 | 2,690 | 69,752 |
| | 2/14/2019 | — | — | — | 13,260 (6) | 343,832 | — | — |
| | 2/14/2019 | — | — | — | 4,487 (6) | 116,348 | 2,244 | 58,187 |
| | | — | — | — | 51,038 | 1,323,416 | 10,280 | 266,561 |
| Christopher Conlon | 3/5/2015 | — | — | — | 741 (2) | 19,214 | 741 | 19,214 |
| | 3/5/2015 | — | — | — | 1,447 (2) | 37,521 | — | — |
| | 3/17/2016 | — | — | — | 4,844 (3) | 125,605 | 4,845 | 125,631 |
| | 2/28/2017 | — | — | — | 4,659 (4) | 120,808 | 7,765 | 201,346 |
| | 2/28/2017 | — | — | — | 17,471 (4) | 453,023 | — | — |
| | 2/26/2018 | — | — | — | 4,925 (5) | 127,705 | — | — |
| | 2/26/2018 | — | — | — | 13,770 (5) | 357,056 | 8,606 | 223,154 |
| | 2/14/2019 | — | — | — | 16,152 (6) | 418,821 | — | — |
| | 2/14/2019 | — | — | — | 13,460 (6) | 349,018 | 8,076 | 209,411 |
| | | — | — | — | 77,469 | 2,008,771 | 30,033 | 778,756 |
| Joseph Napolitano | 3/5/2015 | — | — | — | 444 (2) | 11,513 | 444 | 11,513 |
| | 3/5/2015 | — | — | — | 1,776 (2) | 46,052 | — | — |
| | 3/17/2016 | — | — | — | 2,087 (3) | 54,116 | 2,087 | 54,116 |
| | 3/17/2016 | — | — | — | 4,058 (3) | 105,224 | — | — |
| | 2/28/2017 | — | — | — | 2,275 (4) | 58,991 | 3,792 | 98,327 |
| | 2/28/2017 | — | — | — | 8,532 (4) | 221,235 | — | — |
| | 2/26/2018 | — | — | — | 10,661 (5) | 276,440 | — | — |
| | 2/26/2018 | — | — | — | 6,024 (5) | 156,202 | 3,765 | 97,626 |
| | 2/14/2019 | — | — | — | 11,771 (6) | 305,222 | — | — |
| | 2/14/2019 | — | — | — | 6,281 (6) | 162,866 | 3,141 | 81,446 |
| | | — | — | — | 53,909 | 1,397,861 | 13,229 | 343,028 |

Notes:

(1) Market value computed by multiplying the closing market price of the Company's Common Shares of $25.93 as of December 31, 2019, the final trading day of the calendar year, by the number of Restricted Share Units or Restricted LTIP Units that have not vested.
(2) Restricted LTIP Units vest over five years with the last vesting on January 6, 2020.
(3) Restricted LTIP Units vest over five years with the last vesting on January 6, 2021.
(4) Restricted LTIP Units vest over five years with the last vesting on January 6, 2022.
(5) Restricted LTIP Units vest over five years with the last vesting on January 6, 2023.
(6) Restricted LTIP Units vest over five years with the last vesting on January 6, 2024.
(7) Represents the time-based portion of the awards.
(8) Represents the performance-based portion of the awards.

## OPTION EXERCISES AND STOCK VESTED

The Option Exercises and Stock Vested Table provides a summary of all values realized by the NEOs upon the exercise of options and similar instruments or the vesting of Restricted Share Units or Restricted LTIP Units during the last fiscal year.

| | | | Option Awards | | Stock Awards | |
|---|---|---|---|---|---|---|
| Name | Grant Date | Exercise/Vesting Date | Number of Shares Acquired on Exercise (#) | Value Realized on Exercise ($) | Number of Shares Acquired on Vesting (#) | Value Realized on Vesting ($) (1) |
| Kenneth F. Bernstein | 2/28/2014 | 1/6/2019 | — | — | 25,482 | 620,790 |
| | 3/31/2014 | 1/6/2019 | — | — | 22,839 | 556,358 |
| | 3/5/2015 | 1/6/2019 | — | — | 21,173 | 515,774 |
| | 3/17/2016 | 1/6/2019 | — | — | 31,860 | 776,110 |
| | 2/28/2017 | 1/6/2019 | — | — | 19,880 | 484,277 |
| | 2/26/2018 | 1/6/2019 | — | — | 21,945 | 534,580 |
| | | | — | — | 143,181 | 3,487,889 |
| John Gottfried | 6/30/2016 | 1/6/2019 | — | — | 9,967 | 242,796 |
| | 2/28/2017 | 1/6/2019 | — | — | 437 | 10,645 |
| | 2/26/2018 | 1/6/2019 | — | — | 5,013 | 122,117 |
| | | | — | — | 15,417 | 375,558 |
| Jason Blacksberg | 3/5/2015 | 1/6/2019 | — | — | 2,049 | 49,914 |
| | 3/17/2016 | 1/6/2019 | — | — | 4,021 | 97,952 |
| | 2/28/2017 | 1/6/2019 | — | — | 3,585 | 87,331 |
| | 2/26/2018 | 1/6/2019 | — | — | 4,118 | 100,314 |
| | | | — | — | 13,773 | 335,511 |
| Christopher Conlon | 2/28/2014 | 1/6/2019 | — | — | 9,320 | 227,035 |
| | 3/5/2015 | 1/6/2019 | — | — | 2,928 | 71,326 |
| | 3/17/2016 | 1/6/2019 | — | — | 9,689 | 236,024 |
| | 2/28/2017 | 1/6/2019 | — | — | 7,376 | 179,679 |
| | 2/26/2018 | 1/6/2019 | — | — | 4,673 | 113,834 |
| | | | — | — | 33,986 | 827,898 |
| Joseph Napolitano | 2/28/2014 | 1/6/2019 | — | — | 3,273 | 79,730 |
| | 3/5/2015 | 1/6/2019 | — | — | 2,664 | 64,895 |
| | 3/17/2016 | 1/6/2019 | — | — | 6,201 | 151,056 |
| | 2/28/2017 | 1/6/2019 | — | — | 3,602 | 87,745 |
| | 2/26/2018 | 1/6/2019 | — | — | 4,171 | 101,606 |
| | | | — | — | 19,911 | 485,032 |

Note:
(1) Value based on the market value of the Company's common shares on the vesting date. The closing price of the Company's common shares was $24.36 on January 6, 2019.

## EMPLOYMENT AND SEVERANCE AGREEMENTS WITH NAMED EXECUTIVE OFFICERS

The Company has entered into an employment agreement with Mr. Bernstein and severance agreements with each of the other NEOs.

*Kenneth F. Bernstein Amended and Restated Employment Agreement*

On March 31, 2014, the Company and Kenneth F. Bernstein entered into an amended and restated employment agreement, which extended his position as President and Chief Executive Officer for three years, renewable for successive yearly periods thereafter. Under the agreement, Mr. Bernstein is subject to a 15-month post-termination non-compete and non-poaching provision if his employment terminates under certain circumstances. Mr. Bernstein's base salary is subject to an annual review and adjustment by the Board of Trustees, based on recommendations of the Compensation Committee. In connection with the amendment and restatement of the employment agreement, the Company issued Mr. Bernstein an award of full-value shares with a fair value of $3,000,000, subject to vesting in equal installments over five years.

Each year during the term of Mr. Bernstein's employment, the full Board of Trustees (excluding Mr. Bernstein), at the Compensation Committee's recommendation, considers Mr. Bernstein for an incentive bonus (to be determined by the Compensation Committee and recommended for approval to the full Board of Trustees) and discretionary bonuses payable in cash, Restricted Share Units, options, Restricted LTIP Units, or any combination thereof, as the Board of Trustees and the Compensation Committee may approve. Mr. Bernstein is also entitled to participate in all benefit plans, health insurance, disability, retirement and incentive compensation plans generally available to the Company's executives.

*Severance Agreements for Named Executive Officers Other than Mr. Bernstein*

The Company has entered into severance agreements with each of the NEOs other than Mr. Bernstein. These agreements provide for certain termination or severance payments to be made by the Company to a NEO in the event of his/her termination of employment as the result of his/her Death, Disability, discharge for Cause or Without Cause, resignation or a termination by the NEO for Good Reason or upon a Change of Control (the terms, "Death," "Disability," "Cause," "Without Cause," "Good Reason" and "Change of Control" each as defined below). If the NEO's employment is terminated either because he/she is discharged without Cause or due to a termination by the NEO for Good Reason, the Company will be required to make a lump sum payment equal to among other things, unpaid salary and bonus, severance and pro rata bonus, each paid in accordance with the terms and conditions of such agreements. These payments will be reduced to the extent that they would otherwise be considered parachute payments within the meaning of Section 280G of the Code.

### Cause

The Company has the right to terminate a NEO's employment for "Cause", which is defined to mean the NEO has: (A) deliberately made a misrepresentation in connection with, or willfully failed to cooperate with, a bona fide internal investigation or an investigation by regulatory or law enforcement authorities, after being instructed by the Company to cooperate, or willfully destroyed or failed to preserve documents or other materials known to be relevant to such investigation, or willfully induced others to fail to cooperate or to produce documents or other materials; (B) materially breached (other than as a result of the NEO's incapacity due to physical or mental illness or death) his/her material duties hereunder, which breach is demonstrably willful and deliberate on NEO's part, is committed in bad faith or without reasonable belief that such breach is in the best interests of the Company and such breach is not cured within a reasonable period of time after written notice from the Company specifying such breach (but in any event, no less than 90 days thereafter) in which NEO is diligently pursuing cure; (C) engaged in conduct constituting a material act of willful misconduct in connection with the performance of his/her duties, including, without limitation, misappropriation of funds or property of the Company other than the occasional customary and de minimis use of Company property for personal purposes; (D) materially violated a material Company policy, including but not limited to a policy set forth in the Company's employee handbook; (E) disparaged the Company, its officers, trustees, employees or partners; (F) committed a felony or misdemeanor involving moral turpitude, deceit, dishonesty or fraud.

### Death

A NEO's employment will terminate upon his/her death ("Death").

**Disability**

The Company has the right to terminate a NEO's employment due to "Disability" in the event that there is a reasonable determination by the Company that the NEO has become physically or mentally incapable of performing his/her duties under the agreement and such Disability has disabled the NEO for a cumulative period of 180 days within a twelve-month period.

**Good Reason**

A NEO has the right to terminate his employment for "Good Reason," which is defined to mean: (A) upon the occurrence of any material breach of this Agreement by the Company; (B) without NEO's consent, a material, adverse alteration in the nature of the NEO's duties, responsibilities or authority, or in the 18-month period following a Change of Control only, upon the determination by the NEO (which determination will be conclusive and binding upon the parties hereto provided it has been made in good faith and in all events will be presumed to have been made in good faith unless otherwise shown clear and convincing evidence) that a material negative change in circumstances has occurred following a Change of Control; (C) without NEO's consent, upon a reduction in the NEO's base salary or a reduction of 10% or greater in NEO's other compensation and employee benefits (which includes a 10% or greater reduction in target cash and equity bonus, or a 10% or greater reduction in total bonus opportunity, but in all cases excludes any grants made under the Long-Term Incentive Alignment Program); or (D) if the Company relocates the NEO's office requiring the NEO to increase his/her commuting time by more than one hour, or in the 18-month period following a Change of Control only, upon the Company requiring the NEO to travel away from the NEO's office in the course of discharging the NEO's responsibilities or duties under the agreement at least 20% more than was required of the NEO in any of the three full years immediately prior to the Change of Control, without, in either case, the NEO's prior written consent. Any notice under the agreement by the NEO must be made within 90 days after the NEO first knows or has reason to know about the occurrence of the event alleged to be Good Reason.

**Without Cause**

The Company has the right to terminate a NEO's employment without Cause.

**Upon a Change of Control and Termination**

The NEOs may be entitled to benefits upon a Change of Control and termination of their employment as discussed below.

"Change of Control" has the meaning as set forth in the employment agreement or severance agreements, as applicable.

**SPECIFIC CIRCUMSTANCES THAT WOULD TRIGGER PAYMENTS UNDER THE EMPLOYMENT AND SEVERANCE AGREEMENTS AND POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE OF CONTROL**

The specific circumstances that would trigger payments and amount of compensation that would be paid by the Company under Mr. Bernstein's employment agreement and the other NEOs' severance agreements are as follows:

*Compensation upon Termination of Employment by the Company for Cause or Voluntarily By the NEO*

In the event the Company terminates a NEO's employment for Cause, or a NEO voluntarily terminates his employment without Good Reason, the Company will pay that NEO any unpaid annual base salary at the rate then in effect accrued through and including the date of termination and any accrued vacation pay. In addition, in such event, the NEO will be entitled to exercise any options which, as of the date of termination, have vested and are exercisable in accordance with the terms of the applicable option grant agreement or plan. All options, long-term incentive partnership interests ("LTIP Units"), other share-based or other incentive awards, and any grants under the Long-Term Incentive Alignment Program ("FIAP") which have not vested on the date of termination will automatically terminate and be forfeited.

*Compensation under Mr. Bernstein's Employment Agreement upon Termination of Employment upon Death, Disability, Without Cause or for Good Reason or Change of Control and Termination of Employment*

In the event of termination by the Company of Mr. Bernstein's employment as a result of his Death, Disability, Without Cause or by Mr. Bernstein for Good Reason, subject to the execution of a release of claims by Mr. Bernstein (other than in the case of Death), the Company is obligated to pay or provide to Mr. Bernstein, his estate or personal representative, the following: (i) any unpaid accrued salary through and including the date of termination; plus (ii) an amount equal to three times his current salary; (iii) an additional amount equal to three times the average of the cash value of the bonuses (whether awarded as cash incentive bonuses or in Restricted Share Units or Restricted LTIP Units, the value of the latter to be calculated as of the date of the award) awarded to Mr. Bernstein for each of the last two years immediately preceding the year in which Mr. Bernstein's employment is terminated; (iv) a further amount computed at an annualized rate equal to the average of the cash incentive bonuses awarded to Mr. Bernstein for each of the last two years, prorated for the year of termination; (v) reimbursement of expenses incurred prior to date of termination; (vi) all incentive compensation payments whether share based or otherwise that are subject to a vesting schedule including Restricted Share Units, Restricted LTIP Units and options shall immediately vest as of the date of the termination; and (vii) continuation of health coverage for two years with the exception of termination upon Death. Following a Change of Control together with either a termination Without Cause or by Mr. Bernstein for Good Reason within 12 months thereafter, the Company will be obligated to make the same payments described above. Mr. Bernstein is not entitled to any additional Change of Control benefit.

*Compensation under the Severance Agreements upon Termination of Employment upon Death, Disability, Without Cause or By Other Named Executive Officers for Good Reason or Change of Control and Termination of Employment*

In the event of termination by the Company of the employment of a NEO as a result of the NEO's Death or Disability, the Company is obligated to pay or provide such NEO, the following: (i) any unpaid accrued salary through and including the date of termination, (ii) an amount equal to one times the current annual base salary; (iii) an additional amount equal to one times the average cash bonus (whether electively taken as cash or equity) awarded for each of the last two years immediately preceding the year in which the NEO's employment is terminated; (iv) a pro-rata portion of such NEO's bonus (based upon the average of the last two years' bonuses); (v) reimbursement of expenses incurred prior to date of termination; and (vi) COBRA health continuation for one year. All stock options and other stock, LTIP, FIAP or incentive-based awards that are scheduled to vest solely on the NEO's continued employment through each applicable vesting date will immediately vest as of the date of the termination; and all awards subject to performance-based vesting will remain outstanding until the conclusion of the applicable performance period as set forth in the respective award grant agreement.

In the event of termination by the Company of the employment of a NEO without Cause or by the NEO for Good Reason not in connection with a Change of Control, the Company is obligated to pay or provide to the NEO the full benefits described above. In addition, a NEO will be entitled to receive an amount equal to one times the current annual base salary and the average cash bonus (whether electively taken as cash or equity) awarded for each of the last two years immediately preceding the year in which the NEO's employment is terminated. All stock options and other stock, LTIP, FIAP or incentive-based awards that are scheduled to vest solely on the NEO's continued employment through each applicable vesting date will immediately vest as of the date of the termination; and all awards subject to performance-based vesting will continue to be governed by the applicable award agreement.

Following a Change of Control together with either Termination Without Cause or for Good Reason, the Company is obligated to pay or provide to the NEO the full benefits described above under Termination without Cause or for Good Reason not in connection with a Change of Control. In addition, the NEO will be entitled to receive an amount equal to 0.75 times the current annual base salary and the average of the cash value of the bonuses (whether electively taken as cash or equity) awarded for each of the last two years immediately preceding the year in which the NEO's employment is terminated; and continued medical benefits of said NEO for an additional six months. All stock options and other stock, LTIP, FIAP or incentive-based awards that are scheduled to vest solely on the NEO's continued employment through each applicable vesting date will immediately vest as of the date of the consummation of a Change of Control; and all awards subject to performance-based vesting will continue to be governed by the applicable award agreement.

*Acceleration of Vesting and Forfeiture of Awards under Share Incentive Plans*

In addition to the termination payments discussed above, the Share Incentive Plans provide for accelerated vesting of awards in certain circumstances involving a Change of Control of the Company. These plans also provide for forfeiture of awards in certain circumstances, such as in the event of a termination for cause.

## POTENTIAL PAYMENTS TO NAMED EXECUTIVE OFFICERS UPON TERMINATION

The following table estimates the potential payments and benefits to the NEOs upon termination of employment and Change of Control, assuming the event occurred on December 31, 2019. These estimates do not reflect the actual amounts that would be paid to such persons, which would only be known at the time they become eligible for payment and would only be payable if the specified event occurs.

## POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE OF CONTROL

| Name | Cash Severance ($) (1) | Bonus Severance ($) | | Options Awards ($) | Stock Awards ($) (4) (5) | Other Benefits ($) (6) |
|---|---|---|---|---|---|---|
| Kenneth F. Bernstein | | | | | | |
| For Cause or Voluntary Resignation | — | — | | — | — | — |
| Death | 2,100,000 | 11,625,697 | (2) | — | 10,076,553 | — |
| Disability | 2,100,000 | 11,625,697 | (2) | — | 10,076,553 | 42,573 |
| Good Reason | 2,100,000 | 11,625,697 | (2) | — | 10,076,553 | 42,573 |
| Without Cause | 2,100,000 | 11,625,697 | (2) | — | 10,076,553 | 42,573 |
| Change of Control and Termination | 2,100,000 | 11,625,697 | (2) | — | 10,076,553 | 42,573 |
| John Gottfried | | | | | | |
| For Cause or Voluntary Resignation | — | — | | — | — | — |
| Death | 449,000 | 738,937 | (3) | — | 1,600,321 | 21,313 |
| Disability | 449,000 | 738,937 | (3) | — | 1,600,321 | 21,313 |
| Good Reason | 898,000 | 1,108,406 | (3) | — | 1,600,321 | 21,313 |
| Without Cause | 898,000 | 1,108,406 | (3) | — | 1,600,321 | 21,313 |
| Change of Control and Termination | 1,234,750 | 1,385,507 | (3) | — | 1,600,321 | 31,970 |
| Christopher Conlon | | | | | | |
| For Cause or Voluntary Resignation | — | — | | — | — | — |
| Death | 444,000 | 1,197,735 | (3) | — | 2,787,527 | 21,287 |
| Disability | 444,000 | 1,197,735 | (3) | — | 2,787,527 | 21,287 |
| Good Reason | 888,000 | 1,796,603 | (3) | — | 2,787,527 | 21,287 |
| Without Cause | 888,000 | 1,796,603 | (3) | — | 2,787,527 | 21,287 |
| Change of Control and Termination | 1,221,000 | 2,245,753 | (3) | — | 2,787,527 | 31,930 |
| Joseph Napolitano | | | | | | |
| For Cause or Voluntary Resignation | — | — | | — | — | — |
| Death | 354,000 | 585,025 | (3) | — | 1,740,889 | 21,287 |
| Disability | 354,000 | 585,025 | (3) | — | 1,740,889 | 21,287 |
| Good Reason | 708,000 | 877,538 | (3) | — | 1,740,889 | 21,287 |
| Without Cause | 708,000 | 877,538 | (3) | — | 1,740,889 | 21,287 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Change of Control and Termination | 973,500 | 1,096,922 | (3) | — | 1,740,889 | 31,930 |
| Jason Blacksberg | | | | | | |
| For Cause or Voluntary Resignation | — | — | – | – | – | |
| Death | 425,000 | 693,165 | (3) | — | 1,589,977 | 21,287 |
| Disability | 425,000 | 693,165 | (3) | — | 1,589,977 | 21,287 |
| Good Reason | 850,000 | 1,039,748 | (3) | — | 1,589,977 | 21,287 |
| Without Cause | 850,000 | 1,039,748 | (3) | — | 1,589,977 | 21,287 |
| Change of Control and Termination | 1,168,750 | 1,299,684 | (3) | — | 1,589,977 | 31,930 |

Notes:

(1) Reflects three years of severance salary for Mr. Bernstein. For the other NEOs, reflects one year of severance salary in the case of termination as a result of Death or Disability, two years of severance salary in the case of termination by the Company Without Cause or by the NEO for Good Reason not in connection with a Change in Control and 2.75 years of severance salary in the case of a Change of Control together with either termination Without Cause or for Good Reason.

(2) Reflects three years of severance bonuses and a pro-rated cash bonus for Mr. Bernstein.

(3) For the other NEOs, reflects one year of severance bonus and a pro-rated cash bonus in the case of termination as a result of Death or Disability, two years of severance bonus and a pro-rated cash bonus in the case of termination by the Company Without Cause or by the NEO for Good Reason not in connection with a Change in Control and 2.75 years of severance bonus and a pro-rated cash bonus in the case of a Change of Control together with either termination Without Cause or for Good Reason.

(4) Reflects the payment upon the immediate vesting of all Restricted Share Units and Restricted LTIP Units with the exception of those subject to performance measurement periods. In the case of Restricted Share Units and Restricted LTIP Units subject to performance measurement periods, they will remain unvested until such time as the measurement period is completed and will be measured at that time. For the purposes of this table, those Restricted Share Units and Restricted LTIP Units have been valued at their threshold amount.

(5) Restricted Share payments based on the number of shares times $25.93, the closing price of the Company's Common Shares on December 31, 2019.

(6) Represents health coverage.

## CEO Compensation Pay Ratio

For 2019, the Company estimated the ratio between the CEO’s total compensation and the median annual total compensation of all employees (except the CEO). In searching for the median employee, base compensation totals in 2019 were considered. The “Median Employee” was identified using the base compensation of all full-time, part-time, and temporary employees employed by the Company on December 31, 2019, then the Median Employee’s compensation was calculated under the Summary Compensation Table rules. The CEO had annual total compensation of $5,731,114 and the Median Employee had annual total compensation of $100,650. Therefore, the CEO’s annual total compensation is estimated as 57 times that of the median of the annual total compensation of all employees. Given the different methodologies that various public companies will use to determine an estimate of their pay ratio, the estimated ratio reported above should not be used as a basis for comparison between companies.

## BOARD OF TRUSTEES COMPENSATION

Each Trustee who is not also an officer and full-time employee of the Company or the Operating Partnership receives the following trustee compensation:

| | | |
|---|---|---|
| Annual cash fee | $ | 75,000 |
| Annual equity fee (payable in Restricted Share Units or Restricted LTIP Units) | | 100,000 |
| **Additional Annual Cash Fees:** | | |
| Lead Trustee | | 100,000 |
| Audit Committee Chair | | 25,000 |
| Other Committee Chair | | 15,000 |

The Restricted Share Units or Restricted LTIP Units issued to Trustees in the above table vest over three years with 33% vesting on each of the next three anniversaries of the grant date. Trustees have the option to convert all or part of any cash payment due to them to Common Shares or LTIP Units with a vesting period of one year at a 10% discount to the preceding 20-day average share price from the date of the 2019 Annual Meeting. No dividends are paid currently on Restricted Share Units but instead cumulate and are paid when they vest.

Trustees who are officers and full-time employees of the Company or its subsidiaries receive no separate compensation for service as a Trustee or Committee member. Additionally, members of the Board of Trustees are reimbursed for travel and lodging expenses associated with attending meetings of the Board and committees of the Board.

Pursuant to the Company's 2006 Deferred Compensation Plan (the "Deferred Compensation Plan"), Trustees may elect to defer receipt of their annual trustee fees. Each Trustee participating in the Deferred Compensation Plan has an account, which the administrator credits with a number of Common Shares having a fair market value (as of the date of the credit) equal to the amount of the participant's compensation that the Trustee has elected to defer and would otherwise have been paid in cash or other property to the Trustee during the preceding month. The Deferred Compensation Plan generally allows the Trustees to defer receipt of their compensation and, therefore, defer paying tax on that compensation. To defer eligible compensation for any given calendar year, a Trustee must make a written election at least 30 days before the calendar year begins. The Company will credit each Trustee's deferred compensation account with additional Common Shares that (i) have a fair market value, when credited, equal to the product of any per Common Share cash dividend paid during the prior quarter and the number of Common Shares credited to the Trustee's account and (ii) equitably adjust the Trustee's account for any share dividends that would have been paid during the prior month with respect to the Common Shares credited to the Trustee's account on the last day of the prior quarter. Generally, a Trustee's account will be paid to the Trustee upon his or her separation of service from the Company and will be paid to his or her beneficiaries in the event of his or her death, in each case based on the timeframe for distributions specified in the Trustee's deferral election form. Under certain circumstances, the Board may permit a Trustee to withdraw a limited number of Common Shares from his or her account if the Trustee suffers a Hardship (as defined in the Deferred Compensation Plan).

For 2019, Ms. Luscombe elected to defer payment of her Trustee fees that are payable in Common Shares. No other Trustee elected to defer compensation for 2019.

See the Board of Trustees Compensation Table below for a summary of the compensation paid to the members of the Board of Trustees during 2019.

## TRUSTEE COMPENSATION

| Name | Fees Earned or Paid in Cash ($) | Stock Awards ($) (2) | | Option Awards ($) | Non-Equity Incentive Plan Compensation ($) | Change in Pension Value and Nonqualified Deferred Compensation Earnings ($) | All Other Compensation ($) (10) | | Total ($) |
|---|---|---|---|---|---|---|---|---|---|
| Lee S. Wielansky (1) | 150,000 | 128,000 | (3) | — | — | — | 11,688 | | 289,688 |
| Lorrence T. Kellar | 47,500 | 158,597 | (4) | — | — | — | 29,921 | | 236,018 |
| Douglas Crocker II | 52,500 | 141,902 | (5) | — | — | — | 9,257 | | 203,659 |
| Wendy Luscombe | 90,000 | 100,166 | (6) | — | — | — | 5,758 | (6) | 195,924 |
| William T. Spitz | 90,000 | 100,166 | (7) | — | — | — | 5,758 | | 195,924 |
| Lynn C. Thurber | — | 183,638 | (8) | — | — | — | 9,126 | | 192,764 |
| C. David Zoba | — | 183,638 | (9) | — | — | — | 25,581 | | 209,219 |

Notes:

(1) Mr. Wielansky is the Independent Lead Trustee.

(2) Reflects 3,552 restricted Restricted Share Units or Restricted LTIP Units granted in 2019 to each Trustee, which vest over three years with 33% vesting on each of the next three anniversaries of the grant date. The grant date per share fair value for the grants was $28.20.

(3) Mr. Wielansky elected to receive $25,000 of his Annual Retainer of $75,000 in Restricted LTIP Units. These Restricted LTIP Units were issued at a 10% discount and vest over one year.

(4) Mr. Kellar elected to receive $52,500 of his Annual Retainer of $75,000 in Restricted LTIP Units. These Restricted LTIP Units were issued at a 10% discount and vest over one year.

(5) Mr. Crocker elected to receive $11,250 of his Annual Retainer of $75,000 and 100% of his Chairperson fee of $15,000 in Restricted Share Units and $11,250 of his Annual Retainer in Restricted LTIP Units. These Restricted Share Units and Restricted LTIP Units were issued at a 10% discount and vest over one year.

(6) Ms. Luscombe has deferred the Restricted Share Unit portion of her 2019 trustee fee of $100,000 and dividends of $5,758.

(7) Mr. Spitz elected to receive his Annual Retainer of $75,000 and Chairperson fee of $15,000 in cash.

(8) Ms. Thurber elected to receive the cash component of her Annual Retainer of $75,000 in Restricted Share Units. These Restricted Share Units were issued at a 10% discount and vest over one year.

(9) Mr. Zoba elected to receive the cash component of his Annual Retainer of $75,000 in Restricted LTIP Units. These Restricted LTIP Units were issued at a 10% discount and vest over one year.

(10) Reflects cumulative dividends on unvested Restricted Share Units which vested in May 2019 and dividends paid on vested and unvested LTIP Units.

As of December 31, 2019, each independent Trustee had the following outstanding options and Restricted Share Unit or Restricted LTIP Unit awards:

**OUTSTANDING TRUSTEE EQUITY AWARDS AT FISCAL YEAR-END**

| | | Option Awards | | | | | Stock Awards | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Trustee | Grant Date | Number of Securities Underlying Unexercised Options (#) Exercisable | Number of Securities Underlying Unexercised Options (#) Unexercisable | Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#) | Option Exercise Price | Option Expiration Date | Number of Shares or Units of Stock That Have Not Vested (#) (2) | Market Value of Shares or Units of Stock That Have Not Vested ($) (1) | Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#) | Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($) |
| Lee S. Wielansky | 5/10/2017 | — | — | | | | 884 (3) | 22,922 | | |
| | 5/10/2018 | — | — | | | | 1,131 (4) | 29,327 | | |
| | 5/10/2018 | — | — | | | | 1,131 (4) | 29,327 | | |
| | 5/9/2019 | — | — | | | | 987 (5) | 25,593 | | |
| | 5/10/2018 | — | — | | | | 3,552 (6) | 92,103 | | |
| Total | | — | — | | | | 7,685 | 199,272 | — | — |
| Lorrence T. Kellar | 5/10/2017 | — | — | | | | 884 (3) | 22,922 | | |
| | 5/10/2018 | — | — | | | | 2,261 (4) | 58,628 | | |
| | 5/9/2019 | — | — | | | | 2,072 (5) | 53,727 | | |
| | 5/9/2019 | — | — | | | | 3,552 (6) | 92,103 | | |
| Total | | — | — | | | | 8,769 | 227,380 | — | — |
| Douglas Crocker II | 5/10/2017 | — | — | | | | 884 (3) | 22,922 | | |
| | 5/10/2018 | — | — | | | | 2,261 (4) | 58,628 | | |
| | 5/9/2019 | — | | | | | 1,036 (5) | 26,863 | | |
| | 5/9/2019 | — | | | | | 444 (5) | 11,513 | | |
| | 5/9/2019 | — | | | | | 2,664 (6) | 69,078 | | |
| | 5/9/2019 | — | | | | | 888 (6) | 23,026 | | |
| Total | | — | — | | | | 8,177 | 212,030 | — | — |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Wendy Luscombe | 5/10/2017 | — | — | 884 (3) | 22,922 | | |
| | 5/10/2018 | — | — | 2,261 (4) | 58,628 | | |
| | 5/9/2019 | — | — | 3,552 (6) | 92,103 | | |
| Total | | — | — | 6,697 | 173,653 | — | — |
| William T. Spitz | 5/10/2017 | — | — | 884 (3) | 22,922 | | |
| | 5/10/2018 | — | — | 2,261 (4) | 58,628 | | |
| | 5/9/2019 | — | — | 3,552 (6) | 92,103 | | |
| Total | | — | — | 6,697 | 173,653 | — | — |
| Lynn Thurber | 5/10/2017 | — | — | 884 (3) | 22,922 | | |
| | 5/10/2018 | — | — | 2,261 (4) | 58,628 | | |
| | 5/9/2019 | — | — | 2,960 (5) | 76,753 | | |
| | 5/9/2019 | — | — | 3,552 (6) | 92,103 | | |
| Total | | — | — | 9,657 | 250,406 | — | — |
| C. David Zoba | 5/10/2017 | — | — | 884 (3) | 22,922 | | |
| | 5/10/2018 | — | — | 2,261 (4) | 58,628 | | |
| | 5/9/2019 | — | — | 2,960 (5) | 76,753 | | |
| | 5/9/2019 | — | — | 3,552 (6) | 92,103 | | |
| | | — | — | 9,657 | 250,406 | — | — |

Notes:

(1) Market value computed by multiplying the closing market price of the Company's Common Shares of $25.93 as of December 31, 2019 by the number of Shares or Units that have not vested.

(2) Represents time-based awards only.

(3) Restricted Share Units and Restricted LTIP Units vest over three years with the last vesting on May 9, 2020.

(4) Restricted Share Units and Restricted LTIP Units vest over three years with the last vesting on May 10, 2021.

(5) Restricted Share Units and Restricted LTIP Units vest on May 9, 2020.

(6) Restricted Share Units and Restricted LTIP Units vest over three years with the last vesting on May 9, 2022.

## ACADIA REALTY TRUST
## COMPENSATION COMMITTEE REPORT [1]

**Executive Summary**

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with management, and based on this review and discussion, has recommended to the Board of Trustees that the Compensation Discussion and Analysis be included in the Company's annual report on Form 10-K and the Company's Proxy Statement. The members of the Compensation Committee for the 2019 fiscal year were Messrs. Spitz, Kellar, and Crocker and Ms. Thurber.

**Compensation Committee**
William T. Spitz, Chairman
Lorrence T. Kellar
Douglas Crocker II
Lynn C. Thurber

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Note:

(1) Notwithstanding anything to the contrary set forth in any of the Company's previous or future filings under the Securities Act of 1933, as amended (the "Securities Act"), or the Exchange Act, that might incorporate by reference this Proxy Statement or future filings made by the Company under those statutes, the Compensation Committee Report is not deemed filed with the SEC and shall not be deemed incorporated by reference into any of those prior filings or into any future filings made by the Company under those statutes.

## AUDIT COMMITTEE INFORMATION

**Independent Registered Public Accounting Firm Compensation**

*Audit Fees*

The aggregate fees billed for professional services rendered by BDO USA, LLP for the audit of the Company's consolidated financial statements as included in the Company's Form 10-K, for rendering an opinion on the Company's internal control over financial reporting and for reviews of the consolidated financial statements as included in the Company's Forms 10-Q, were $1,096,900 and $1,116,379 for the years ended December 31, 2019 and 2018, respectively.

In addition to the fees above, aggregate fees billed for professional services rendered by BDO USA, LLP for equity transactions aggregated $55,425 and $35,528 for the years ended December 31, 2019 and 2018, respectively.

*Audit Related Fees*

There were no audit related fees billed for assurance and related services by BDO USA, LLP that were not included in "Audit Fees," above, for the years ended December 31, 2019 and 2018.

*Tax Fees*

The aggregate fees billed for professional services rendered by BDO USA, LLP for tax preparation and compliance were $230,495 and $181,150 for the years ended December 31, 2019 and 2018, respectively.

*All Other Fees*

There were no other fees billed for products or services provided by BDO USA, LLP other than the services listed in "Audit Fees," "Audit Related Fees" and "Tax Fees," above, for the years ended December 31, 2019 and 2018.

*Policy on Pre-Approval of Independent Auditor Services*

The Audit Committee is responsible for approving the engagement of BDO USA, LLP to perform audit and non-audit services on behalf of the Company or any of its subsidiaries before BDO USA, LLP provides those services. The Audit Committee has approved services other than the audit of the Company's year-end financial statements as follows: (i) audit services in connection with financial statements of acquired properties prepared in accordance with Section 3-14 of Regulation S-X at a cost not to exceed $100,000 per quarter; (ii) non-audit services in connection with equity issuances at a cost not to exceed $100,000 per quarter; and (iii) other non-audit services in an amount not to exceed $100,000 per annum. Non-audit services in excess of these limits require the approval of the full Audit Committee. All audit fees were approved by the Audit Committee and all other fees were approved pursuant to the pre-approval policy discussed above.

## REPORT OF THE AUDIT COMMITTEE (1)

The Audit Committee presently consists of the following members of the Company's Board of Trustees: Mr. Kellar, Mr. Spitz, Ms. Luscombe and Ms. Thurber, all of whom meet the independence requirements for audit committee members under the listing standards of the New York Stock Exchange.

The Audit Committee has reviewed and discussed the audited financial statements of the Company for the year ended December 31, 2019 with the Company's management. The Audit Committee has discussed with BDO USA, LLP, the Company's independent auditors, the matters required to be discussed by Public Company Accounting Oversight Board Auditing Standard No. 16 (Communication with Audit Committees).

The Audit Committee has received the written disclosures and the letter from BDO USA, LLP required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the Audit Committee concerning independence and has discussed with BDO USA, LLP, its independence.

Based on the Audit Committee's review and discussions noted above, the Audit Committee recommended to the Board of Trustees that the Company's audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2019 for filing with the SEC.

**Audit Committee**
Lynn C. Thurber, Chairperson
Lorrence T. Kellar
Wendy Luscombe
William T. Spitz

Note:

(1) Notwithstanding anything to the contrary set forth in any of the Company's previous or future filings under the Securities Act or the Exchange Act that might incorporate by reference this Proxy Statement or future filings made by the Company under those statutes, the Audit Committee Report is not deemed filed with the SEC and shall not be deemed incorporated by reference into any of those prior filings or into any future filings made by the Company under those statutes. The Board of Trustees has previously adopted an Audit Committee Charter that may be found on the Company's website at www.acadiarealty.com. Please note that the information on the Company's website is not incorporated by reference in this Proxy Statement.

## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The Company's authorized capital consists of 200,000,000 Shares. As of March 13, 2020, the Company had 86,844,961 Common Shares outstanding, which shares were held by 259 record holders. In addition, as of March 13, 2020, the Company had 5,172,341 outstanding common OP Units and 126,781 preferred OP Units.

The Company is not aware of any person or any group within the meaning of Section 13(d)(3) of the Exchange Act that is the beneficial owner of more than 5% of any class of the Company's voting securities other than as set forth in the table below. The Company does not know of any arrangements at present, the operation of which may, at a subsequent date, result in a change in control of the Company.

The following table sets forth, as of March 13, 2020, certain information concerning the holdings of each person known to the Company to be a beneficial owner of more than 5% of the Common Shares at March 13, 2020, all Common Shares beneficially owned by each Trustee, each nominee for Trustee, each Named Executive Officer named in the Summary Compensation Table appearing elsewhere herein and by all Trustees and executive officers as a group. Each of the persons named below has sole voting power and sole investment power with respect to the shares set forth opposite his, her or its name, except as otherwise noted.

| Beneficial Owners | Number of Common Shares Beneficially Owned | | Percent of Class |
|---|---|---|---|
| *5% Beneficial Owners* | | | |
| BlackRock, Inc. (1) | 15,896,877 | | 18.30 |
| The Vanguard Group, Inc. (2) | 13,273,091 | | 15.28 |
| FMR LLC (3) | 10,469,029 | | 12.05 |
| Abigail P. Johnson (3) | 10,469,029 | | 12.05 |
| T. Rowe Price Associates, Inc. (4) | 6,550,684 | | 7.54 |
| *Trustees and Executive Officers* (5) | | | |
| Kenneth F. Bernstein | 1,604,353 | (6) | 1.85 |
| John Gottfried | 23,006 | (7) | * |
| Christopher Conlon | 66,699 | (8) | * |
| Joseph Napolitano | 81,664 | (9) | * |
| Jason Blacksberg | 29,647 | (10) | * |
| Douglas Crocker II | 50,931 | (11) | * |
| Lorrence T. Kellar | 60,619 | (12) | * |
| Wendy Luscombe | 27,234 | (13) | * |
| William T. Spitz | 35,234 | (14) | * |
| Lynn C. Thurber | 13,578 | (15) | * |
| Lee S. Wielansky | 56,045 | (16) | * |

| | | | |
|---|---|---|---|
| C. David Zoba | 19,629 | (17) | * |
| All Executive Officers and Trustees as a Group (12 persons) | 2,068,639 | (18) | 2.38 |

Notes:

* Represents less than 1%.

(1) Other than the information relating to its percentage of ownership of the Company's Common Shares, the beneficial ownership information with respect to BlackRock, Inc. is based solely on a Schedule 13G/A BlackRock, Inc. filed with the SEC on February 4, 2020 (the "BlackRock 13G/A").

The principal business office address of BlackRock, Inc. is 55 East 52nd Street, New York, NY 10055. According to the BlackRock, Inc. 13G/A, the reporting entities ownership of the Company's Common Shares is as follows:

| | Number of shares beneficially owned by each reporting person with: | | | |
|---|---|---|---|---|
| | Sole Voting Power | Shared Voting Power | Sole Dispositive Power | Shared Dispositive Power |
| Blackrock, Inc. | 15,565,715 | — | 15,896,877 | — |

(2) Other than the information relating to its percentage of ownership of the Company's Common Shares, the beneficial ownership information with respect to The Vanguard Group, Inc. ("The Vanguard Group") is based solely on the Schedule 13G/A The Vanguard Group filed with the SEC on February 10, 2020 (the "Vanguard 13G/A").

According to the Vanguard 13G/A, Vanguard Fiduciary Trust Company ("VFTC"), a wholly-owned subsidiary of The Vanguard Group, is the beneficial owner of 71,405 Common Shares outstanding of the Company as a result of its serving as investment manager of collective trust accounts. VFTC directs the voting of these shares.

According to the Vanguard 13G/A, Vanguard Investments Australia, Ltd. ("VIA"), a wholly-owned subsidiary of The Vanguard Group, is the beneficial owner of 194,000 Common Shares outstanding of the Company as a result of its serving as investment manager of Australian investment offerings. VIA directs the voting of these shares.

The principal business office address of The Vanguard Group is 100 Vanguard Blvd. Malvern, PA 19355. According to the Vanguard 13G, The Vanguard Group's ownership of the Company's Common Shares is as follows:

| | Number of shares beneficially owned by each reporting person with: | | | |
|---|---|---|---|---|
| | Sole Voting Power | Shared Voting Power | Sole Dispositive Power | Shared Dispositive Power |
| The Vanguard Group | 173,008 | 92,397 | 13,109,289 | 163,802 |

(3) Other than the information relating to its percentage of ownership of the Company's Common Shares, the beneficial ownership information with respect to FMR LLC and Abigail P. Johnson is based solely on a Schedule 13G/A jointly filed by FMR LLC and Abigail P. Johnson with the SEC on February 7, 2020 by FMR LLC (the "FMR LLC 13G/A"). Abigail P. Johnson does not independently own these shares but is listed because she has sole dispositive power on behalf of FMR LLC, the record holder, due to her position with FMR LLC.

The principal business office address of FMR LLC and Abigail P. Johnson is 245 Summer Street, Boston, MA 02210. According to the FMR LLC 13G/A, the reporting entities ownership of the Company's Common Shares is as follows:

| | Number of shares beneficially owned by each reporting person with: | | | |
|---|---|---|---|---|
| | Sole Voting Power | Shared Voting Power | Sole Dispositive Power | Shared Dispositive Power |
| FMR LLC | 2,796,690 | — | 10,496,029 | — |
| Abigail P. Johnson | — | — | 10,496,029 | — |

(4) Other than the information relating to its percentage of ownership of the Company's Common Shares, the beneficial ownership information with respect to T. Rowe Price Associates, Inc. ("Price Associates") is based solely on a Schedule 13G/A Price Associates filed with the SEC on February 14, 2020 ("Price Associates 13G/A").

The principal business office address of Price Associates is 100 E. Pratt Street, Baltimore, MD 21202. According to the Price Associates 13G/A, Price Associates ownership of the Company's Common Shares is as follows:

| | Number of shares beneficially owned by each reporting person with: | | | |
|---|---|---|---|---|
| | Sole Voting Power | Shared Voting Power | Sole Dispositive Power | Shared Dispositive Power |
| T. Rowe Price Associates, Inc. | 1,419,518 | — | 6,550,684 | — |

(5) The principal business office address of each such person is c/o Acadia Realty Trust, 411 Theodore Fremd Avenue, Suite 300, Rye, NY 10580.

(6) The Common Shares beneficially owned by Mr. Bernstein in his individual capacity consist of (i) 143,639 OP Units which are immediately exchangeable into a like number of Common Shares and 1,113,457 LTIP Units (as hereinafter defined) and (ii) 347,257 Common Shares. The amount reflected does not include 509,081 Restricted LTIP Units (as hereinafter defined), none of which will vest in the next 60 days.

(7) Represents (i) 23,006 LTIP Units. The amount reflected does not include 98,173 Restricted LTIP Units, none of which will vest in the next 60 days.

(8) Represents (i) 56,699 LTIP Units and (ii) 10,000 Common Shares. The amount reflected does not include 141,930 Restricted LTIP Units, none of which will vest in the next 60 days.

(9) Represents (i) 81,546 LTIP Units and (ii) 118 Common Shares. The amount reflected does not include 83,215 Restricted LTIP Units, none of which will vest in the next 60 days.

(10) Represents (i) 29,647 LTIP Units. The amount reflected does not include 83,149 Restricted LTIP Units, none of which will vest in the next 60 days.

(11) Represents (i) 46,524 Common Shares and (ii) 4,407 LTIP Units. The amount reflected does not include 6,845 Restricted Share Units and 1,332 Restricted LTIP Units, 4,679 of which will vest in the next 60 days.

(12) Represents (i) 39,861 Common Shares and (ii) 20,758 LTIP Units. The amount reflected does not include 8,769 Restricted LTIP Units, 5,271 of which will vest in the next 60 days.

(13) Represents 27,234 Common Shares. The amount reflected does not include 6,697 Restricted Share Units, 3,199 of which will vest in the next 60 days. Of these 27,234 Common Shares, all of which have been deferred.

(14) Represents 35,234 Common Shares. The amount reflected does not include 6,697 Restricted Share Units, 3,199 of which will vest in the next 60 days.

(15) Represents 13,578 Common Shares. The amount reflected does not include 9,657 Restricted Share Units, 6,159 of which will vest in the next 60 days.

(16) Represents 53,596 Common Shares and (ii) 2,449 LTIP Units. The amount reflected does not include 2,015 Restricted Share Units and 5,670 Restricted LTIP Units, 4,186 of which will vest in the next 60 days.

(17) Represents 3,190 Common Shares and 16,439 LTIP Units. The amount reflected does not include 9,657 Restricted LTIP Units, 6,159 of which will vest in the next 60 days.

(18) See Notes (6) through (17).

## CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Although the Company does not believe it is a conflict of interest or a related party transaction, the Company notes that it earned property management, construction development, legal and leasing fees from its investments in unconsolidated partnerships totaling $1,149,984 for the year ended December 31, 2019.

*Review and Approval of Related Person Transactions.*

The Company reviews all relationships and transactions in which the Company and the Company's Trustees and Named Executive Officers or their immediate family members are participants to determine whether such persons have a direct or indirect material interest. The Company's legal and accounting staff is primarily responsible for the development and implementation of processes and controls to obtain information from the Trustees and Named Executive Officers with respect to related person transactions and for then determining, based on the facts and circumstances, whether the Company or a related person has a direct or indirect material interest in the transaction. In addition, pursuant to its Charter, the Audit Committee reviews and approves all related party transactions. The Company does not have any written standards for approving related party transactions. However, the Audit Committee only approves a related party transaction if it believes the transaction is in the best interest of the Company and its shareholders.

## ANNUAL REPORT TO SHAREHOLDERS

A copy of the Company's Annual Report to Shareholders is being provided to each shareholder of the Company along with this Proxy Statement. **Upon written request of any record or beneficial owner of Common Shares of the Company whose proxy was solicited in connection with the Annual Meeting, the Company will furnish such owner, without charge, a copy of its Annual Report on Form 10-K for the year ended December 31, 2019. A request for a copy of such Annual Report on Form 10-K should be made in writing, addressed to Acadia Realty Trust, 411 Theodore Fremd, Suite 300, Rye, NY 10580, Attention: Corporate Secretary.** Copies of the Annual Report to Shareholders and Annual Report on Form 10-K may be found on the Company's website at www.acadiarealty.com. Please note that the information on the Company's website is not incorporated by reference in this Proxy Statement.

## OTHER MATTERS

As of the date of this Proxy Statement, the Board of Trustees does not know of any matters to be presented at the Annual Meeting other than those specifically set forth in the Notice of Annual Meeting. If any other matters, however, are properly brought before the Annual Meeting or any postponement or adjournment thereof, proxies will be voted by the proxy holders in their discretion.

## SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires the Company's Named Executive Officers, certain other officers and Trustees and persons who own more than 10% of the Common Shares to file reports of ownership and changes in ownership with the SEC and to furnish the Company with copies of these reports. As a practical matter, the Company assists its officers and Trustees by monitoring transactions and completing and filing Section 16 reports on their behalf.

## SUBMISSION OF SHAREHOLDER PROPOSALS

Pursuant to Rule 14a-8 under the Exchange Act, some shareholder proposals may be eligible for inclusion in the Company's 2021 proxy statement and form of proxy. In accordance with Rule 14a-8, these proposals must be received by the Company on or before November 27, 2020. All such proposals must be submitted in writing to the Corporate Secretary of the Company at the following address: Acadia Realty Trust, 411 Theodore Fremd Avenue, Suite 300, Rye, NY 10580, Attention: Corporate Secretary.

In addition, if you desire to bring business (including Trustee nominations) before the Company's 2021 Annual Meeting, other than proposals presented under Rule 14a-8, you must provide written notice to the Corporate Secretary at the address noted in the preceding paragraph between October 28, 2020 and November 27, 2020; provided, however, if the date of the 2021 Annual Meeting is advanced or delayed by more than 30 days from May 7, 2021 (the anniversary of the date of the Annual Meeting), notice by a shareholder must be delivered not earlier than the 150th day prior to the 2021 Annual Meeting and not later than 5:00 p.m., Eastern Time, on the later of the 120th day prior to the 2021 Annual Meeting or the tenth day following the day on which public announcement of the date of 2021 Annual Meeting is first made. You are also advised to review the Company's Bylaws, which contain additional requirements about advance notice of shareholder proposals and Trustee nominations.

## DELIVERY OF DOCUMENTS TO SHAREHOLDERS SHARING AN ADDRESS

The Company has adopted a procedure called "householding," which has been approved by the SEC. Under this procedure, the Company is delivering only one copy of its Annual Report and Proxy Statement to multiple shareholders who share the same mailing address and have the same last name, unless the Company has received contrary instructions from an affected shareholder. This procedure reduces the Company's printing costs, mailing costs and fees. Shareholders who participate in householding will continue to receive separate proxy cards.

The Company will deliver promptly, upon written or oral request, a separate copy of the Annual Report and Proxy Statement to any shareholder at a shared address to which a single copy of the Annual Report or the Proxy Statement was delivered. A shareholder who wishes to receive a separate copy of the Proxy Statement and Annual Report, now or in the future, should submit a request in writing to Acadia Realty Trust, 411 Theodore Fremd Avenue, Suite 300, Rye, NY 10580, Attention: Corporate Secretary. You may also call (914) 288-8100 to request a copy of the Proxy Statement and Annual Report. You may also access the Company's Annual Report and Proxy statement at www.acadiarealty.com/proxy. Please note that the information on the Company's website is not incorporated by reference in this Proxy Statement

If you are a shareholder of record and would like to revoke your householding consent and receive multiple copies of the Annual Report or Proxy Statement in the future, or if you currently receive multiple copies of these documents and would like only to receive a single copy, please contact the Company at the address listed in the preceding paragraph.

A number of brokerage firms have instituted householding. If you hold your shares in "street name," please contact your bank, broker or other holder of record to request information about householding.

By order of the Board of Trustees,

Jason Blacksberg, Secretary
***ACADIA REALTY TRUST***
***411 THEODORE FREMD AVENUE***
***SUITE 300***
***RYE, NY 10580***

**VOTE BY MAIL**

# Annual Report
## on Form 10-K

for the year ended
December 31, 2019

Dear Fellow Shareholders:

Most importantly, I hope this letter finds you and your loved ones well.

As I write this letter:
— **The World Health Organization has declared coronavirus a global pandemic.**
— The virus has now reached all 50 states.
— New York State is on "PAUSE," with schools closed, Broadway theaters dark, and all non-essential gatherings of individuals of any size banned.
— All residents of the state of California have been ordered to "stay at home."
— The Federal Reserve has slashed interest rates to zero.
— Above all, **the outlook remains unclear**. In fact, the situation is rapidly evolving from one breaking news alert to the next.

What does this mean for our retailers? At this point, there are more questions than answers:
— Will coronavirus accelerate the separation of the "haves" and "have nots" among retailers? *Probably.*
— Will retailers pause their expansion plans? *A few days in, retailers are still pushing new deals forward but will likely hold off on making binding commitments until the outlook is more certain.*
— What will the impact be on grocery sales? *Up.*
— Will toilet paper be restocked? *Yes! We have plenty to be concerned about, but not this.*

As scary as this shock has been to our economy and our wellbeing, we will get through it. And, it is not too early to begin thinking about what retailing will look like at that time. Prior to this crisis, there were legitimate questions about the role of physical real estate in the retailing industry. Thankfully, during 2019, we were pleased to see some of these questions answered in the affirmative by:

1. **Traditional retailers executing a multichannel strategy.** Target, for example, continues to invest in its existing fleet and add new stores, both full-size and smaller. Target's new stores are closer to home and are providing shoppers with the convenience of multiple fulfillment options. That is, buy online, ship to home; buy online, pickup in-store ("BOPIS"); or, just shop. Importantly, when Target can shift an online order from home delivery to in-store pickup, the retailer can eliminate 90% of the incremental cost! Thus, for those retailers focused on profitability (it should be all!), the store is the future and a key strategic advantage.

2. **Traditional in-store-only retailers.** T.J.Maxx, Ross Dress for Less and Trader Joe's continue to thrive with limited e-commerce initiatives – another win for physical real estate.

3. **Young, digitally-native brands.** Many digitally-native retailers have come to understand the high cost of acquiring, and retaining, an online customer. Accordingly, many of these brands are now incorporating physical real estate into their growth plans and successfully opening mission-critical stores. To be clear:
— These brands will occupy a fraction of the square footage of our legacy retailers.
— They will not solve the reality that the U.S. is overretailed.
— But, they do know how to energize a shopping corridor.
— And, they know that a store is their best pathway to profitability.

What does all this mean for Acadia?

Although we didn't anticipate this global pandemic, we knew that we were in the tenth year of economic growth; as such, we started preparing for an inevitable slowdown. As early as a few years ago:
— **We made sure we remained financially sound.** A healthy balance sheet is a way of life for us.
— **We continued to add high-quality real estate in key gateway markets to our core portfolio.** From one economic cycle to the next, we need to keep our company relevant to our retailers over the next 1, 5, 10, 20 years.

— At a time when we could achieve historically-wide spreads between borrowing costs and acquisition cap rates, **we pivoted away from new and riskier developments in favor of stable cash flow in our fund platform.**

At the end of the day, our goal is to protect and grow shareholder value and to deliver attractive risk-adjusted returns over any extended period. We are up to the task.

# 1. Balance sheet strength matters, again

While many things have changed over the past several days, our balance sheet strength has not.

— **Our business model was never built on the use of significant leverage.** With a debt to EBITDA ratio of 6.3*x* and a fixed-charge coverage ratio of 3.4*x* for the twelve months ended December 31, 2019, the portfolio (comprised of the core and pro rata share of our opportunity funds) is "refinanceable," should the need arise. That said,

— **We don't have any significant impending core debt maturities.**

— **We have limited capital needs associated with development activities.** Our core projects are nearing completion, and our limited fund pipeline is already pre-funded with the capital commitments on call.

# 2. Continuing to curate our core portfolio

While it's still too early to quantify the short-term impact of coronavirus on our core portfolio, we believe that the mission-critical locations that dominate our portfolio will remain valuable in the long term.

Furthermore, considering other market forces at work, including:

— the continued growth of e-commerce,

— an oversupply of retail properties in the U.S., and

— a further separation between the "haves" and "have nots" among retailers,

we still believe our shift, over the past several years, to densely-populated, high barrier-to-entry markets will be the best way to create long-term shareholder value in our core portfolio.

After nearly a decade of thoughtful growth, more than 70% of our core portfolio is now comprised of urban and street retail in New York, San Francisco, Chicago, Boston and Washington DC. The balance is comprised of suburban shopping centers with a necessity or discounter focus.

Top tenants at our properties include several retailers providing essential goods to their communities, including Target (#1 in our tenant list), Walgreens (#2), Stop & Shop (#4), and Trader Joe's (#10). Particularly during these turbulent times, we thank them for their service to our families and neighbors.

Although coronavirus is top of mind, I want to highlight some important leasing progress that our team made last year in several of our key properties and corridors:

First, at **City Center**, a 250k-sf Target-anchored property, in **San Francisco, CA**, you may recall that we recaptured a 55k-sf Best Buy in 2018 and executed a lease with Whole Foods for the entire space in January 2019. We still have to go through an important local approval process before the tenant will be cleared to proceed but, assuming we are successful, both the community and the property are sure to benefit from this addition.

— Did you know — at times, there is a line to park your car and shop at the Trader Joe's across the street? This neighborhood needs another good grocery store (especially now)!

Next, what started with Warby Parker and Bonobos on **Armitage Ave** in **Lincoln Park, Chicago, IL**, has become a cluster of digitally-native brands, including Serena & Lily, allbirds, and Outdoor Voices. Including three buildings acquired during 2019, we now own 12 buildings on this three-block corridor. As a result of our concentrated ownership, we have been able to successfully curate the merchandise mix to create a vibrant shopping experience. In fact, during 2019, we executed leases with two more young brands –Parachute and Lively. We even have a waiting list. When a submarket is supply constrained and retailers can successfully operate, rents can grow – as they have on Armitage Ave.

This is just one example of Acadia's clustering and curation strategy. Another is **Rush St & Walton St** in the **Gold Coast, Chicago, IL.** During 2019, we executed a lease with Reformation on Walton St. We also successfully recaptured the Marc Jacobs beneath the Waldorf-Astoria and have already pre-leased approximately half the space to a luxury womenswear designer.

**On the acquisitions front**, last year, we added approximately $190 million of core assets consistent with our long-term vision. In addition to the Armitage Ave properties previously discussed, this includes:

— A **six-property Greene St portfolio** and **565 Broadway,** in **Soho, New York, NY**. Soho has certainly been a rollercoaster ride, but (prior to the coronavirus outbreak) we were beginning to see green shoots.

— A portfolio of five contiguous buildings on **Melrose Pl** in **Los Angeles, CA.** Pedestrian-friendly Melrose Pl, which boasts strong retailer sales volumes, is a natural extension of our street-retail strategy.

# 3. A contrarian play in our fund platform

**Turning to our fund platform,** our funds have been pursuing a barbell strategy, acquiring both:

— High-yield or other opportunistic investments; and

— High-quality, value-add properties.

Although we didn't think things would take such a dramatic turn, a few years ago, we pivoted away from taking on new, somewhat riskier development projects in favor of acquiring more stable (but out-of-favor) shopping centers. During 2019, we completed approximately $320 million of acquisitions. Over the past few years, we've successfully aggregated an approximately $650 million portfolio of open-air suburban shopping centers on behalf of Fund V. We've done so at an unleveraged yield of approximately 8% (and at a substantial discount to replacement cost). With two-thirds leverage, at a blended interest rate of 3.7%, we are currently clipping a mid-teens yield on our invested equity.

This 14-property portfolio has strong geographic diversity. Based on invested equity, 39% is in the Northeast, 26% is in the South, and 12% is in the Midwest. These are primarily non supermarket-anchored properties and top tenants include the TJX companies, Ross Dress for Less, Best Buy and Walmart.

As previously discussed, cash flow stability is key to our strategy. To that point, we are pleased to report that these carefully-selected assets continue to perform consistent with our underwritten expectations. While these shopping centers remain out of favor for now, we believe that institutional capital will return driven by a demand for yield. In the meantime, we are enjoying the coupon.

To date, we have allocated approximately 60% of Fund V's capital commitments. This leaves us with approximately $600 million of dry powder, on a leveraged basis, available to deploy through the summer of 2021.

**Turning to existing investments**, strong leasing velocity continues at City Point, our urban retail property in downtown Brooklyn. During 2019, we executed leases for more than 60k sf of space and, looking ahead, we have a healthy pipeline. Our 2019 activity included:

— An expansion of Alamo Drafthouse, which is already one of the most-productive movie theaters per screen in the country. Alamo leased another 25k sf at City Point, which will enable it to respond to strong demand from moviegoers by doubling its screen count and adding a second kitchen.

— During 2019, we also executed an 18k-sf lease with NYU Dental on the fourth and fifth floors.

— And, on the ground floor, we were pleased to welcome Camp, a family experience store, and Casper, both now open.

Since year end:
- McNally Jackson, a long-standing, NYC-based independent bookstore, opened on City Point's Prince St Passage, and
- lululemon executed a lease for a 4k-sf shop.

Overall, as it relates to this final lease-up, we have remained patient and selective, focused on merchandise mix and retailers' ability to deliver strong sales volume at this successful project. After all, our concourse level is already delivering sales of approximately $100 million per year.

# 4. In conclusion…

2020 has brought with it a unique and unprecedented set of challenges for our economy and the real estate industry. And, we are still in the early innings of this crisis.

I recognize that discussing last year's trends and progress does little to explain the uncertainty and impact that our country and our industry is facing as a result of coronavirus. There is no doubt that several, if not all, of our retailers will face a severe shock. Hopefully, the longer-term impact will be much less severe. Nevertheless, we believe that we have built our company to withstand the unexpected.
- We have a strong balance sheet.
- We have a well-located and well-leased core portfolio.
- And, we have an opportunistic fund platform that is disconnected from the public markets.

Looking ahead, our healthy balance sheet and access to growth capital keeps us well-positioned to capitalize on new opportunities as they emerge. Most importantly, our team and our Board is cycle tested and prepared to handle volatility and recessions.

This is going to take time, patience, capital, and persistence. It won't be easy, and not everyone will be successful. Thankfully, given our strong portfolio, our access to capital, and our expertise, we are confident that we will weather this storm.

**Kenneth F. Bernstein**
President & CEO
March 23, 2020

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**
**Washington, D.C. 20549**

# FORM 10-K

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

**For the fiscal year ended December 31, 2019**

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

**For the transition period from________ to________**

***Commission File Number 1-12002***

# ACADIA REALTY TRUST

(Exact name of registrant in its charter)

| | |
|---|---|
| **Maryland** | **23-2715194** |
| (State or Other Jurisdiction of Incorporation or Organization) | (I.R.S. Employer Identification No.) |

**411 Theodore Fremd Avenue, Suite 300 Rye, NY 10580**
(Address of principal executive offices)
**(914) 288-8100**
(Registrant's telephone number, including area code)

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

YES ☒ NO ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

YES ☐ NO ☒

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

**YES** ☒ **NO** ☐

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

**YES** ☒ **NO** ☐

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

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

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

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of the last business day of the registrant's most recently completed second fiscal quarter was approximately $2,311.5 million, based on a price of $27.37 per share, the average sales price for the registrant's common shares of beneficial interest on the New York Stock Exchange on that date.

The number of shares of the registrant's common shares of beneficial interest outstanding on February 12, 2020 was 82,127,330.

**DOCUMENTS INCORPORATED BY REFERENCE**

Part III – Portions of the registrant's definitive proxy statement relating to its 2020 Annual Meeting of Shareholders presently scheduled to be held May 7, 2020 to be filed pursuant to Regulation 14A.

**ACADIA REALTY TRUST AND SUBSIDIARIES**

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## SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this Annual Report on Form 10-K (the “Report”) may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities and Exchange Act of 1934, as amended (the “Exchange Act”), and as such may involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Forward-looking statements, which are based on certain assumptions and describe our future plans, strategies and expectations are generally identifiable by use of the words “may,” “will,” “should,” “expect,” “anticipate,” “estimate,” “believe,” “intend” or “project” or the negative thereof or other variations thereon or comparable terminology. Factors which could have a material adverse effect on our operations and future prospects include, but are not limited to those set forth under the headings “Item 1A. Risk Factors” and “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this Report. These risks and uncertainties should be considered in evaluating any forward-looking statements contained or incorporated by reference herein.

## SPECIAL NOTE REGARDING CERTAIN REFERENCES

All references to “Notes” throughout the document refer to the footnotes to the consolidated financial statements of the registrant referenced in Part II, Item 8. Financial Statements.

## PART I

## ITEM.1. BUSINESS.

## GENERAL

Acadia Realty Trust (the "Trust") was formed on March 4, 1993 as a Maryland real estate investment trust ("REIT"). All references to "Acadia," "we," "us," "our" and "Company" refer to the Trust and its consolidated subsidiaries. We are a fully integrated REIT focused on the ownership, acquisition, development and management of high-quality retail properties located primarily in high-barrier-to-entry, supply-constrained, densely-populated metropolitan areas in the United States. We currently own or have an ownership interest in these properties through our Core Portfolio (as defined below). We generate additional growth through our Funds (as defined below) in which we co-invest with high-quality institutional investors.

All of our assets are held by, and all of our operations are conducted through, Acadia Realty Limited Partnership (the "Operating Partnership") and entities in which the Operating Partnership owns an interest. As of December 31, 2019, the Trust controlled 95% of the Operating Partnership as the sole general partner. As the general partner, the Trust is entitled to share, in proportion to its percentage interest, in the cash distributions and profits and losses of the Operating Partnership. The limited partners primarily represent entities or individuals that contributed their interests in certain properties or entities to the Operating Partnership in exchange for common or preferred units of limited partnership interest ("Common OP Units" or "Preferred OP Units," respectively, and collectively, "OP Units") and employees who have been awarded restricted Common OP Units as long-term incentive compensation ("LTIP Units"). Limited partners holding Common OP and LTIP Units are generally entitled to exchange their units on a one-for-one basis for our common shares of beneficial interest of the Trust ("Common Shares"). This structure is referred to as an umbrella partnership REIT, or "UPREIT."

## BUSINESS OBJECTIVES AND STRATEGIES

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

- Own and operate a portfolio of high-quality retail properties located primarily in high-barrier-to-entry, densely-populated metropolitan areas ("Core Portfolio"). Our goal is to create value through accretive development and re-tenanting activities within our existing portfolio and grow this platform through the acquisition of high-quality assets that have the long-term potential to outperform the asset class.
- Generate additional growth through our Funds (as defined below) in which we co-invest with high-quality institutional investors. Our Fund strategy focuses on opportunistic yet disciplined acquisitions with high inherent opportunity for the creation of additional value, execution on this opportunity and the realization of value through the sale of these assets. In connection with this strategy, we focus on:

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

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

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

### Investment Strategy — Generate External Growth through our Dual Platforms; Core Portfolio and Funds

The requirements that acquisitions be accretive on a long-term basis based on our cost of capital, as well as increase the overall Core Portfolio quality and value, are key strategic considerations to the growth of our Core Portfolio. As such, we constantly evaluate the blended cost of equity and debt and adjust the amount of acquisition activity to align the level of investment activity with capital flows.

Given the growing importance of technology and e-commerce, many of our retail tenants are appropriately focused on omni-channel sales and how to best utilize e-commerce initiatives to drive sales at their stores. In light of these initiatives, we have found retailers are becoming more selective as to the location, size and format of their next-generation stores and are focused on dense, high-traffic retail corridors, where they can utilize smaller and more productive formats closer to their shopping population. Accordingly, our focus for Core Portfolio and Fund acquisitions is on those properties which we believe will not only remain relevant to our tenants, but become even more so in the future.

In addition to our Core Portfolio investments in real estate assets, we have also capitalized on our expertise in the acquisition, development, leasing and management of retail real estate by establishing discretionary opportunity funds. Our Fund platform is an investment vehicle where the Operating Partnership invests, along with outside institutional investors, including, but not limited to, endowments, foundations, pension funds and investment management companies, in primarily opportunistic and value-add retail real estate. To date, we have launched five funds ("Funds"); Acadia Strategic Opportunity Fund, LP ("Fund I," which was liquidated in 2015), Acadia Strategic Opportunity Fund II, LLC ("Fund II"), Acadia Strategic Opportunity Fund III LLC ("Fund III"), Acadia Strategic Opportunity Fund IV LLC ("Fund IV") and Acadia Strategic Opportunity Fund V LLC ("Fund V," and our "current fund"). Due to our level of control, we consolidate these Funds for financial reporting purposes. Fund I and Fund II have also included investments in operating companies through Acadia Mervyn Investors I, LLC ("Mervyns I", which was liquidated in 2018), Acadia Mervyn Investors II, LLC ("Mervyns II") and, in certain instances, directly through Fund II, all on a non-recourse basis. These investments comprise, and are referred to as, the Company's Retailer Controlled Property Venture ("RCP Venture").

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

See Note 1 in the Notes to Consolidated Financial Statements, included in Item 8 of this Report ("Notes to Consolidated Financial Statements"), for a detailed discussion of the Funds.

**Capital Strategy — Balance Sheet Focus and Access to Capital**

Our primary capital objective is to maintain a strong and flexible balance sheet through conservative financial practices, including moderate use of leverage within our Core Portfolio, while ensuring access to sufficient capital to fund future growth. We intend to continue financing acquisitions and property development with sources of capital determined by management to be the most appropriate based on, among other factors, availability in the current capital markets, pricing and other commercial and financial terms. The sources of capital may include the issuance of public equity, unsecured debt, mortgage and construction loans, and other capital alternatives including the issuance of OP Units. We manage our interest rate risk through the use of fixed-rate debt and, where we use variable-rate debt, through the use of certain derivative instruments, including London Interbank Offered Rate ("LIBOR") swap agreements and interest rate caps as discussed further in Item 7A of this Report.

During 2018, the Company revised its share repurchase program. The new share repurchase program authorizes management, at its discretion, to repurchase up to $200.0 million of its outstanding Common Shares. The program may be discontinued or extended at any time. The Company repurchased 2,294,235 shares for $55.1 million, inclusive of $0.1 million of fees, during the year ended December 31, 2018. The Company did not repurchase any shares during the years ended December 31, 2019 or 2017. As of December 31, 2019, management may repurchase up to approximately $145.0 million of the Company's outstanding Common Shares under this program.

We launched an at-the-market ("ATM") equity issuance program in 2012 which provides us an efficient and low-cost vehicle for raising public equity to fund our capital needs. Through this program, we have been able to effectively "match-fund" a portion of the required equity for our Core Portfolio and Fund acquisitions through the issuance of Common Shares over extended periods employing a price averaging strategy. In addition, from time to time, we have issued and intend to continue to issue equity in follow-on offerings separate from our ATM program. Net proceeds raised through our ATM program and follow-on offerings are primarily used for acquisitions, both for our Core Portfolio and our pro-rata share of Fund acquisitions and for other general corporate purposes. During 2019, we issued 5,164,055 Common Shares through our ATM program with gross proceeds of $147.7 million. See Note 10 for further details. No such issuances were made during 2018 or 2017.

**Operating Strategy — Experienced Management Team with Proven Track Record**

Our senior management team has decades of experience in the real estate industry. We have capitalized on our expertise in the acquisition, development, leasing and management of retail real estate by creating value through property development, re-tenanting and establishing joint ventures, such as the Funds, in which we earn, in addition to a return on our equity interest, Promotes, priority distributions and fees.

Operating functions such as leasing, property management, construction, finance and legal (collectively, the "Operating Departments") are generally provided by our personnel, providing for a vertically integrated operating platform. By incorporating the Operating Departments in the acquisition process, the Company believes that its acquisitions are appropriately evaluated giving effect to each asset's specific risks and returns.

**INVESTING ACTIVITIES**

See Item 2. Properties for a description of the properties in our Core and Fund portfolios. See Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations for a detailed discussion of our consolidated and unconsolidated acquisitions.

**Core Portfolio**

Our Core Portfolio consists primarily of high-quality street retail and urban assets, as well as suburban properties located in high-barrier-to-entry, densely-populated trade areas.

As we typically hold our Core Portfolio properties for long-term investment, we review the portfolio and implement programs to renovate and re-tenant targeted properties to enhance their market position. This in turn is expected to strengthen the competitive position of the leasing program to attract and retain quality tenants, increasing cash flow, and consequently, property values. From time to time, we also identify certain properties for disposition and redeploy the capital for acquisitions and for the repositioning of existing properties with greater potential for capital appreciation.

We also make investments in first mortgages and other notes receivable collateralized by real estate, ("Structured Finance Program") either directly or through entities having an ownership interest therein.

***Acquisitions***

During 2019, we invested in one unconsolidated leasehold interest and one unconsolidated property (Note 4), acquired nine consolidated properties (Note 2) and invested in one leasehold interest (Note 11) in our Core portfolio for a total of $185.9 million.

***Dispositions***

During 2019, we sold our Pacesetter Park shopping center for $22.6 million (Note 2).

***Structured Financing Investments***

During 2019, we provided seller financing on our sale of Pacesetter Park shopping center in the amount of $13.5 million within our Structured Financing segment and advanced $4.3 million on an existing loan. As of December 31, 2019, we had $76.5 million invested in this program. See Note 3, for a detailed discussion of our Structured Finance Program.

**Funds**

***Acquisitions***

*Fund IV* – During 2019, Fund IV acquired a consolidated leasehold interest in New York City for $10.5 million (Note 11).

*Fund V* – During 2019, Fund V invested in four unconsolidated properties (Note 4) and three consolidated properties (Note 2) for an aggregate purchase price of $318.0 million.

***Dispositions***

*Fund III* – During 2019, Fund III sold two consolidated properties for a total of $38.2 million.

*Fund IV* – During 2019, Fund IV sold two consolidated properties and three residential condominium units for an aggregate of $48.6 million.

***Structured Financing Investments***

*Fund IV* – During 2019, Fund IV received repayment of a $15.3 million Structured Financing investment (Note 3).

***Development and Redevelopment Activities***

As part of our investing strategy, we invest in real estate assets that may require significant development. In addition, certain assets may require redevelopment to meet the demand of changing markets. As of December 31, 2019, there were five Fund development projects, and one Core development project and four Core redevelopment projects. During the year ended December 31, 2019, the Company placed one consolidated Core property into service, placed one consolidated Core property into development, placed one consolidated Core property into redevelopment and placed two consolidated Fund properties into development. See Item 2. Properties—Development Activities and Note 2.

**INFLATION**

Our long-term leases contain provisions designed to mitigate the adverse impact of inflation on our net income. Such provisions include escalation clauses, which generally increase rental rates during the terms of the leases, and to a lesser extent, clauses enabling us to receive percentage rents based on tenants' gross sales, which generally increase as prices rise. 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.

**ENVIRONMENTAL LAWS**

For information relating to environmental laws that may have an impact on our business, please see "Item 1A. Risk Factors — We are exposed to possible liability relating to environmental matters."

**COMPETITION**

There are numerous entities that compete with us in seeking properties for acquisition and tenants that will lease space in our properties. Our competitors include other REITs, financial institutions, insurance companies, pension funds, private companies and individuals. Our properties compete for tenants with similar properties primarily on the basis of location, total occupancy costs (including base rent and operating expenses) and the design and condition of the improvements.

**CORPORATE HEADQUARTERS AND EMPLOYEES**

Our executive office is located at 411 Theodore Fremd Avenue, Suite 300, Rye, New York 10580, and our telephone number is (914) 288-8100. As of December 31, 2019, we had 118 employees, of which 92 were located at our executive office and 26 were located at regional property management offices. None of our employees are covered by collective bargaining agreements. Management believes that its relationship with employees is good.

**COMPANY WEBSITE**

All of our filings with the Securities and Exchange Commission, including our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, are available at no cost at our website at www.acadiarealty.com, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission. These filings can also be accessed through the Securities and Exchange Commission's website at www.sec.gov. Alternatively, we will provide paper copies of our filings at no cost upon request. If you wish to receive a copy of the Form 10-K, you may contact Jason Blacksberg, Corporate Secretary, at Acadia Realty Trust, 411 Theodore Fremd Avenue, Suite 300, Rye, NY 10580. You may also call (914) 288-8100 to request a copy of the Form 10-K. Information included or referred to on our website is not incorporated by reference in or otherwise a part of this Form 10-K.

**CODE OF ETHICS AND WHISTLEBLOWER POLICIES**

Our board of trustees (the "Board of Trustees"), adopted a Code of Business Conduct and Ethics applicable to all employees, as well as a "Whistleblower Policy." Copies of these documents are available in the Investor Information section of our website. We will disclose future amendments to, or waivers from (with respect to our senior executive financial officers), our Code of Ethics in the Investor Information section of our website within four business days following the date of such amendment or waiver.

**ITEM 1A. RISK FACTORS.**

Set forth below are the risk factors that we believe are material to our investors. You should carefully consider these risk factors, together with all of the other information included in this Report, including our consolidated financial statements and the related notes thereto, before you decide whether to make an investment in our securities. The occurrence of any of the following risks could adversely affect our financial condition, cash flows, results of operations, and ability to satisfy our debt service obligations and to make distributions to our shareholders. In such case, the trading price of our Common Shares could decline, and you may lose all or a significant part of your investment. This section includes or refers to certain forward-looking statements. See "Special Note Regarding Forward-Looking Statements" in this Report.

The following risk factors are not exhaustive. Other sections of this Report may include additional factors that could adversely affect our financial condition, cash flows, results of operations, and ability to satisfy our debt service obligations and to make distributions to our shareholders. Moreover, we operate in a very competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for us to predict all such risk factors, nor can we assess the impact of all such risk factors on our business or the extent to which any factor, or combination of factors, may affect our business. Investors should also refer to our quarterly reports on Form 10-Q and current reports on Form 8-K for future periods for material updates to these risk factors.

**RISKS RELATED TO OUR BUSINESS AND OUR PROPERTIES**

**There are risks relating to investments in real estate that could adversely affect our financial condition, cash flows, results of operations, and ability to satisfy our debt service obligations and to make distributions to our shareholders.**

Real property investments are subject to multiple risks. Real estate values are affected by a number of factors, including: changes in the general economic climate, local conditions (such as an oversupply of space or a reduction in demand), the quality and philosophy of management, competition from other available space, and the ability to provide adequate maintenance and insurance and to control variable operating costs. Retail properties, in particular, may be affected by changing perceptions of retailers or shoppers regarding the convenience and attractiveness of the property and by the overall climate for the retail industry. Real estate values are also affected by such factors as government regulations, interest rate levels, the availability of financing and potential liability under, and changes in, environmental, zoning, tax and other laws. A significant portion of our income is derived from rental income from real property. Our income and cash flow would be adversely affected if we were unable to rent our vacant space to viable tenants on economically favorable terms or at all. In the event of default by a tenant, we may experience delays in enforcing, as well as incur substantial costs to enforce, our rights as a landlord. In addition, certain significant expenditures associated with each equity investment (such as mortgage payments, real estate taxes and maintenance costs) are generally not reduced even though there may be a reduction in income from the investment.

**We rely on revenues derived from tenants, in particular our key tenants, and a decrease in those revenues could adversely affect our ability to make distributions to our shareholders.**

Revenue from our properties depends primarily on the ability of our tenants to pay the full amount of rent and other charges due under their leases on a timely basis. We derive significant revenues from a concentration of 20 key tenants which occupy space at more than one property and collectively account for approximately 37.8% of our consolidated revenue. We could be adversely affected in the event of the bankruptcy or insolvency of, or a downturn in the business of, any of our key tenants, or in the event that any such tenant does not renew its leases as they expire or renews such leases at lower rental rates. See "Item 2. Properties—Major Tenants" in this Report for quantified information with respect to the percentage of our minimum rents received from major tenants.

**Anchor tenants and co-tenancy are crucial to the success of retail properties and vacated anchor space directly and indirectly affects our rental revenues.**

Certain of our properties are supported by "anchor" tenants. Anchor tenants pay a significant portion of the total rents at a property and contribute to the success of other tenants by drawing large numbers of customers to a property. Vacated anchor space not only directly reduces rental revenues, but, if not re-tenanted with a tenant with comparable consumer attraction, could adversely affect the rest of the property primarily through the loss of customer drawing power. This can also occur through the exercise of the right that most anchors have, to vacate and prevent re-tenanting by paying rent for the balance of the lease term ("going dark"), such as the case of the departure of a "shadow" anchor tenant that is owned by another landlord. In addition, in the event that certain anchor tenants cease to occupy a property, such an action results in a significant number of other tenants having the contractual right to terminate their leases, or pay a reduced rent based on a percentage of the tenant's sales, at the affected property, which could adversely affect the future income from such property, also known as "co-tenancy." Although it may not directly reduce our rental revenues, and there are no contractual co-tenancy conditions, vacant retail space adjacent to, or even on the same block as our street and urban properties may similarly affect shopper traffic and re-tenanting activities at our properties. See "Item 2. Properties—Major Tenants" in this Report.

**The bankruptcy of, or a downturn in the business of, any of our major tenants or a significant number of our smaller tenants may adversely affect our financial condition, cash flows, results of operations and property values.**

The bankruptcy of, or a downturn in the business of, any of our major tenants causing them to reject their leases, or to not renew their leases as they expire, or renew at lower rental rates, may adversely affect our cash flows and property values. Furthermore, the impact of vacated anchor space and the potential reduction in customer traffic may adversely impact the balance of tenants at a shopping center.

Historically and from time to time, certain of our tenants experienced financial difficulties and filed for bankruptcy protection, typically under Chapter 11 of the United States Bankruptcy Code ("Chapter 11 Bankruptcy"). Pursuant to bankruptcy law, tenants have the right to reject some or all of their leases. In the event a tenant exercises this right, the landlord generally has the right to file a claim for lost rent equal to the greater of either one year's rent (including tenant expense reimbursements) for remaining terms greater than one year, or 15% of the rent remaining under the balance of the lease term, but not to exceed three years rent. Actual amounts to be received in satisfaction of those claims will be subject to the tenant's final bankruptcy plan and the availability of funds to pay its creditors. There can be no assurance that our major tenants will not declare bankruptcy, in which case we may be unable to recoup past and future rent in full, and to re-lease a terminated or rejected space on comparable terms or at all.

**We may not be able to renew current leases or the terms of re-letting (including the cost of concessions to tenants) may be less favorable to us than current lease terms.**

Upon the expiration of current leases for space located in our properties, we may not be able to re-let all or a portion of that space, or the terms of re-letting (including the cost of concessions to tenants) may be less favorable to us than current lease terms. If we are unable to re-let promptly all or a substantial portion of the space located in our properties or if the rental rates we receive upon re-letting are significantly lower than current rates, our net income and ability to make expected distributions to our shareholders will be adversely affected due to the resulting reduction in revenues. There can be no assurance that we will be able to retain tenants in any of our properties upon the expiration of their leases. See "Item 2. Properties—Lease Expirations" in this Report for additional information regarding the scheduled lease expirations in our portfolio.

**Our business is significantly influenced by demand for retail space generally, and a decrease in such demand may have a greater adverse effect on our business than if we owned a more diversified real estate portfolio.**

A decrease in the demand for retail space, may have a greater adverse effect on our business and financial condition than if we owned a more diversified real estate portfolio. The market for retail space has been, and could continue to be, adversely affected by weakness in the national, regional and local economies, the adverse financial condition of some large retailing companies and bankruptcy incidence, the ongoing consolidation in the retail sector, the excess amount of retail space in a number of markets, and increasing consumer purchases through the Internet. To the extent that any of these conditions occur, they are likely to negatively affect market rents for retail space and could adversely affect our financial condition, cash flows, results of operations, the trading price of our Common Shares and our ability to satisfy our debt service obligations and to pay distributions to our shareholders.

**E-commerce can have an impact on our business because it may cause a downturn in the business of our current tenants and affect future leases.**

The use of the Internet by retail consumers continues to gain in popularity and the migration toward e-commerce is expected to continue. The increase in Internet sales could result in a downturn in the business of our current tenants in their "brick and mortar" locations, adversely impacting their ability to satisfy their rent obligations, and could affect the way future tenants lease space.

While we devote considerable effort and resources to analyze and respond to tenant trends, preferences and consumer spending patterns, we cannot predict with certainty what future tenants will want, what future retail spaces will look like and how much revenue will be generated at traditional "bricks and mortar" locations. If we are unable to anticipate and respond promptly to trends in the market because of the illiquid nature of real estate (See the Risk Factor entitled, "Our ability to change our portfolio is limited because real estate investments are illiquid" below), our occupancy levels and financial results could suffer.

**The economic environment may cause us to lose tenants and may impair our ability to borrow money to purchase properties, refinance existing debt or finance our current development projects.**

Our operations and performance depend on general economic conditions, including consumer health. The U.S. economy has historically experienced financial downturns from time to time, including a decline in consumer spending, credit tightening and high unemployment.

While we currently believe we have adequate sources of liquidity, there can be no assurance that, in the event of a financial downturn, we will be able to obtain secured or unsecured loan facilities to meet our needs, including to purchase additional properties, to complete current development projects, or to successfully refinance our properties as loans become due. To the extent that the availability of credit is limited, it would also adversely impact our notes receivable as counterparties may not be able to obtain the financing required to repay the loans upon maturity.

Certain sectors of the U. S. economy are still experiencing weakness. Over the past several years, this structural weakness has resulted in periods of high unemployment, the bankruptcy or weakened financial condition of a number of retailers, decreased consumer spending, increased home foreclosures, low consumer confidence, and reduced demand and rental rates for certain retail space. There can be no assurance that the recovery will continue. General economic factors that are beyond our control, including, but not limited to, economic recessions, decreases in consumer confidence, reductions in consumer credit availability, increasing consumer debt levels, rising energy costs, higher tax rates, continued business layoffs, downsizing and industry slowdowns, and/or rising inflation, could have a negative impact on the business of our retail tenants. In turn, this could have a material adverse effect on our business because current or prospective tenants may, among other things, (i) have difficulty paying their rent obligations as they struggle to sell goods and services to consumers, (ii) be unwilling to enter into or renew leases with us on favorable terms or at all, (iii) seek to terminate their existing leases with us or request rental concessions on such leases, or (iv) be forced to curtail operations or declare bankruptcy.

**Political and economic uncertainty could have an adverse effect on our business.**

We cannot predict how current political and economic uncertainty will affect our critical tenants, joint venture partners, lenders, financial institutions and general economic conditions, including the health and confidence of the consumer and the volatility of the stock market.

Political and economic uncertainty poses a risk to us in that it may cause consumers to postpone discretionary spending in response to tighter credit, reduced consumer confidence and other macroeconomic factors affecting consumer spending behavior, resulting in a downturn in the business of our tenants. In the event current political and economic uncertainty results in financial turmoil affecting the banking system and financial markets generally or significant financial service institution failures, there could be a new or incremental tightening in the credit markets, low liquidity, and extreme volatility in fixed income, credit, currency and equity markets. Each of these factors could adversely affect our financial condition, cash flows and results of operations.

**Inflation may adversely affect our financial condition, cash flows and results of operations.**

Increased inflation could have a more pronounced negative impact on our mortgage and debt interest and general and administrative expenses, as these costs could increase at a rate higher than our rents. Also, inflation may adversely affect tenant leases with stated rent increases or limits on such tenant's obligation to pay its share of operating expenses, which could be lower than the increase in inflation at any given time. It may also limit our ability to recover all of our operating expenses. Inflation could also have an adverse effect on consumer spending, which could impact our tenants' sales and, in turn, our average rents, and in some cases, our percentage rents, where applicable. In addition, renewals of leases or future leases may not be negotiated on current terms, in which event we may recover a smaller percentage of our operating expenses.

**Many of our real estate costs are fixed, even if income from our properties decreases, which would cause a decrease in net income.**

Our financial results depend primarily on leasing space at our properties to tenants on terms favorable to us. Costs associated with real estate investment, such as real estate taxes, insurance and maintenance costs, generally are not reduced even when a property is not fully occupied, rental rates decrease, or other circumstances cause a reduction in income from the property. As a result, cash flow from the operations of our properties may be reduced if a tenant does not pay its rent or we are unable to fully lease our properties on favorable terms. Additionally, properties that we develop or redevelop may not produce any significant revenue immediately, and the cash flow from existing operations may be insufficient to pay the operating expenses and debt service associated with such projects until they are fully occupied.

**Our ability to change our portfolio is limited because real estate investments are illiquid.**

Equity investments in real estate are relatively illiquid and, therefore, our ability to change our portfolio promptly in response to changed conditions is limited, which could adversely affect our financial condition, cash flows, and ability to satisfy our debt service obligations and to make distributions to our shareholders. In addition, the Code contains restrictions on a REITs ability to dispose of properties that are not applicable to other types of real estate companies. Our Board of Trustees may establish investment criteria or limitations as it deems appropriate, but it currently does not limit the number of properties in which we may seek to invest or on the concentration of investments in any one geographic region. As discussed under the heading "Our Board of Trustees may change our investment policy without shareholder approval" below, we could change our investment, disposition and financing policies and objectives without a vote of our shareholders, but such change may be delayed or more difficult to implement due to the illiquidity of real estate.

**If we decided to employ higher leverage levels, we would be subject to increased debt service requirements and a higher risk of default on our debt obligations, which could adversely affect our financial conditions, cash flows and ability to make distributions to our shareholders. In addition, increases or changes in interest rates could cause our borrowing costs to rise and may limit our ability to refinance debt.**

Although we have historically used moderate levels of leverage, we have incurred, and expect to continue to incur, indebtedness to support our activities. As of December 31, 2019, our outstanding indebtedness was $1,717.9 million, of which $314.6 million was variable rate indebtedness.

None of our Declaration of Trust, our bylaws or any policy statement formally adopted by our Board of Trustees limits either the total amount of indebtedness or the specified percentage of indebtedness that we may incur. Accordingly, we could become more highly leveraged, resulting in increased debt service requirements and a higher risk of default on our debt obligations. This in turn, could adversely affect our financial condition, cash flows and ability to make distributions to our shareholders.

Although approximately 81.7% of our outstanding debt has fixed or effectively fixed interest rates, we also borrow funds at variable interest rates. Variable rate debt exposes us to changes in interest rates, which could cause our borrowing costs to rise and may limit our ability to refinance debt. Interest expense on our variable rate debt as of December 31, 2019 would increase by $7.5 million annually for a 100-basis-point increase in interest rates. This exposure would increase if we seek additional variable rate financing based on pricing and other commercial and financial terms. We enter into interest rate hedging transactions, including interest rate swap and cap agreements, with counterparties, generally, the same lenders who made the loan in question. There can be no guarantee that the future financial condition of these counterparties will enable them to fulfill their obligations under these agreements.

In July 2017, the Financial Conduct Authority ("FCA") that regulates LIBOR announced it intends to stop compelling banks to submit rates for the calculation of LIBOR after 2021. As a result, the Federal Reserve Board and the Federal Reserve Bank of New York organized the Alternative Reference Rates Committee ("ARRC"), which identified the Secured Overnight Financing Rate ("SOFR") as its preferred alternative to USD-LIBOR in derivatives and other financial contracts. The Company is not able to predict when LIBOR will cease to be available or when there will be sufficient liquidity in the SOFR markets. While we expect LIBOR to be available in substantially its current form until the end of 2021, it is possible that LIBOR will become unavailable prior to that point. In that case, the risks associated with the transition to an alternative reference rate will be accelerated and magnified.

The Company has contracts indexed to LIBOR and is monitoring and evaluating the risks related to potential discontinuation of LIBOR, including transitioning contracts to a new alternative rate and any resulting value transfer that may occur. If LIBOR is discontinued or if the methods of calculating LIBOR change from their current form, interest rates on our current or future indebtedness may be adversely affected. In addition, uncertainty about the extent and manner of future changes may result in interest rates and/or payments that are higher or lower than if LIBOR were to remain available in its current form.

**Competition may adversely affect our ability to purchase properties and to attract and retain tenants.**

There are numerous commercial developers, real estate companies, financial institutions and other investors with greater financial resources than we have that compete with us in seeking properties for acquisition and tenants who will lease space in our properties. Our competitors include other REITs, financial institutions, private funds, insurance companies, pension funds, private companies, family offices, sovereign wealth funds and individuals. This competition may result in a higher cost for properties than we wish to pay. In addition, retailers at our properties (both in our Core Portfolio and in the portfolios of the Funds) face increasing competition from outlet malls, discount shopping clubs, e-commerce, direct mail and telemarketing, which could (i) reduce rents payable to us and (ii) reduce our ability to attract and retain tenants at our properties leading to increased vacancy rates at our properties.

**We could be adversely affected by conditions in the markets where our properties are geographically concentrated.**

Our performance depends on the economic conditions in markets where our properties are geographically concentrated. We have significant exposure to the greater New York and Chicago metropolitan regions, from which we derive 36.2% and 27.6% of the annual base rents within our Core Portfolio, respectively, and 21.0% and 3.5% of annual base rents within our Funds, respectively. Our operating results could be adversely affected if market conditions, such as an oversupply of space or a reduction in demand for real estate, occur in these areas.

**We have pursued, and may in the future continue to pursue extensive growth opportunities, including investing in new markets, which may result in significant demands on our operational, administrative and financial resources.**

We are pursuing extensive growth opportunities, some of which have been, and in the future may be, in locations in which we have not historically invested. This expansion places significant demands on our operational, administrative and financial resources. The continued growth of our real estate portfolio can be expected to continue to place a significant strain on our resources. Our future performance will depend in part on our ability to successfully attract and retain qualified management personnel to manage the growth and operations of our business. In addition, the acquired properties may fail to operate at expected levels due to the numerous factors that may affect the value of real estate. There can be no assurance that we will have sufficient resources to identify and manage the newly acquired properties.

**Our inability to raise capital for new Funds or to carry out our growth strategy could adversely affect our financial condition, cash flows and results of operations.**

Our earnings growth strategy is based on the acquisition and development of additional properties, including acquisitions of core properties through our Operating Partnership and our high return investment programs through our Fund platform. The consummation of any future acquisitions will be subject to satisfactory completion of our extensive valuation analysis and due diligence review and to the negotiation of definitive documentation. We cannot be sure that we will be able to implement our strategy because we may have difficulty finding new properties, obtaining necessary entitlements, negotiating with new or existing tenants or securing acceptable financing.

Acquisitions of additional properties entail the risk that investments will fail to perform in accordance with expectations, including operating and leasing expectations. In the context of our business plan, "development" generally means an expansion or renovation of an existing property. Development is subject to numerous risks, including risks of construction delays, cost overruns or uncontrollable events that may increase project costs, new project commencement risks such as the receipt of zoning, occupancy and other required governmental approvals and permits, and incurring development costs in connection with projects that are not pursued to completion.

Historically, a component of our growth strategy has been through private-equity type investments made through our RCP Venture, which have included investments in operating retailers. The inability of such retailers to operate profitably would have an adverse impact on income realized from these investments. Through our investments in joint ventures we have also invested in operating businesses that have operational risk in addition to the risks associated with real estate investments, including human capital issues, adequate supply of product and material, and merchandising issues.

Furthermore, if we were unable to obtain sufficient investor capital commitments in order to initiate future Funds, this would adversely impact our current growth strategy would be adversely impacted. Because the Operating Partnership is the sole general partner or managing member of our Funds and earns promote distributions or fees for asset management, property management, construction, development, leasing and legal services, such a situation would also adversely impact the amount or ability to earn such promotes or fees.

**Our development and construction activities could affect our operating results.**

We intend to continue the selective development and construction of retail properties (see "Item 1. Business —Investing Activities–Funds–Development Activities").

As opportunities arise, we may delay construction until sufficient pre-leasing is reached and financing is in place. Our development and construction activities include the risk that:

- we may abandon development opportunities after expending resources to determine feasibility;
- construction costs of a project may exceed our original estimates;
- occupancy rates and rents at a newly completed property may not be sufficient to make the property profitable;
- financing for development of a property may not be available to us on favorable terms;
- we may not complete construction and lease-up on schedule, resulting in increased debt service expense and construction costs, including labor and material costs; and
- we may not be able to obtain, or may experience delays in obtaining necessary zoning and land use approvals as well as building, occupancy and other required governmental permits and authorizations.

In addition, the entitlement and development of real estate entails extensive approval processes, sometimes involving multiple regulatory jurisdictions. It is common for a project to require multiple approvals, permits and consents from U.S. federal, state and local governing and regulatory bodies. Compliance with these and other regulations and standards is time intensive and costly and may require additional long range infrastructure review and approvals which can add to project cost. In addition, development of properties containing delineated wetlands may require one or more permits from the U.S. federal government and/or state and local governmental agencies. Any of these issues can materially affect the cost, timing and economic viability of our development and redevelopment projects.

At times, we may also be required to use unionized construction workers or to pay the prevailing wage in a jurisdiction to unionized workers, which could increase projects costs and the risk of a strike, thereby affecting construction timelines.

Additionally, the time frame required for development, construction and lease-up of these properties means that we may not realize a significant cash return for several years. If any of the above events occur, the development of properties may hinder our growth and could have an adverse effect on our financial condition, cash flows and results of operations. In addition, new development activities, regardless of whether or not they are ultimately successful, typically require substantial time and attention from management.

**Developments and acquisitions may fail to perform as expected which could adversely affect our results of operations.**

Our investment strategy includes the development and acquisition of retail properties in supply constrained markets in densely populated areas with high average household incomes and significant barriers to entry. The acquisition of such properties is highly competitive. Additionally, the development and acquisition of such properties entails risks that include the following, any of which could adversely affect our financial condition, cash flows, results of operations, and our ability to meet our debt obligations and make distributions to shareholders:

- The property may fail to achieve the returns we have projected, either temporarily or for extended periods;
- We may not be able to identify suitable properties to acquire or may be unable to complete the acquisition of the properties we identify;
- We may not be able to integrate an acquisition into our existing operations successfully;
- Properties we redevelop or acquire may fail to achieve the occupancy or rental rates we project or within the time frames we project which may result in the properties' failure to achieve the returns we projected;
- Our pre-acquisition evaluation of the physical condition of each new investment may not detect certain defects or identify necessary repairs until after the property is acquired, which could significantly increase our total acquisition costs or decrease cash flow from the property; and
- Our investigation of a property or building prior to our acquisition, and any representations we may receive from the seller of such building or property, may fail to reveal various liabilities, which could reduce the cash flow from the property or increase our acquisition cost.

**We operate through a partnership structure, which could have an adverse effect on our ability to manage our assets.**

Our primary property-owning vehicle is the Operating Partnership, of which we are the general partner. Our acquisition of properties through the Operating Partnership in exchange for interests in the Operating Partnership may permit certain tax deferral advantages to limited partners who contribute properties to the Operating Partnership. Since properties contributed to the Operating Partnership may have unrealized gains attributable to the differences between the fair market value and adjusted tax basis in such properties prior to contribution, the sale of such properties could cause adverse tax consequences to the limited partners who contributed such properties. Although we, as the general partner of the Operating Partnership, generally have no obligation to consider the tax consequences of our actions to any limited partner, we own several properties subject to material contractual restrictions for varying periods of time designed to minimize the adverse tax consequences to the limited partners who contributed such properties. Such restrictions may result in significantly reduced flexibility to manage some of our assets.

**We currently have an exclusive obligation to seek investments for our Funds, which may prevent us from making acquisitions directly.**

Under the terms of the organizational documents of our Funds, our primary goal is to seek investments for the Funds, subject to certain exceptions. We may only pursue opportunities to acquire retail properties directly through the Operating Partnership if (i) the ownership of the acquisition opportunity by the Funds would create a material conflict of interest for us; (ii) we require the acquisition opportunity for a “like-kind” exchange; (iii) the consideration payable for the acquisition opportunity is our Common Shares, OP Units or other securities or (iv) the investment is outside the parameters of our investment goals for the Funds (which, in general, seek more opportunistic level returns). As a result, we may not be able to make attractive acquisitions directly and instead may only receive a minority interest in such acquisitions through the Funds.

**Our joint venture investments carry additional risks not present in our direct investments.**

Partnership or joint venture investments may involve risks not otherwise present for investments made solely by us, including the possibility that our partner or co-venturer might become bankrupt, and that our partner or co-venturer may take action contrary to our instructions, requests, policies or objectives, including with respect to maintaining our qualification as a REIT. Actions by, or disputes with, joint venture partners might result in subjecting properties owned by the joint venture to additional risks. Other risks of joint venture investments include impasse on decisions, such as a sale, because neither we nor a joint venture partner may have full control over the joint venture. Also, there is no limitation under our organizational documents as to the amount of our funds that may be invested in joint ventures.

Additionally, our partners or co-venturers may engage in malfeasance in spite of our efforts to perform a high level of due diligence on them, which may jeopardize an investment and/or subject us to reputational risk. Such acts may or may not be covered by insurance.

Any disputes that may arise between joint venture partners and us may result in potentially costly litigation or arbitration that would prevent our officers and/or trustees from focusing their time and effort on our business. In addition, we may in certain circumstances be liable for the actions of our third-party joint venture partners.

Historically, Fund I, Mervyns I and Fund III have provided Promote income. There can be no assurance that our joint ventures will continue to operate profitably and thus provide additional Promote income in the future. These factors could limit the return that we receive from such investments or cause our cash flows to be lower than our estimates. In addition, a partner or co-venturer may not have access to sufficient capital to satisfy its funding obligations to the joint venture.

**Our structured financing portfolio is subject to specific risks relating to the structure and terms of the instruments and the underlying collateral.**

We invest in notes receivables and preferred equity investments that are collateralized by the underlying real estate, a direct interest or the borrower's ownership interest in the entities that own the properties and/or by the borrower's personal guarantee. The underlying assets are sometimes subordinate in payment and collateral to more senior loans. The ability of a borrower or entity to make payments on these investments may be subject to the senior lender and/or the performance of the underlying real estate. In the event of a default by the borrower or entity on its senior loan, our investment will only be satisfied after the senior loan and we may not be able to recover the full value of the investment. In the event of a bankruptcy of an entity in which we have a preferred equity interest, or in which the borrower has pledged its interest, the assets of the entity may not be sufficient to satisfy our investment.

**Our real estate assets may be subject to impairment charges.**

We periodically assess whether there are any indicators that the value of our real estate assets and other investments may be impaired. A property's value is considered to be impaired only if the estimated aggregate future undiscounted property cash flows are less than the carrying value of the property. In our estimate of cash flows, we consider factors such as trends and prospects and the effects of demand and competition on expected future operating income. If we are evaluating the potential sale of an asset or redevelopment alternatives, the undiscounted future cash flows consider the most likely course of action as of the balance sheet date based on current plans, intended holding periods and available market information. We are required to make subjective assessments as to whether there are impairments in the value of our real estate assets and other investments. Impairment charges have an immediate direct impact on our earnings. There can be no assurance that we will not take additional charges in the future related to the impairment of our assets. Any future impairment could have a material adverse effect on our operating results in the period in which the charge is taken.

**Market factors could have an adverse effect on our share price and our ability to access the public equity markets.**

The market price of our Common Shares may fluctuate significantly in response to many factors, including:

- actual or anticipated variations in our operating results, funds from operations, cash flows or liquidity;
- changes in our earnings estimates or those of analysts;
- changes in our dividend policy;
- impairment charges affecting the carrying value of one or more of our Properties or other assets;
- publication of research reports about us, the retail industry or the real estate industry generally;
- increases in market interest rates that lead purchasers of our securities to seek higher dividend or interest rate yields;
- changes in market valuations of similar companies;
- adverse market reaction to the amount of our outstanding debt at any time, the amount of our maturing debt in the near and medium term and our ability to refinance such debt and the terms thereof or our plans to incur additional debt in the future;
- additions or departures of key management personnel;
- actions by institutional security holders;
- proposed or adopted regulatory or legislative changes or developments;
- speculation in the press or investment community;
- the occurrence of any of the other risk factors included in, or incorporated by reference in, this report; and
- general market and economic conditions.

Many of the factors listed above are beyond our control. Those factors may cause the market price of our Common Shares to decline significantly, regardless of our financial performance, condition and prospects. We may not provide any assurance that the market price of our Common Shares will not fall in the future, and it may be difficult for holders to sell such securities at prices they find attractive, or at all. A decline in our share price, as a result of this or other market factors, could unfavorably impact our ability to raise additional equity in the public markets.

## RISKS RELATED TO STRUCTURE AND MANAGEMENT

**The loss of key management members could have an adverse effect on our business, financial condition and results of operations.**

Our success depends on the contribution of key management members. The loss of the services of Kenneth F. Bernstein, President and Chief Executive Officer, or other key executive-level employees could have a material adverse effect on our business, financial condition and results of operations. Management continues to strengthen our team and we have CEO succession planning in place, but there can be no assurance that such planning will be capable of implementation or that our efforts will be successful. We have obtained key-man life insurance for Mr. Bernstein. In addition, we have entered into an employment agreement with Mr. Bernstein and into severance agreements with other senior executives; however, Mr. Bernstein and such executives may terminate their employment with us at will.

**Our Board of Trustees may change our investment policy or objectives without shareholder approval.**

Our Board of Trustees may determine to change our investment and financing policies or objectives, our growth strategy and our debt, capitalization, distribution, acquisition, disposition and operating policies. Our Board of Trustees may establish investment criteria or limitations as it deems appropriate, but currently does not limit the number of properties in which we may seek to invest or on the concentration of investments in any one geographic region. Although our Board of Trustees has no present intention to revise or amend our strategies and policies, it may do so at any time without a vote by our shareholders. Accordingly, the results of decisions made by our Board of Trustees as implemented by management may or may not serve the interests of all of our shareholders and could adversely affect our financial condition, cash flows, results of operations, and ability to satisfy our debt service obligations and to make distributions to our shareholders.

**Distribution requirements imposed by law limit our operating flexibility.**

To maintain our status as a REIT for Federal income tax purposes, we are generally required to distribute to our shareholders at least 90% of our taxable income for each calendar year. Our taxable income is determined without regard to any deduction for dividends paid and by excluding net capital gains. To the extent that we satisfy the distribution requirement, but distribute less than 100% of our taxable income, we will be subject to Federal corporate income tax on our undistributed income. In addition, we will incur a 4% nondeductible excise tax on the amount, if any, by which our distributions in any year are less than the sum of (i) 85% of our ordinary income for that year; (ii) 95% of our capital gain net income for that year; and (iii) 100% of our undistributed taxable income from prior years. We intend to continue to make distributions to our shareholders to comply with the distribution requirements of the Internal Revenue Code and to minimize exposure to Federal income and excise taxes. Differences in timing between the receipt of income and the payment of expenses in determining our income as well as required debt amortization payments and the capitalization of certain expenses could require us to borrow funds on a short-term basis to meet the distribution requirements that are necessary to achieve the tax benefits associated with qualifying as a REIT. The distribution requirements also severely limit our ability to retain earnings to acquire and improve properties or retire outstanding debt.

**Concentration of ownership by certain investors.**

As of December 31, 2019, five institutional shareholders own 5% or more individually, and 54.5% in the aggregate, of our Common Shares. While this ownership concentration does not jeopardize our qualification as a REIT (due to certain "look-through provisions"), a significant concentration of ownership may allow an investor or a group of investors to exert a greater influence over our management and affairs and may have the effect of delaying, deferring or preventing a change in control of us.

**Restrictions on a potential change of control could prevent changes that would be beneficial to our shareholders.**

Our Board of Trustees is authorized by our Declaration of Trust to establish and issue one or more series of preferred shares of beneficial interest without shareholder approval. We have not established any series of preferred shares other than the Series A and Series C Preferred OP Units in the Operating Partnership. However, the establishment and issuance of a class or series of preferred shares could make a change of control of us that could be in the best interests of the shareholders more difficult. In addition, we have entered into an employment agreement with our Chief Executive Officer and severance agreements with certain of our executives, which provide that, upon the occurrence of a change in control of us and either the termination of their employment without cause (as defined) or their resignation for good reason (as defined), such executive officers would be entitled to certain termination or severance payments made by us (which may include a lump sum payment equal to defined percentages of annual salary and prior years' average bonuses, paid in accordance with the terms and conditions of the respective agreement), which could deter a change of control of us that could be in the best interests of our shareholders generally.

**Certain provisions of Maryland law may limit the ability of a third party to acquire control of our Company.**

Under the provisions of the Maryland General Corporation Law (the “MGCL”) applicable to REITs, certain business combinations, including certain mergers, consolidations, share exchanges and asset transfers and certain issuances and reclassifications of equity securities, between a Maryland REIT and any person who beneficially owns 10% or more of the voting power of the REIT's outstanding voting shares or an affiliate or an associate, as defined in the MGCL, of the REIT who, at any time within the two-year period immediately prior to the date in question, was the beneficial owner of 10% or more of the voting power of the then-outstanding shares of beneficial interest of the REIT (an “interested shareholder”) or an affiliate of the interested shareholder, are prohibited for five years after the most recent date on which the interested shareholder becomes an interested shareholder. After that five-year period, any such business combination must be recommended by the board of trustees of the REIT and approved by the affirmative vote of at least (i) 80% of the votes entitled to be cast by holders of outstanding voting shares of beneficial interest of the REIT and (ii) two-thirds of the votes entitled to be cast by holders of voting shares of the REIT other than shares held by the interested shareholder with whom, or with whose affiliate, the business combination is to be effected or held by an affiliate or associate of the interested shareholder, unless, among other conditions, the REIT's common shareholders receive a minimum price, as defined in the MGCL, for their shares and the consideration is received in cash or in the same form as previously paid by the interested shareholder for its common shares.

These provisions of the MGCL do not apply, however, to business combinations that are approved or exempted by the board of trustees of the REIT before the interested shareholder becomes an interested shareholder, and a person is not an interested shareholder if the board of trustees approved in advance the transaction by which the person otherwise would have become an interested shareholder. In approving a transaction, our Board of Trustees may provide that its approval is subject to compliance, at or after the time of approval, with any terms and conditions determined by the Board. We have not elected to opt out of the business combination statute.

The MGCL also provides that holders of “control shares” of a Maryland REIT (defined as voting shares that, when aggregated with all other shares owned by the acquirer or in respect of which the acquirer is entitled to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquirer to exercise one of three increasing ranges of voting power in electing trustees) acquired in a “control share acquisition” (defined as the direct or indirect acquisition of ownership or control of “control shares”) have no voting rights except to the extent approved by the affirmative vote of holders of at least two-thirds of all the votes entitled to be cast on the matter, excluding shares owned by the acquirer, by officers or by employees who are also trustees of the REIT. Our Bylaws contain a provision exempting from the control share acquisition statute any and all acquisitions by any person of our shares of beneficial interest. Our Bylaws can be amended by our Board of Trustees by majority vote, and there can be no assurance that this provision will not be amended or eliminated at any time in the future.

Additionally, Title 3, Subtitle 8 of the MGCL permits our Board of Trustees, without shareholder approval and regardless of what is currently provided in our Declaration of Trust or Bylaws, to elect to be subject to certain provisions relating to corporate governance that may have the effect of delaying, deferring or preventing a transaction or a change of control of our Company that might involve a premium to the market price of our Common Shares or otherwise be in the best interests of our shareholders. We are subject to some of these provisions (for example, a two-thirds vote requirement for removing a trustee) by provisions of our Declaration of Trust and Bylaws unrelated to Subtitle 8. However, pursuant to the Articles Supplementary filed with the State Department of Assessments and Taxation of Maryland on November 9, 2017, which are referenced in Part IV Item 15 hereto, the Board of Trustees approved a resolution to opt out of Section 3-803 of Subtitle 8 of Title 3 of the MGCL that allows the Board, without shareholder approval, to elect to classify into three classes with staggered three-year terms. The Articles Supplementary prohibit the Company, without the affirmative vote of a majority of the votes cast on the matter by shareholders entitled to vote generally in the election of trustees, from classifying the Board under Subtitle 8.

Becoming subject to, or the potential to become subject to, these provisions of the MGCL could inhibit, delay or prevent a transaction or a change of control of our Company that might involve a premium price for our shareholders or otherwise be in our or their best interests. In addition, the provisions of our Declaration of Trust on removal of trustees and the provisions of our Bylaws regarding advance notice of shareholder nominations of trustees and other business proposals and restricting shareholder action outside of a shareholders meeting unless such action is taken by unanimous written consent could have a similar effect.

**Our rights and shareholders' rights to take action against trustees and officers are limited, which could limit recourse in the event of actions not in the best interests of shareholders.**

As permitted by Maryland law, our Declaration of Trust eliminates the liability of our trustees and officers to the Company and its shareholders for money damages, except for liability resulting from:

- actual receipt of an improper benefit or profit in money, property or services; or
- a final judgment based upon a finding of active and deliberate dishonesty by the trustee or officer that was material to the cause of action adjudicated.

In addition, our Declaration of Trust authorizes, and our Bylaws obligate, us to indemnify each present or former trustee or officer, to the maximum extent permitted by Maryland law, who is made a party to any proceeding because of his or her service to our Company in those or certain other capacities. As part of these indemnification obligations, we may be obligated to fund the defense costs incurred by our trustees and officers.

**Outages, computer viruses and similar events could disrupt our operations.**

We rely on information technology networks and systems, some of which are owned and operated by third parties, to process, transmit and store electronic information. Any of these systems may be susceptible to outages due to fire, floods, power loss, telecommunications failures, terrorist or cyber-attacks and similar events. Despite the implementation of network security measures, our systems and those of third parties on which we rely may also be vulnerable to computer viruses and similar disruptions. If we or the third parties on whom we rely are unable to prevent such outages and breaches, our operations could be disrupted.

**Increased Information Technology ("IT") security threats and more sophisticated computer crime could pose a risk to our systems, networks and services.**

Cyber incidents can result from deliberate attacks or unintentional events. There have been an increased number of significant cyber-attacks targeted at the retail, insurance, financial and banking industries that include, but are not limited to, gaining unauthorized access to digital systems for purposes of misappropriating assets or sensitive information, corrupting data or causing operational disruption. Cyber-attacks may also be carried out in a manner that does not require gaining unauthorized access, such as by causing denial-of-service attacks on websites. Cyber-attacks by third parties or insiders utilize techniques that range from highly sophisticated efforts to electronically circumvent network security or overwhelm a website to more traditional intelligence gathering and social engineering aimed at obtaining information necessary to gain access.

Increased global IT security threats are more sophisticated and targeted computer crimes pose a risk to the security of our systems and networks and the confidentiality, availability and integrity of our data. The open nature of interconnected technologies may allow for a network or Web outage or a privacy breach that reveals sensitive data or transmission of harmful/malicious code to business partners and clients. Because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and may be difficult to detect for long periods of time, we may be unable to anticipate these techniques or implement adequate preventive measures.

Cyber-attacks may result in substantial financial and reputational cost, including but are not limited to:

- Compromising of confidential information;
- Manipulation and destruction of data;
- Loss of trade secrets;
- System downtimes and operational disruptions;
- Remediation costs that may include liability for stolen assets or information and repairing system damage, as well as incentives offered to customers, tenants or other business partners in an effort to maintain the business relationships;
- Loss of revenues resulting from unauthorized use of proprietary information;
- Cost to deploy additional protection strategies, training employees and engaging third party experts and consultants;
- Reputational damage adversely affecting investor and tenant confidence; and
- Costly litigation.

While we attempt to mitigate these risks by employing a number of measures, including a dedicated IT team, employee training and background checks, maintenance of backup systems, utilization of third-party service providers to provide redundancy over multiple locations, and comprehensive monitoring of our networks and systems along with purchasing cyber security insurance coverage, our systems, networks and services remain potentially vulnerable to advanced threats.

**If a third-party vendor fails to provide agreed upon services, we may suffer losses.**

We are dependent and rely on third party vendors, including Cloud providers, for redundancy of our network, system data, security and data integrity. If a vendor fails to provide services as agreed, suffers outages, business interruptions, financial difficulties or bankruptcy, we may experience service interruption, delays or loss of information. Cloud computing is dependent upon having access to an Internet connection in order to retrieve data. If a natural disaster, blackout or other unforeseen event were to occur that disrupted the ability to obtain an Internet connection, we may experience a slowdown or delay in our operations. We conduct appropriate due diligence on all services providers and restrict access, use and disclosure of personal information. We engage vendors with formal written agreements clearly defining the roles of the parties specifying privacy and data security responsibilities.

**Use of social media may adversely impact our reputation and business.**

There has been a significant increase in the use of social media platforms, including weblogs, social media websites and other forms of Internet-based communications, which allow individuals access to a broad audience, including our significant business constituents. The availability of information through these platforms is virtually immediate as is its impact and may be posted at any time without affording us an opportunity to redress or correct it timely. This information may be adverse to our interests, may be inaccurate and may harm our reputation, brand image, goodwill, performance, prospects or business. Furthermore, these platforms increase the risk of unauthorized disclosure of material non-public Company information.

**Climate change, natural disasters or health crises could adversely affect our properties and business.**

Some of our current or future properties could be subject to natural disasters and may be impacted by climate change. To the extent climate change causes adverse changes in weather patterns, rising sea levels or extreme temperatures, our properties in certain markets may be adversely affected. Specifically, properties located in coastal regions could be affected by any future increases in sea levels or in the frequency or severity of hurricanes and storms, whether caused by climate change or other factors. Additionally, we own properties in Southern California, which in recent years has experienced intense draught and wildfires and has had earthquake activity.

Climate change could have a variety of direct or indirect adverse effects on our properties and business, including:

- Property damage to our retail properties;
- Indirect financial and operational impacts from disruptions to the operations of major tenants located in our retail properties from severe weather, such as hurricanes, floods, wildfires or other natural disasters;
- Increased insurance premiums and deductibles, or a decrease in or unavailability of coverage, for properties in areas subject to severe weather, such as hurricanes, floods, wildfires or other natural disasters;
- Increased insurance claims and liabilities;
- Increases in energy costs impacting operational returns;
- Changes in the availability or quality of water or other natural resources on which the tenant's business depends;
- Decreased consumer demand for products or services resulting from physical changes associated with climate change (e.g., warmer temperatures or decreasing shoreline could reduce demand for residential and commercial properties previously viewed as desirable);
- Incorrect long-term valuation of an equity investment due to changing conditions not previously anticipated at the time of the investment; and
- Economic disruptions arising from the above.

Moreover, compliance with new laws or regulations related to climate change, including compliance with “green” building codes, may require us to make improvements to our existing properties or pay additional taxes and fees assessed on us or our properties. Although we strive to identify, analyze, and respond to the risk and opportunities that climate change presents, at this time there can be no assurance that climate change will have an adverse effect on us.

Public health crises, pandemics and epidemics, such as those caused by new strains of viruses such as H5N1 (avian flu), severe acute respiratory syndrome (SARS) and, most recently, the novel coronavirus (COVID-19), are expected to increase as international travel continues to rise and could adversely impact our business by interrupting our tenants’ business, supply chains and transactional activities, disrupting travel, and negatively impacting local, national or global economies.

**We are exposed to possible liability relating to environmental matters.**

Under various Federal, state and local environmental laws, statutes, ordinances, rules and regulations, as an owner of real property, we may be liable for the costs of removal or remediation of certain hazardous or toxic substances at, on, in or under our property, as well as certain other potential costs relating to hazardous or toxic substances (including government fines and penalties and damages for injuries to persons and adjacent property). These laws may impose liability without regard to whether we knew of, or were responsible for, the presence or disposal of those substances. This liability may be imposed on us in connection with the activities of an operator of, or tenant at, the property. The cost of any required remediation, removal, fines or personal or property damages and our liability therefore could exceed the value of the property and/or our aggregate assets. In addition, the presence of those substances, or the failure to properly dispose of or remove those substances, may adversely affect our ability to sell or rent that property or to borrow using that property as collateral, which, in turn, could reduce our revenues and affect our ability to make distributions.

A property can also be adversely affected either through physical contamination or by virtue of an adverse effect upon value attributable to the migration of hazardous or toxic substances, or other contaminants that have or may have emanated from other properties. Although our tenants are primarily responsible for any environmental damages and claims related to the leased premises, in the event of the bankruptcy or inability of any of our tenants to satisfy any obligations with respect to the property leased to that tenant, we may be required to satisfy such obligations. In addition, we may be held directly liable for any such damages or claims irrespective of the provisions of any lease.

From time to time, in connection with the conduct of our business, and prior to the acquisition of any property from a third party or as required by our financing sources, we authorize the preparation of Phase I environmental reports and, when necessary, Phase II environmental reports, with respect to our properties. Based upon these environmental reports and our ongoing review of our properties, we are currently not aware of any environmental condition with respect to any of our properties that we believe would be reasonably likely to have a material adverse effect on us. There can be no assurance, however, that the environmental reports will reveal all environmental conditions at our properties or that the following will not expose us to material liability in the future:

- The discovery of previously unknown environmental conditions;
- Changes in law;
- Activities of tenants; and
- Activities relating to properties in the vicinity of our properties.

Changes in laws increasing the potential liability for environmental conditions existing on properties or increasing the restrictions on discharges or other conditions may result in significant unanticipated expenditures or may otherwise adversely affect the operations of our tenants, which could adversely affect our financial condition, cash flows and results of operations.

**Uninsured losses or a loss in excess of insured limits could adversely affect our financial condition, cash flows and results of operations.**

We carry comprehensive general liability, all-risk property, extended coverage, loss of rent insurance, and environmental liability on our properties, with policy specifications and insured limits customarily carried for similar properties. However, with respect to those properties where the leases do not provide for abatement of rent under any circumstances, we maintain a minimum of twelve months loss of rent insurance. In addition, there are certain types of losses, such as losses resulting from wars, terrorism or acts of God that generally are not insured because they are either uninsurable or not economically insurable. Should an uninsured loss or a loss in excess of insured limits occur, we could lose capital invested in a property, as well as the anticipated future revenues from a property, while remaining obligated for any mortgage indebtedness or other financial obligations related to the property. Any loss of these types could adversely affect our financial condition, cash flows and results of operations.

**Future terrorist attacks or civil unrest could harm the demand for, and the value of, our properties.**

Over the past several years, a number of highly publicized terrorist acts and shootings have occurred at domestic and international retail properties. Future terrorist attacks, civil unrest and other acts of terrorism or war could harm the demand for, and the value of, our properties. Terrorist attacks could directly impact the value of our properties through damage, destruction, loss or increased security costs, and the availability of insurance for such acts may be limited or may be subject to substantial cost increases. To the extent that our tenants are impacted by future attacks, their ability to continue to honor obligations under their existing leases could be adversely affected. A decrease in retail demand could make it difficult for us to renew or re-lease our properties at lease rates equal to or above historical rates. These acts might erode business and consumer confidence and spending, and might result in increased volatility in national and international financial markets and economies. Any one of these events might decrease demand for real estate, decrease or delay the occupancy of our properties, and limit our access to capital or increase our cost of raising capital.

**We may from time to time be subject to litigation that could negatively impact our financial condition, cash flows, results of operations and the trading price of our Common Shares.**

We may from time to time be a defendant in lawsuits and regulatory proceedings relating to our business. Such litigation and proceedings may result in defense costs, settlements, fines or judgments against us, some of which may not be covered by insurance. Due to the inherent uncertainties of litigation and regulatory proceedings, we cannot accurately predict the ultimate outcome of any such litigation or proceedings. An unfavorable outcome may result in our having to pay significant fines, judgments or settlements, which, if uninsured, or if exceeding insurance coverage, could adversely impact our financial condition, cash flows, results of operations and the trading price of our Common Shares. Additionally, certain proceedings or the resolution of certain proceedings may affect the availability or cost of some of our insurance coverage and expose us to increased risks that would be uninsured. See Item 3 included in this Report and notes to the financial statements of our quarterly reports, for pending litigation, if any.

**Compliance with the Americans with Disabilities Act and fire, safety and other regulations may require us to make unplanned expenditures that could adversely affect our financial condition, cash flows and results of operations.**

All of our properties are required to comply with the Americans with Disabilities Act (the "ADA"). The ADA has separate compliance requirements for "public accommodations" and "commercial facilities," but generally requires that buildings be made accessible to people with disabilities. Compliance with the ADA requirements could require removal of access barriers, and non-compliance could result in imposition of fines by the U.S. government or an award of damages to private litigants, or both. While the tenants to whom we lease properties are obligated by law to comply with applicable ADA provisions, and are typically obligated to cover costs of compliance, if required changes involve greater expenditures than anticipated, or if the changes must be made on a more accelerated basis than anticipated, the ability of these tenants to cover costs could be adversely affected. As a result of the foregoing or if a tenant is not obligated to cover the cost of compliance, we could be required to expend funds to comply with the provisions of the ADA, which could adversely affect our financial condition, cash flows and results of operations. In addition, we are required to operate our properties in compliance with fire and safety regulations, building codes and other land use regulations, as they may be adopted by governmental agencies and bodies and become applicable to the properties. We may be required to make substantial capital expenditures to comply with those requirements, and these expenditures could also adversely affect our financial condition, cash flows and results of operations.

## RISKS RELATED TO OUR REIT STATUS

**There can be no assurance we have qualified or will remain qualified as a REIT for Federal income tax purposes.**

We believe that we have consistently met the requirements for qualification as a REIT for Federal income tax purposes beginning with our taxable year ended December 31, 1993, and we intend to continue to meet these requirements in the future. However, qualification as a REIT involves the application of highly technical and complex provisions of the Internal Revenue Code, for which there may be only limited judicial or administrative interpretations. No assurance can be given that we have qualified or will remain qualified as a REIT. The Internal Revenue Code provisions and income tax regulations applicable to REITs differ significantly from those applicable to other entities. The determination of various factual matters and circumstances not entirely within our control can potentially affect our ability to continue to qualify as a REIT. In addition, no assurance can be given that future legislation, regulations, administrative interpretations or court decisions will not significantly change the requirements for qualification as a REIT or adversely affect the Federal income tax consequences of such qualification. Under current law, if we fail to qualify as a REIT, we would not be allowed a deduction for dividends paid to shareholders in computing our net taxable income. In addition, our income would be subject to tax at the regular corporate rates. Also, we could be disqualified from treatment as a REIT for the four taxable years following the year during which qualification was lost. Cash available for distribution to our shareholders would be significantly reduced for each year in which we do not qualify as a REIT. In that event, we would not be required to continue to make distributions. Although we currently intend to continue to qualify as a REIT, it is possible that future economic, market, legal, tax or other considerations may cause us, without the consent of our shareholders, to revoke the REIT election or to otherwise take action that would result in disqualification.

**Legislative or regulatory tax changes could have an adverse effect on us.**

There are a number of issues associated with an investment in a REIT that are related to the Federal income tax laws, including, but not limited to, the consequences of our failing to continue to qualify as a REIT. At any time, the Federal income tax laws governing REITs or the administrative interpretations of those laws may be amended or modified. Any new laws or interpretations may take effect retroactively and could adversely affect us or our shareholders.

On December 22, 2017, Pub. L. No. 115-97 (informally known as the Tax Cuts and Jobs Act (the “Act”)) was enacted into law. The Act made major changes to the Code, including a number of provisions of the Code that affect the taxation of REITs and their shareholders. The long-term effect of the significant changes made by the Act remains uncertain, and additional administrative guidance will be required in order to fully evaluate the effect of many provisions. The effect of any technical corrections with respect to the Act could have an adverse effect on use or our shareholders or holders of our debt securities.

**We may be required to borrow funds or sell assets to satisfy our REIT distribution requirements.**

Our cash flows may be insufficient to fund distributions required to maintain our qualification as a REIT as a result of differences in timing between the actual receipt of income and the recognition of income for U.S. Federal income tax purposes, or as a result of our inability to currently deduct certain expenditures that we must currently pay, such as capital expenditures, payments of compensation for which Section 162(m) of the Code denies a deduction, any business interest expense that is disallowed under Section 163 (j) of the Code (unless we elect to be an “electing real property trade or business”), the creation of reserves or required amortization payments. If we do not have other funds available in these situations, we may need to borrow funds on a short-term basis or sell assets, even if the then- prevailing market conditions are not favorable for these borrowings or sales, in order to satisfy our REIT distribution requirements. Such actions could adversely affect our cash flow and results of operations.

**Dividends payable by REITs generally do not qualify for reduced tax rates**.

Certain qualified dividends paid by corporations to individuals, trusts and estates that are U.S. shareholders are taxed at capital gain rates, which are lower than ordinary income rates. Dividends of current and accumulated earnings and profits payable by REITs, however, are taxed at ordinary income rates as opposed to the capital gain rates. Pursuant to the Act, from 2018 through 2025, certain REIT shareholders will be permitted to deduct 20% of ordinary REIT dividends received. Dividends payable by REITs in excess of these earnings and profits generally are treated as a non-taxable reduction of the shareholders’ basis in the shares to the extent thereof and thereafter as taxable gain. The more favorable rates applicable to regular corporate dividends could cause investors who are individuals, trusts and estates to perceive investments in

REITs, including us, to be relatively less attractive than investments in the stock of non-REIT corporations that pay dividends, which may negatively impact the trading prices of our securities.

**Complying with REIT requirements may cause us to forego otherwise attractive opportunities or liquidate otherwise attractive investments.**

To qualify as a REIT, we must continually satisfy tests concerning, among other things, the sources of our income, the nature and diversification of our assets, the amounts we distribute to our shareholders and the ownership of our Common Shares. In order to meet these tests, we may be required to forego investments we might otherwise make and refrain from engaging in certain activities. Thus, compliance with the REIT requirements may hinder our performance.

In addition, if we fail to comply with certain asset ownership tests at the end of any calendar quarter, we must correct the failure within 30 days after the end of the calendar quarter or qualify for certain statutory relief provisions to avoid losing our REIT qualification. As a result, we may be required to liquidate otherwise attractive investments.

**We have limits on ownership of our shares of beneficial interest.**

For us to qualify as a REIT for Federal income tax purposes, among other requirements, not more than 50% of the value of our shares of beneficial interest may be owned, directly or indirectly, by five or fewer individuals (as defined in the Internal Revenue Code to include certain entities) at any time during the last half of each taxable year, and such shares of beneficial interest must be beneficially owned by 100 or more persons during at least 335 days of a taxable year of 12 months or during a proportionate part of a shorter taxable year (in each case, other than the first such year). Our Declaration of Trust includes certain restrictions regarding transfers of our shares of beneficial interest and ownership limits that are intended to assist us in satisfying these limitations, among other purposes. These restrictions and limits may not be adequate in all cases, however, to prevent the transfer of our shares of beneficial interest in violation of the ownership limitations. The ownership limits contained in our Declaration of Trust may have the effect of delaying, deferring or preventing a change of control of us.

Actual or constructive ownership of our shares of beneficial interest in excess of the share ownership limits contained in our Declaration of Trust would cause the violative transfer or ownership to be null and void from the beginning and subject to purchase by us at a price equal to the fair market value of such shares (determined in accordance with the rules set forth in our Declaration of Trust). As a result, if a violative transfer were made, the recipient of the shares would not acquire any economic or voting rights attributable to the transferred shares. Additionally, the constructive ownership rules for these limits are complex and groups of related individuals or entities may be deemed a single owner and consequently in violation of the share ownership limits.

## ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

## ITEM 2. PROPERTIES.

### Retail Properties

The discussion and tables in this Item 2. include wholly-owned and partially-owned properties held through our Core Portfolio and our Funds. We define our Core Portfolio as those properties either 100% owned by, or partially owned through joint venture interests by the Operating Partnership or subsidiaries thereof, not including those properties owned through our Funds.

As of December 31, 2019, there are 123 operating properties in our Core Portfolio totaling approximately 5.6 million square feet of gross leasable area ("GLA") excluding four properties under redevelopment, one property in development and one pre-stabilized property. The Core Portfolio properties are located in 12 states and the District of Columbia and primarily consist of street retail and dense suburban shopping centers. These properties are diverse in size, ranging from approximately 1,000 to 800,000 square feet and as of December 31, 2019, were in total, excluding the properties that were pre-stabilized or under redevelopment, 93.4% occupied.

As of December 31, 2019, we owned and operated 53 properties totaling approximately 7.5 million square feet of GLA in our Funds, excluding four properties under development. In addition to shopping centers, the Funds have invested in mixed-use properties, which generally include retail activities. The Fund properties are located in 17 states and the District of Columbia and, as of December 31, 2019, were in total, excluding the properties under development, 88.6% occupied.

Within our Core Portfolio and Funds, we had approximately 1,100 retail leases as of December 31, 2019. A significant portion of our rental revenues were from national retailers and consist of rents received under long-term leases. These leases generally provide for the monthly payment of fixed minimum rent and the tenants' pro-rata share of the real estate taxes, insurance, utilities and common area maintenance of the shopping centers. An insignificant portion of our leases also provide for the payment of rent based on a percentage of a tenant's gross sales in excess of a stipulated annual amount, either in addition to, or in place of, minimum rents. Minimum rents and expense reimbursements accounted for substantially all of our total revenues for the year ended December 31, 2019.

Six of our Core Portfolio properties and three of our Fund properties are subject to long-term ground leases in which a third party owns and has leased the underlying land to us. We pay rent for the use of the land and are responsible for all costs and expenses associated with the building and improvements at all of these locations.

No individual property contributed in excess of 10% of our total revenues for the years ended December 31, 2019, 2018 or 2017. See Note 7 in the Notes to Consolidated Financial Statements, for information on the mortgage debt pertaining to our properties.

The following table sets forth more specific information with respect to each of our Core properties at December 31, 2019:

| Property [a] | Key Tenants | Year Acquired | Acadia's Interest | Gross Leasable Area (GLA) | In Place Occupancy | Leased Occupancy | Annualized Base Rent (ABR) | ABR/ Per Square Foot |
|---|---|---|---|---|---|---|---|---|
| **STREET AND URBAN RETAIL** | | | | | | | | |
| **Chicago Metro** | | | | | | | | |
| 664 N. Michigan Avenue | Tommy Bahama, Ann Taylor Loft | 2013 | 100.0% | 18,141 | 100.0% | 100.0% | $ 4,845,848 | $ 267.12 |
| 840 N. Michigan Avenue | H & M, Verizon Wireless | 2014 | 88.4% | 87,135 | 100.0% | 100.0% | 8,313,164 | 95.41 |
| Rush and Walton Streets Collection (6 properties) | Lululemon, BHLDN, Reformation, Sprinkles | 2011 2012 | 100.0% | 40,210 | 81.4% | 81.4% | 5,209,839 | 159.23 |
| 651-671 West Diversey | Trader Joe's, Urban Outfitters | 2011 | 100.0% | 46,259 | 100.0% | 100.0% | 2,037,056 | 44.04 |
| Clark Street and W. Diversey Collection (3 properties) | Ann Taylor, Starbucks | 2011 2012 | 100.0% | 23,531 | 50.1% | 50.1% | 697,459 | 59.10 |
| Halsted and Armitage Collection (12 properties) | Serena and Lily, Bonobos, Allbirds Warby Parker, Marine Layer, Kiehl's | 2011 2012 2019 | 100.0% | 51,104 | 100.0% | 100.0% | 2,373,945 | 46.45 |
| North Lincoln Park Chicago Collection (6 properties) | Champion, Carhartt | 2011 2014 | 100.0% | 49,921 | 46.8% | 46.8% | 822,286 | 35.18 |
| State and Washington | Nordstrom Rack, Uniqlo | 2016 | 100.0% | 78,771 | 100.0% | 100.0% | 3,309,875 | 42.02 |
| 151 N. State Street | Walgreens | 2016 | 100.0% | 27,385 | 100.0% | 100.0% | 1,430,000 | 52.22 |
| North and Kingsbury | Old Navy, Pier 1 Imports | 2016 | 100.0% | 41,700 | 100.0% | 100.0% | 1,759,227 | 42.19 |
| Concord and Milwaukee | — | 2016 | 100.0% | 13,105 | 100.0% | 100.0% | 425,203 | 32.45 |
| California and Armitage | — | 2016 | 100.0% | 18,275 | 70.6% | 70.6% | 621,266 | 48.19 |
| Roosevelt Galleria | Petco, Vitamin Shoppe | 2015 | 100.0% | 37,995 | 47.7% | 47.7% | 604,179 | 33.33 |
| Sullivan Center | Target, DSW | 2016 | 100.0% | 176,181 | 98.6% | 98.6% | 6,854,811 | 39.45 |
| | | | | 709,713 | 89.7% | 90.8% | $ 39,304,158 | $ 61.77 |
| **New York Metro** | | | | | | | | |
| Soho Collection (10 properties) | Paper Source, Faherty, ALC Stone Island, Taft, Frame, Theory | 2011 2014 2019 | 100.0% | 33,553 | 78.6% | 89.9% | 8,992,661 | 341.03 |
| 5-7 East 17th Street | Union Park Events | 2008 | 100.0% | 11,467 | 100.0% | 100.0% | 1,300,014 | 113.37 |
| 200 West 54th Street | Stage Coach Tavern | 2007 | 100.0% | 5,777 | 77.8% | 77.8% | 1,921,520 | 427.29 |
| 61 Main Street | — | 2014 | 100.0% | 3,470 | —% | 100.0% | — | — |
| 181 Main Street | TD Bank | 2012 | 100.0% | 11,350 | 100.0% | 100.0% | 968,387 | 85.32 |
| 4401 White Plains Road | Walgreens | 2011 | 100.0% | 12,964 | 100.0% | 100.0% | 625,000 | 48.21 |
| Bartow Avenue | — | 2005 | 100.0% | 14,590 | 66.6% | 66.6% | 324,007 | 33.33 |
| 239 Greenwich Avenue | Betteridge Jewelers | 1998 | 75.0% | 16,553 | 100.0% | 100.0% | 1,641,124 | 99.14 |
| 252-256 Greenwich Avenue | Madewell, Jack Wills, Blue Mercury | 2014 | 100.0% | 7,986 | 100.0% | 100.0% | 1,350,370 | 169.09 |
| 2914 Third Avenue | Planet Fitness | 2006 | 100.0% | 40,320 | 100.0% | 100.0% | 985,972 | 24.45 |
| 868 Broadway | Dr. Martens | 2013 | 100.0% | 2,031 | 100.0% | 100.0% | 790,705 | 389.32 |
| 313-315 Bowery [b] | John Varvatos, Patagonia | 2013 | 100.0% | 6,600 | 100.0% | 100.0% | 479,160 | 72.60 |
| 120 West Broadway | HSBC Bank | 2013 | 100.0% | 13,838 | 79.8% | 100.0% | 1,971,384 | 178.59 |

| Property [a] | Key Tenants | Year Acquired | Acadia's Interest | Gross Leasable Area (GLA) | In Place Occupancy | Leased Occupancy | Annualized Base Rent (ABR) | ABR/ Per Square Foot |
|---|---|---|---|---|---|---|---|---|
| 2520 Flatbush Avenue | Bob's Disc. Furniture, Capital One | 2014 | 100.0% | 29,114 | 100.0% | 100.0% | 1,163,976 | 39.98 |
| 991 Madison Avenue | Vera Wang, Gabriella Hearst | 2016 | 100.0% | 7,513 | 100.0% | 100.0% | 3,046,736 | 405.53 |
| Shops at Grand | Stop & Shop (Ahold) | 2014 | 100.0% | 99,685 | 100.0% | 100.0% | 3,332,491 | 33.43 |
| Gotham Plaza | Bank of America, Footlocker | 2016 | 49.0% | 25,927 | 58.6% | 58.6% | 1,067,395 | 70.25 |
| | | | | 342,738 | 91.1% | 94.1% | 29,960,902 | 95.90 |
| **San Francisco Metro** | | | | | | | | |
| 555 9th Street | Bed, Bath & Beyond, Nordstrom Rack | 2016 | 100.0% | 148,832 | 100.0% | 100.0% | 6,219,355 | 41.79 |
| | | | | 148,832 | 100.0% | 100.0% | 6,219,355 | 41.79 |
| **Los Angeles Metro** | | | | | | | | |
| Melrose Place Collection | The Row, Chloe, Oscar de la Renta | 2019 | 100.0% | 14,000 | 100.0% | 100.0% | 2,365,606 | 168.97 |
| | | | | 14,000 | 100.0% | 100.0% | 2,365,606 | 168.97 |
| **District of Columbia Metro** | | | | | | | | |
| 1739-53 & 1801-03 Connecticut Avenue | Ruth Chris Steak-house, TD Bank | 2012 | 100.0% | 20,669 | 100.0% | 100.0% | 1,359,986 | 65.80 |
| Rhode Island Place Shopping Center | Ross Dress for Less | 2012 | 100.0% | 57,667 | 89.1% | 93.4% | 1,605,057 | 31.24 |
| M Street and Wisconsin Corridor (26 Properties) [c] | Lululemon, Sephora, The Reformation | 2011 2016 2019 | 24.9% | 244,709 | 90.8% | 94.2% | 16,463,715 | 74.08 |
| | | | | 323,045 | 91.1% | 94.4% | 19,428,758 | 66.01 |
| **Boston Metro** | | | | | | | | |
| 330-340 River Street | Whole Foods | 2012 | 100.0% | 54,226 | 100.0% | 100.0% | 1,243,517 | 22.93 |
| 165 Newbury Street | Starbucks | 2016 | 100.0% | 1,050 | 100.0% | 100.0% | 277,719 | 264.49 |
| | | | | 55,276 | 100.0% | 100.0% | 1,521,236 | 27.52 |
| **Total Street and Urban Retail** | | | | **1,593,604** | **91.7%** | **93.5%** | **$ 98,800,015** | **$ 67.62** |
| **Acadia Share Total Street and Urban Retail** | | | | **1,382,320** | **92.1%** | **93.7%** | **$ 84,810,177** | **$ 66.64** |
| **SUBURBAN PROPERTIES** | | | | | | | | |
| **New Jersey** | | | | | | | | |
| Marketplace of Absecon | Rite Aid, Dollar Tree | 1998 | 100.0% | 104,556 | 84.1% | 84.1% | $ 1,372,830 | $ 15.61 |
| 60 Orange Street | Home Depot | 2012 | 98.0% | 101,715 | 100.0% | 100.0% | 730,000 | 7.18 |
| **New York** | | | | | | | | |
| Village Commons Shopping Center | — | 1998 | 100.0% | 87,128 | 98.1% | 98.1% | 2,795,940 | 32.72 |
| Branch Plaza | LA Fitness, The Fresh Market | 1998 | 100.0% | 123,345 | 94.2% | 94.2% | 3,176,630 | 27.34 |
| Amboy Center | Stop & Shop (Ahold) | 2005 | 100.0% | 63,290 | 80.9% | 89.9% | 1,683,453 | 32.89 |
| LA Fitness | LA Fitness | 2007 | 100.0% | 55,000 | 100.0% | 100.0% | 1,485,287 | 27.01 |

| Property [a] | Key Tenants | Year Acquired | Acadia's Interest | Gross Leasable Area (GLA) | In Place Occupancy | Leased Occupancy | Annualized Base Rent (ABR) | ABR/ Per Square Foot |
|---|---|---|---|---|---|---|---|---|
| Crossroads Shopping Center | HomeGoods,Pet-Smart, Kmart | 1998 | 49.0% | 311,904 | 91.8% | 91.8% | 7,089,909 | 24.77 |
| New Loudon Center | Price Chopper, Marshalls | 1993 | 100.0% | 255,673 | 100.0% | 100.0% | 2,188,447 | 8.56 |
| 28 Jericho Turnpike | Kohl's | 2012 | 100.0% | 96,363 | 100.0% | 100.0% | 1,815,000 | 18.84 |
| Bedford Green | Shop Rite, CVS | 2014 | 100.0% | 90,589 | 83.0% | 83.0% | 2,476,876 | 32.95 |
| **Connecticut** | | | | | | | | |
| Town Line Plaza [d] | Wal-Mart, Stop & Shop (Ahold) | 1998 | 100.0% | 206,346 | 98.7% | 98.7% | 1,827,704 | 16.99 |
| **Massachusetts** | | | | | | | | |
| Methuen Shopping Center | Wal-Mart, Market Basket | 1998 | 100.0% | 130,021 | 100.0% | 100.0% | 1,360,858 | 10.47 |
| Crescent Plaza | Home Depot, Shaw's (Supervalu) | 1993 | 100.0% | 218,148 | 90.9% | 90.9% | 1,905,550 | 9.60 |
| 201 Needham Street | Michael's | 2014 | 100.0% | 20,409 | 100.0% | 100.0% | 646,965 | 31.70 |
| 163 Highland Avenue | Staples, Petco | 2015 | 100.0% | 40,505 | 100.0% | 100.0% | 1,311,747 | 32.38 |
| **Vermont** | | | | | | | | |
| The Gateway Shopping Center | Shaw's (Supervalu) | 1999 | 100.0% | 101,474 | 98.4% | 100.0% | 2,147,052 | 21.50 |
| **Illinois** | | | | | | | | |
| Hobson West Plaza | Garden Fresh Markets | 1998 | 100.0% | 98,950 | 83.3% | 96.4% | 830,409 | 10.07 |
| **Indiana** | | | | | | | | |
| Merrillville Plaza | Jo-Ann Fabrics, TJ Maxx | 1998 | 100.0% | 236,087 | 90.0% | 90.5% | 3,168,339 | 14.91 |
| **Michigan** | | | | | | | | |
| Bloomfield Town Square | Best Buy, HomeGoods, TJ Maxx | 1998 | 100.0% | 235,022 | 96.4% | 96.4% | 3,745,862 | 16.53 |
| **Delaware** | | | | | | | | |
| Town Center and Other (2 properties) | Lowes, Bed Bath & Beyond, Target | 2003 | 65.1% | 800,018 | 91.3% | 91.3% | 12,642,074 | 17.32 |
| Market Square Shopping Center | Trader Joe's, TJ Maxx | 2003 | 100.0% | 102,047 | 97.4% | 97.4% | 3,022,011 | 30.41 |
| Naamans Road | — | 2006 | 100.0% | 19,850 | 30.1% | 30.1% | 433,785 | 72.60 |
| **Pennsylvania** | | | | | | | | |
| Mark Plaza | Kmart | 1993 | 100.0% | 106,856 | 100.0% | 100.0% | 244,279 | 2.29 |
| Plaza 422 | Home Depot | 1993 | 100.0% | 156,279 | 100.0% | 100.0% | 894,880 | 5.73 |
| Chestnut Hill | — | 2006 | 100.0% | 37,646 | 100.0% | 100.0% | 988,897 | 26.27 |
| Abington Towne Center [e] | Target, TJ Maxx | 1998 | 100.0% | 216,871 | 100.0% | 100.0% | 1,225,915 | 20.69 |

| Property [a] | Key Tenants | Year Acquired | Acadia's Interest | Gross Leasable Area (GLA) | In Place Occupancy | Leased Occupancy | Annualized Base Rent (ABR) | ABR/ Per Square Foot |
|---|---|---|---|---|---|---|---|---|
| **Total Suburban Properties** | | | | **4,016,092** | **94.1%** | **94.6%** | **$ 61,210,699** | **$ 17.30** |
| **Acadia Share Total Suburban Properties** | | | | **3,606,052** | **94.7%** | **95.3%** | **$ 53,931,537** | **$ 17.00** |
| **Total Core Properties** | | | | **5,609,696** | **93.4%** | **94.3%** | **$ 160,010,714** | **$ 31.99** |
| **Acadia Share Total Core Properties** | | | | **4,988,372** | **94.0%** | **94.8%** | **$ 138,741,714** | **$ 31.20** |

(a) Excludes properties under development, redevelopment or pre-stabilized, see "Development and Redevelopment Activities" section below. The above occupancy and rent amounts do not include space which is currently leased, other than "leased occupancy," but for which rent payment has not yet commenced. Residential and office GLA are excluded.

(b) Represents the annual base rent paid to Acadia pursuant to a master lessee and does not reflect the rent paid by the retail tenants at the property.

(c) Excludes 94,000 square feet of office GLA.

(d) Anchor GLA includes a 97,300 square foot Wal-Mart store which is not owned by the Company. This square footage has been excluded for calculating annualized base rent per square foot.

(e) Anchor GLA includes a 157,616 square foot Target store which is not owned by the Company. This square footage has been excluded for calculating annualized base rent per square foot.

The following table sets forth more specific information with respect to each of our Fund properties at December 31, 2019:

| Property [(a)] | Key Tenants | Year Acquired | Acadia's Interest | Gross Leasable Area (GLA) | In Place Occupancy | Leased Occupancy | Annualized Base Rent (ABR) | ABR/Per Square Foot |
|---|---|---|---|---|---|---|---|---|
| **Fund II Portfolio Detail** | | | | | | | | |
| **New York** | | | | | | | | |
| City Point - Phase I and II | Century 21, Target, Alamo Drafthouse | 2007 | 26.7% | 469,518 | 65.2% | 86.2% | $ 8,856,930 | $ 28.91 |
| **Total - Fund II** | | | | 469,518 | 65.2% | 86.2% | $ 8,856,930 | $ 28.91 |
| | | | | | | | | |
| **Fund III Portfolio Detail** | | | | | | | | |
| **New York** | | | | | | | | |
| 654 Broadway | — | 2011 | 24.5% | 2,896 | 100.0% | 100.0% | $ 455,000 | $ 157.11 |
| 640 Broadway | Swatch | 2012 | 15.5% | 4,637 | 73.1% | 73.1% | 942,161 | 277.91 |
| Cortlandt Crossing | ShopRite, HomeSense | 2012 | 24.5% | 127,849 | 76.5% | 81.1% | 2,632,143 | 26.92 |
| **Total - Fund III** | | | | 135,382 | 76.9% | 81.3% | $ 4,029,304 | $ 38.72 |
| | | | | | | | | |
| **Fund IV Portfolio Detail** | | | | | | | | |
| **New York** | | | | | | | | |
| 801 Madison Avenue | — | 2015 | 23.1% | 2,522 | —% | —% | $ — | $ — |
| 210 Bowery | — | 2012 | 23.1% | 2,538 | —% | —% | — | — |
| 27 East 61st Street | — | 2014 | 23.1% | 4,177 | —% | —% | — | — |
| 17 East 71st Street | The Row | 2014 | 23.1% | 8,432 | 100.0% | 100.0% | 2,113,110 | 250.61 |
| 1035 Third Avenue [(b)] | — | 2015 | 23.1% | 7,617 | 58.7% | 58.7% | 1,029,564 | 230.38 |
| Colonie Plaza | Price Chopper, Big Lots | 2016 | 23.1% | 153,483 | 94.9% | 95.8% | 1,662,817 | 11.41 |
| **New Jersey** | | | | | | | | |
| Paramus Plaza | Ashley Furniture, Marshalls | 2013 | 11.6% | 153,060 | 72.9% | 100.0% | 2,103,780 | 18.86 |
| **Massachusetts** | | | | | | | | |
| Restaurants at Fort Point | — | 2016 | 23.1% | 15,711 | 100.0% | 100.0% | 990,230 | 63.03 |
| **Maine** | | | | | | | | |
| Airport Mall | Hannaford, Marshalls | 2016 | 23.1% | 221,830 | 68.6% | 87.2% | 1,027,139 | 6.75 |
| Wells Plaza | Reny's, Dollar Tree | 2016 | 23.1% | 90,434 | 98.3% | 98.3% | 737,326 | 8.29 |
| Shaw's Plaza (Waterville) | Shaw's | 2016 | 23.1% | 119,015 | 100.0% | 100.0% | 1,400,053 | 11.76 |
| Shaw's Plaza (Windham) | Shaw's | 2017 | 23.1% | 124,330 | 88.4% | 88.4% | 1,035,744 | 9.42 |
| **Pennsylvania** | | | | | | | | |
| Dauphin Plaza | Price Rite, Ashley Furniture | 2016 | 23.1% | 206,206 | 91.1% | 91.1% | 1,732,892 | 9.23 |
| Mayfair Shopping Center | Planet Fitness, Dollar Tree | 2016 | 23.1% | 115,411 | 86.8% | 97.4% | 1,690,741 | 16.88 |
| **Rhode Island** | | | | | | | | |
| 650 Bald Hill Road | Dick's Sporting Goods, Burlington Coat Factory | 2015 | 20.8% | 160,448 | 85.3% | 85.3% | 1,978,902 | 14.45 |
| **Virginia** | | | | | | | | |
| Promenade at Manassas | Home Depot | 2013 | 22.8% | 280,760 | 83.2% | 98.6% | 3,122,520 | 13.36 |
| **Delaware** | | | | | | | | |
| Eden Square | Giant Food, LA Fitness | 2014 | 22.8% | 231,074 | 85.9% | 85.9% | 3,045,812 | 15.34 |
| **Illinois** | | | | | | | | |
| Lincoln Place | Kohl's, Marshall's, Ross | 2017 | 23.1% | 272,060 | 99.6% | 99.6% | 3,315,314 | 12.23 |
| **Georgia** | | | | | | | | |
| Broughton Street Portfolio (13 properties) | H&M, Lululemon, Michael Kors, Starbucks | 2014 | 19.1% | 100,676 | 83.7% | 83.7% | 3,152,794 | 37.40 |
| **North Carolina** | | | | | | | | |
| Wake Forest Crossing | Lowe's, TJ Maxx | 2016 | 23.1% | 202,880 | 98.7% | 99.3% | 2,951,295 | 14.74 |
| **California** | | | | | | | | |
| Union and Fillmore Collection (3 properties) | Eileen Fisher, L'Occitane, Bonobos | 2015 | 20.8% | 7,148 | 100.0% | 100.0% | 716,262 | 100.20 |
| **Total - Fund IV** | | | | 2,479,812 | 87.7% | 93.6% | $ 33,806,295 | $ 15.54 |
| | | | | | | | | |
| **Fund V Portfolio Detail** | | | | | | | | |
| **New Mexico** | | | | | | | | |
| Plaza Santa Fe | TJ Maxx, Best Buy, Ross Dress for Less | 2017 | 20.1% | 224,223 | 99.4% | 99.4% | $ 3,952,239 | $ 17.73 |
| **Michigan** | | | | | | | | |
| New Towne Plaza | Kohl's, Jo-Ann's, DSW | 2017 | 20.1% | 193,446 | 94.0% | 98.3% | 2,125,496 | 11.69 |
| Fairlane Green | TJ Maxx, Michaels, Bed Bath & Beyond | 2017 | 20.1% | 252,904 | 95.7% | 95.7% | 5,021,289 | 20.74 |
| **Maryland** | | | | | | | | |

| Property [(a)] | Key Tenants | Year Acquired | Acadia's Interest | Gross Leasable Area (GLA) | In Place Occupancy | Leased Occupancy | Annualized Base Rent (ABR) | ABR/Per Square Foot |
|---|---|---|---|---|---|---|---|---|
| Frederick County Acquisitions | Kmart, Kohl's, Best Buy, Ross Dress for Less | 2019 | 18.1% | 524,156 | 91.1% | 97.9% | 6,206,501 | 13.00 |
| **Connecticut** | | | | | | | | |
| Tri-City Plaza | TJ Maxx, HomeGoods | 2019 | 18.1% | 300,067 | 56.7% | 90.5% | 2,726,231 | 16.04 |
| **Virginia** | | | | | | | | |
| Landstown Commons | Best Buy, Bed Bath & Beyond, Ross Dress for Less | 2019 | 20.1% | 404,808 | 96.3% | 97.3% | 7,917,849 | 20.31 |
| **Florida** | | | | | | | | |
| Palm Coast Landing | TJ Maxx, PetSmart, Ross Dress for Less | 2019 | 20.1% | 171,324 | 94.0% | 94.0% | 3,233,194 | 20.08 |
| **North Carolina** | | | | | | | | |
| Hickory Ridge | Kohl's, Best Buy, Dick's | 2017 | 20.1% | 380,565 | 98.3% | 98.3% | 4,295,679 | 11.49 |
| **Rhode Island** | | | | | | | | |
| Lincoln Commons | Stop and Shop, Marshalls, HomeGoods | 2019 | 20.1% | 455,441 | 84.8% | 84.8% | 5,104,039 | 13.21 |
| **Alabama** | | | | | | | | |
| Trussville Promenade | Wal-Mart, Regal Cinemas | 2018 | 20.1% | 463,725 | 95.9% | 95.9% | 4,471,270 | 10.06 |
| **Georgia** | | | | | | | | |
| Hiram Pavilion | Kohl's, HomeGoods | 2018 | 20.1% | 362,675 | 98.6% | 98.6% | 4,228,143 | 11.82 |
| **California** | | | | | | | | |
| Elk Grove Commons | Kohl's, HomeGoods | 2018 | 20.1% | 220,726 | 96.0% | 96.0% | 4,677,104 | 22.08 |
| **Utah** | | | | | | | | |
| Family Center at Riverdale | Target, Gordman's, Sportman's Warehouse | 2019 | 18.0% | 427,828 | 96.7% | 96.7% | 4,027,458 | 9.74 |
| | | | | | | | | |
| **Total - Fund V** | | | | 4,381,888 | 92.0% | 95.5% | $ 57,986,492 | $ 14.38 |
| | | | | | | | | |
| **TOTAL FUND PROPERTIES** | | | | **7,466,600** | **88.6%** | **94.0%** | **$104,679,021** | **$ 15.82** |
| **Acadia Share of Total Fund Properties** | | | | **1,559,270** | **88.3%** | **93.7%** | **$ 22,040,271** | **$ 16.00** |

(a) Excludes properties under development, see “Development and Redevelopment Activities” section below. The above occupancy and rent amounts do not include space which is currently leased, other than “leased occupancy,” but for which rent payment has not yet commenced. Residential and office GLA are excluded.

(b) Property also includes 12,371 square feet of 2nd floor office space and a 29,760 square foot parking garage (131 spaces).

## Major Tenants

No individual retail tenant accounted for more than 5.1% of base rents for the year ended December 31, 2019, or occupied more than 6.9% of total leased GLA as of December 31, 2019. The following table sets forth certain information for the 20 largest retail tenants by base rent for leases in place as of December 31, 2019. The amounts below include our pro-rata share of GLA and annualized base rent for the Operating Partnership's partial ownership interest in properties including the Funds (GLA and Annualized Base Rent in thousands):

| Retail Tenant | Number of Stores in Portfolio [(a)] | Total GLA | Annualized Base Rent [(a)] | Percentage of Total Represented by Retail Tenant: Total Portfolio GLA | Percentage of Total Represented by Retail Tenant: Annualized Base Rent |
|---|---|---|---|---|---|
| Target | 5 | 454 | $ 8,248 | 6.9% | 5.1% |
| H & M | 2 | 56 | 5,039 | 0.9% | 3.1% |
| Walgreens [(b)] | 7 | 98 | 4,204 | 1.5% | 2.6% |
| TJX Companies [(c)] | 26 | 330 | 3,784 | 5.0% | 2.4% |
| Royal Ahold [(d)] | 5 | 182 | 3,711 | 2.8% | 2.3% |
| Nordstrom, Inc. | 2 | 89 | 3,515 | 1.4% | 2.2% |
| Bed, Bath, and Beyond [(e)] | 6 | 137 | 3,371 | 2.1% | 2.1% |
| Ascena Retail Group [(f)] | 12 | 28 | 2,735 | 0.4% | 1.7% |
| LA Fitness International LLC | 3 | 108 | 2,680 | 1.6% | 1.7% |
| Trader Joe's | 5 | 49 | 2,642 | 0.7% | 1.6% |
| Kohls | 7 | 203 | 2,600 | 3.1% | 1.6% |
| Verizon | 8 | 29 | 2,566 | 0.4% | 1.6% |
| Lululemon | 3 | 8 | 2,431 | 0.1% | 1.5% |
| Gap [(h)] | 8 | 61 | 2,327 | 0.9% | 1.4% |
| Albertsons Companies [(g)] | 4 | 154 | 2,266 | 2.4% | 1.4% |
| Home Depot | 4 | 337 | 2,193 | 5.1% | 1.4% |
| Ulta Salon Cosmetic & Fragrance | 10 | 48 | 1,801 | 0.7% | 1.1% |
| Bob's Discount Furniture | 2 | 58 | 1,629 | 0.9% | 1.0% |
| Tapestry [(i)] | 2 | 4 | 1,552 | 0.1% | 1.0% |
| DSW | 3 | 40 | 1,464 | 0.6% | 0.9% |
| Total | 124 | 2,473 | $ 60,758 | 37.8% | 37.8% |

(a) Does not include tenants that operate at only one Acadia location
(b) Walgreens (5 locations), Rite Aid (2 locations)
(c) TJ Maxx (11 locations), Marshalls (8 locations), HomeGoods (6 locations), HomeSense (1 location)
(d) Stop and Shop (4 locations), Giant (1 location)
(e) Bed Bath and Beyond (4 locations), Christmas Tree Shops (1 location), Cost Plus (1 location)
(f) Catherine's (3 locations), Lane Bryant (4 locations), Ann Taylor Loft (1 location), Ann Taylor (1 location), Justice (2 locations), Maurices (1 location)
(g) Shaw's (4 locations)
(h) Old Navy (6 locations), Banana Republic (1 location), Gap (1 location)
(i) Kate Spade (2 locations)

## Lease Expirations

The following tables show scheduled lease expirations on a pro rata basis for retail tenants in place as of December 31, 2019, assuming that none of the tenants exercise renewal options (GLA and Annualized Base Rent in thousands):

### *Core Portfolio*

| | | Annualized Base Rent (a, b) | | GLA | |
|---|---|---|---|---|---|
| Leases Maturing in | Number of Leases | Current Annual Rent | Percentage of Total | Square Feet | Percentage of Total |
| Month to Month | 6 | $ 470 | 0.3% | 13,994 | 0.3% |
| 2020 | 33 | 5,546 | 4.0% | 92,281 | 2.1% |
| 2021 | 74 | 16,470 | 11.9% | 758,396 | 17.1% |
| 2022 | 53 | 13,288 | 9.6% | 345,694 | 7.8% |
| 2023 | 61 | 21,621 | 15.6% | 666,307 | 15.0% |
| 2024 | 56 | 15,043 | 10.8% | 656,819 | 14.8% |
| 2025 | 51 | 16,112 | 11.6% | 486,153 | 11.0% |
| 2026 | 33 | 7,134 | 5.1% | 161,679 | 3.6% |
| 2027 | 23 | 5,673 | 4.1% | 127,084 | 2.9% |
| 2028 | 41 | 18,502 | 13.3% | 674,430 | 15.2% |
| 2029 | 23 | 6,667 | 4.8% | 157,652 | 3.6% |
| Thereafter | 27 | 12,216 | 8.9% | 291,551 | 6.6% |
| **Total** | 481 | $ 138,742 | 100.0% | 4,432,040 | 100.0% |

### *Funds*

| | | Annualized Base Rent (a, b) | | GLA | |
|---|---|---|---|---|---|
| Leases Maturing in | Number of Leases | Current Annual Rent | Percentage of Total | Square Feet | Percentage of Total |
| Month to Month | 16 | $ 164 | 0.7% | 13 | 0.9% |
| 2020 | 68 | 1,522 | 6.9% | 88 | 6.4% |
| 2021 | 94 | 2,325 | 10.5% | 147 | 10.7% |
| 2022 | 84 | 2,321 | 10.5% | 152 | 11.1% |
| 2023 | 79 | 2,133 | 9.7% | 155 | 11.2% |
| 2024 | 71 | 2,182 | 9.9% | 144 | 10.5% |
| 2025 | 54 | 2,503 | 11.4% | 185 | 13.4% |
| 2026 | 43 | 1,238 | 5.6% | 61 | 4.4% |
| 2027 | 19 | 546 | 2.5% | 51 | 3.7% |
| 2028 | 28 | 1,248 | 5.7% | 57 | 4.1% |
| 2029 | 32 | 1,894 | 8.6% | 116 | 8.4% |
| Thereafter | 33 | 3,965 | 18.0% | 208 | 15.2% |
| **Total** | 621 | $ 22,041 | 100.0% | 1,377 | 100.0% |

(a) Base rents do not include percentage rents, additional rents for property expense reimbursements, nor contractual rent escalations.

(b) No single market, except as discussed below under Geographic Concentrations, represents a material amount of exposure to the Company as it relates to the rents from these leases. Given the diversity of these markets, properties and characteristics of the individual spaces, the Company cannot make any general representations as it relates to the expiring rents and the rates for which these spaces may be re-leased.

## Geographic Concentrations

The following table summarizes our operating retail properties by region, excluding redevelopment and pre-stabilization properties, as of December 31, 2019. The amounts below include our pro-rata share of GLA and annualized base rent for the Operating Partnership's partial ownership interest in properties, including the Funds (GLA and Annualized Base Rent in thousands):

| Region | GLA (a,c) | % Occupied (b) | Annualized Base Rent (b, c) | Annualized Base Rent per Occupied Square Foot (c) | Percentage of Total Represented by Region: GLA | Percentage of Total Represented by Region: Annualized Base Rent |
|---|---|---|---|---|---|---|
| **Core Portfolio:** | | | | | | |
| New York Metro | 1,454 | 93.8% | $ 50,190 | $ 36.81 | 29.1% | 36.2% |
| Mid-Atlantic | 1,191 | 95.5% | 15,803 | 16.02 | 23.9% | 11.4% |
| New England | 772 | 96.9% | 10,721 | 16.40 | 15.5% | 7.7% |
| Chicago Metro | 700 | 89.5% | 38,340 | 61.23 | 14.0% | 27.6% |
| Midwest | 570 | 91.5% | 7,745 | 14.85 | 11.4% | 5.6% |
| San Francisco Metro | 149 | 100.0% | 6,219 | 41.79 | 3.0% | 4.5% |
| Washington D.C. Metro | 139 | 91.8% | 7,358 | 57.55 | 2.8% | 5.3% |
| Los Angeles Metro | 14 | 100.0% | 2,366 | 168.97 | 0.3% | 1.7% |
| **Total Core Operating Properties** | 4,989 | 94.0% | $ 138,742 | $ 31.20 | 100.0% | 100.0% |
| **Fund Portfolio:** | | | | | | |
| Southeast | 425 | 96.3% | $ 6,158 | $ 15.06 | 27.3% | 27.9% |
| Northeast | 480 | 83.7% | 5,044 | 12.55 | 30.7% | 22.9% |
| New York Metro | 217 | 72.1% | 4,621 | 29.52 | 13.9% | 21.0% |
| West | 121 | 96.4% | 1,665 | 14.23 | 7.8% | 7.6% |
| Mid-Atlantic | 117 | 84.4% | 1,406 | 14.27 | 7.5% | 6.4% |
| Midwest | 90 | 95.0% | 1,437 | 16.86 | 5.8% | 6.5% |
| Chicago Metro | 63 | 99.6% | 766 | 12.23 | 4.0% | 3.5% |
| Southwest | 45 | 99.4% | 794 | 17.73 | 2.9% | 3.6% |
| San Francisco Metro | 1 | 100.0% | 149 | 100.20 | 0.1% | 0.6% |
| **Total Fund Operating Properties** | 1,559 | 88.3% | $ 22,040 | $ 16.00 | 100.0% | 100.0% |

(a) Property GLA includes a total of 255,000 square feet, which is not owned by us. This square footage has been excluded for calculating annualized base rent per square foot.
(b) The above occupancy and rent amounts do not include space that is currently leased, but for which payment of rent had not commenced as of December 31, 2019.
(c) The amounts presented reflect the Operating Partnership's pro-rata shares of properties included within each region.

## Development and Redevelopment Activities

As part of our strategy, we invest in retail real estate assets that may require significant development. As of December 31, 2019, we had six development or redevelopment projects in various stages of the development process.

| Property | Ownership (a) | Location | Estimated Stabilization | Square Feet Upon Completion | Leased Rate | Key Tenants | Outstanding Debt | Incurred (b) | Estimated Future Range | Estimated Total Range |
|---|---|---|---|---|---|---|---|---|---|---|
| **Development:** | | | | | | | | | | |
| **CORE** | | | | | | | | | | |
| 1238 Wisconsin | 100.0% | Washington DC | 2022 | 29,000 | —% | TBD | $ — | $ 1.3 | $31.3 to $32.7 | $ 32.6 to $ 34.0 |
| **FUND II** | | | | | | | | | | |
| City Point Phase III | 94.2% | Brooklyn, NY | 2021 | 63,000 | —% | TBD | 24.2 | 10.0 | 52.0 to 55.0 | 62.0 to 65.0 |
| **FUND III** | | | | | | | | | | |
| Broad Hollow Commons | 100.0% | Farmingdale, NY | 2021 | 180,000 - 200,000 | —% | TBD | — | 17.9 | 32.1 to 42.1 | 50.0 to 60.0 |
| **FUND IV** | | | | | | | | | | |
| 110 University Place | 100.0% | New York, NY | 2022 | 46,000 | —% | TBD | — | 14.2 | 6.4 to 10.8 | 20.6 to 25.0 |
| 146 Geary | 100.0% | San Francisco, CA | 2022 | 13,000 | —% | TBD | 22.9 | 42.6 | 17.4 to 22.4 | 60.0 to 65.0 |
| 717 N. Michigan Avenue | 100.0% | Chicago, IL | 2020 | 62,000 | 30.0% | Disney Store | 56.7 | 110.0 | 10.0 to 17.5 | 120.0 to 127.5 |
| **Major Redevelopment:** | | | | | | | | | | |
| **CORE** | | | | | | | | | | |
| City Center | 100.0% | San Francisco, CA | 2021 | 241,000 | 90.0% | Target | — | 190.2 | 4.8 to 10.8 | 195.0 to 201.0 |
| Elmwood Park | 100.0% | Elmwood Park, NJ | 2021 | 144,000 | 100.0% | Walgreens | — | — | TBD to TBD | TBD to TBD |
| Route 6 Mall | 100.0% | Honesdale, PA | TBD | TBD | 100.0% | TBD | — | — | TBD to TBD | TBD to TBD |
| Mad River | 100.0% | Dayton, OH | TBD | TBD | 50.0% | TBD | — | — | TBD to TBD | TBD to TBD |
| **Pre-Stabilized:** | | | | | | | | | | |
| **CORE** | | | | | | | | | | |
| 613-623 West Diversey | 100.0% | Chicago, IL | 2020 | 29,778 | 76.1% | TJ Maxx, Blue Mercury | — | | | |
| **FUND II** | | | | | | | | | | |
| City Point, Phase I and II | 94.2% | New York, NY | 2020 | 475,000 | 86.2% | Century 21, Target, Alamo Drafthouse | 259.1 | | | |
| **FUND III** | | | | | | | | | | |
| Cortlandt Crossing | 100.0% | Mohegan Lake, NY | 2020 | 125,906 | 81.1% | ShopRite, HomeSense | 35.1 | | | |
| 640 Broadway | 63.1% | New York, NY | 2020 | 4,637 | 73.1% | Swatch | 39.5 | | | |
| **FUND IV** | | | | | | | | | | |
| Paramus Plaza | 50.0% | Paramus, NJ | 2020 | 150,660 | 100.0% | Ashley Furniture, Marshalls | 18.9 | | | |
| 210 Bowery | 100.0% | New York, NY | 2020 | 2,538 | —% | – | — | | | |
| 801 Madison | 100.0% | New York, NY | 2020 | 2,625 | —% | – | — | | | |
| 27 E 61st Street | 100.0% | New York, NY | 2020 | 4,177 | —% | – | — | | | |
| 1035 Third Avenue | 100.0% | New York, NY | 2020 | 7,617 | 58.7% | – | — | | | |
| | | | | | | | $ 352.6 | | | |

(a) Ownership percentage represents the Core or Fund level ownership and not Acadia's pro rata share.
(b) Incurred amounts include costs associated with the initial carrying value.

## ITEM 3. LEGAL PROCEEDINGS.

As previously disclosed in our periodic findings, Acadia Brandywine Holdings, LLC ("Brandywine Holdings"), a consolidated entity in which we have a 22.22% interest, is a party to litigation in connection with a mortgage loan collateralized by a Core Portfolio property held by it (the "Brandywine Loan"), which has been in default since July 1, 2016. The Brandywine Loan was originated in June 2006 and had an original principal amount of $26.3 million and a scheduled maturity of July 1, 2016. The Brandywine Loan bears interest at a stated rate of approximately 6% and is subject to additional default interest of 5%. In April 2017, the successor to the original lender, Wilmington – 5190 Brandywine Parkway, LLC (the "Successor Lender"), initiated lawsuits against Brandywine Holdings in Delaware Superior Court and Delaware Chancery Court for, among other things, judgment on the note (the "Note Complaint") and foreclosure on the property. In a contemporaneously filed action in Delaware Superior Court (the "Guaranty Complaint"), the Successor Lender initiated a lawsuit against the

Operating Partnership as guarantor of certain guaranteed obligations of Brandywine Holdings set forth in a non-recourse carve-out guaranty executed by the Operating Partnership. The Guaranty Complaint alleges that the Operating Partnership is liable for the full balance of the principal, accrued interest, default interest, as well as fees and costs, under the Brandywine Loan, which the Successor Lender alleges totaled approximately $33.0 million as of November 9, 2017 (exclusive of accruing interest, default interest, and fees and costs). In August 2019, the Delaware Superior Court heard arguments on the parties' cross-motions for summary judgement regarding both the Guaranty Complaint and the Note Complaint. On February 7, 2020, the Delaware Superior Court granted in part the Successor Lender's motion and denied Brandywine Holdings' and the Operating Partnership's cross-motion, for summary judgment, finding that each of Brandywine Holdings and the Operating Partnership have recourse liability for the outstanding balance of the Brandywine Loan. The Delaware Superior Court's decision will be appealable when a judgement is formally entered. Brandywine Holdings and the Operating Partnership intend to appeal the ruling as soon as it becomes appealable and to vigorously contest it.

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

## ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

## PART II

## ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES AND PERFORMANCE GRAPH.

### Market Information, Dividends and Holders of Record of our Common Shares

At February 12, 2020, there were 255 holders of record of our Common Shares, which are traded on the New York Stock Exchange under the symbol "AKR." Our quarterly dividends declared are discussed in Note 10 and the characterization of such dividends for Federal Income Tax purposes is discussed in Note 14.

### Securities Authorized for Issuance Under Equity Compensation Plans

At the 2016 annual shareholders' meeting, the shareholders' approved the Second Amended and Restated 2006 Incentive Plan (the "Second Amended 2006 Plan"). This plan replaced all previous share incentive plans and increased the authorization to issue options, Restricted Shares and LTIP Units (collectively "Awards") available to officers and employees by 1.6 million shares, for a total of 3.7 million shares available to be issued. See Note 13 in the Notes to Consolidated Financial Statements, for a summary of our Share Incentive Plans.

The following table provides information related to the Second Amended 2006 Plan as of December 31, 2019:

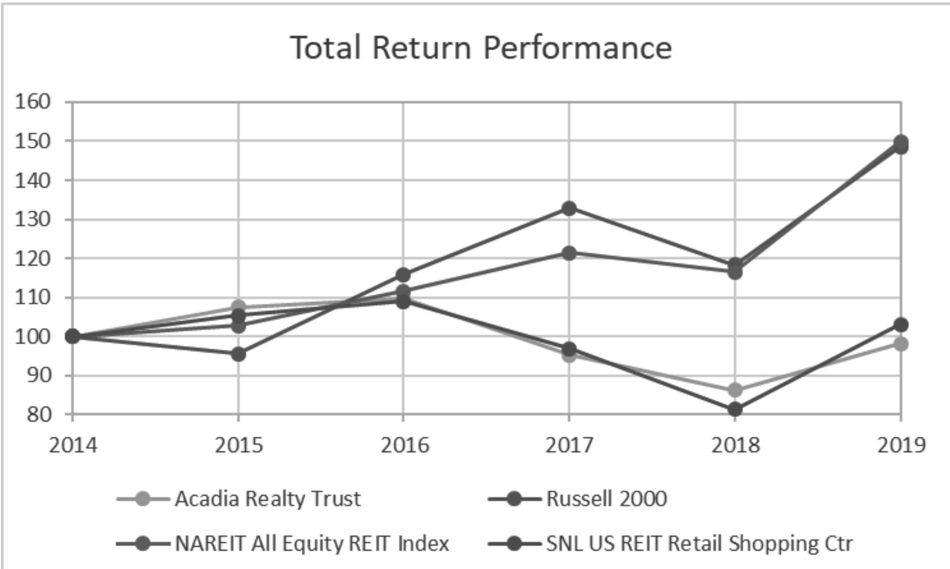
| | Equity Compensation Plan Information | | |
|---|---|---|---|
| | (a) | (b) | (c) |
| | Number of securities to be issued upon exercise of outstanding options, warrants and rights | Weighted-average exercise price of outstanding options, warrants and rights | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) |
| Equity compensation plans approved by security holders | — | $ — | 708,632 |
| Equity compensation plans not approved by security holders | — | — | — |
| Total | — | $ — | 708,632 |

Remaining Common Shares available under the Amended 2006 Plan are as follows:

| | |
|---|---|
| Outstanding Common Shares as of December 31, 2019 | 87,050,465 |
| Outstanding OP Units as of December 31, 2019 | 5,013,507 |
| Total Outstanding Common Shares and OP Units | 92,063,972 |
| | |
| Common Shares and OP Units pursuant to the Second Amended 2006 Plan | 8,893,681 |
| Total Common Shares available under equity compensation plans | 8,893,681 |
| | |
| Less: Issuance of Restricted Shares and LTIP Units Granted | (5,413,276) |
| Issuance of Options Granted | (2,771,773) |
| Number of Common Shares remaining available | 708,632 |

**Share Price Performance**

The following graph compares the cumulative total shareholder return for our Common Shares for the period commencing December 31, 2014, through December 31, 2019, with the cumulative total return on the Russell 2000 Index ("Russell 2000"), the NAREIT All Equity REIT Index (the "NAREIT") and the SNL Shopping Center REITs (the "SNL") over the same period. Total return values for the Russell 2000, the NAREIT, the SNL and the Common Shares were calculated based upon cumulative total return assuming the investment of $100.00 in each of the Russell 2000, the NAREIT, the SNL and our Common Shares on December 31, 2014, and assuming reinvestment of dividends. The shareholder return as set forth in the table below is not necessarily indicative of future performance. The information in this section is not "soliciting material," is not deemed "filed" with the SEC, and is not to be incorporated by reference into any of our filings under the Securities Act or the Exchange Act, whether made before or after the date hereof and irrespective of any general incorporation language contained in such filing.




| | At December 31, | | | | | |
|---|---|---|---|---|---|---|
| ***Index*** | **2014** | **2015** | **2016** | **2017** | **2018** | **2019** |
| Acadia Realty Trust | $ 100.00 | $ 107.51 | $ 109.70 | $ 95.30 | $ 86.34 | $ 98.24 |
| Russell 2000 | 100.00 | 95.59 | 115.95 | 132.94 | 118.30 | 148.49 |
| NAREIT All Equity REIT Index | 100.00 | 102.83 | 111.70 | 121.39 | 116.48 | 149.86 |
| SNL REIT Retail Shopping Ctr Index | 100.00 | 105.35 | 109.02 | 96.94 | 81.36 | 103.18 |

**Recent Sales of Unregistered Securities; Use of Proceeds from Registered Securities**

None.

**Issuer Purchases of Equity Securities**

During 2018, the Company revised its share repurchase program. The new share repurchase program authorizes management, at its discretion, to repurchase up to $200.0 million of its outstanding Common Shares. The program may be discontinued or extended at any time. The Company repurchased 2,294,235 shares for $55.1 million, inclusive of $0.1 million of fees, during the year ended December 31, 2018. The Company did not repurchase any shares during the years ended December 31, 2019 or 2017. As of December 31, 2019, management may repurchase up to approximately $145.0 million of the Company's outstanding Common Shares under this program.

## ITEM 6. SELECTED FINANCIAL DATA

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 Report.

| | Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| (dollars in thousands, except per share amounts) | 2019 | 2018 | 2017 | 2016 | 2015 |
| **OPERATING DATA:** | | | | | |
| Revenues [a] | $ 295,327 | $ 259,681 | $ 248,552 | $ 189,804 | $ 196,783 |
| Operating expenses, excluding depreciation and impairment charges | (125,884) | (114,591) | (111,844) | (97,904) | (86,570) |
| Depreciation and amortization | (125,443) | (117,549) | (104,934) | (70,011) | (60,751) |
| Impairment charges | (1,721) | — | (14,455) | — | (5,000) |
| Gain on disposition of properties | 30,324 | 5,140 | 48,886 | 81,965 | 89,063 |
| Equity in earnings of unconsolidated affiliates inclusive of gains on disposition of properties | 8,922 | 9,302 | 23,371 | 39,449 | 37,330 |
| Interest income | 7,988 | 13,231 | 29,143 | 25,829 | 16,603 |
| Other income | 6,947 | — | 5,571 | — | 1,596 |
| Interest expense | (73,788) | (69,978) | (58,978) | (34,645) | (37,297) |
| Income (loss) from continuing operations before income taxes | 22,672 | (14,764) | 65,312 | 134,487 | 151,757 |
| Income tax (provision) benefit | (1,468) | (934) | (1,004) | 105 | (1,787) |
| Net income (loss) | 21,204 | (15,698) | 64,308 | 134,592 | 149,970 |
| Loss (income) attributable to noncontrolling interests | 31,841 | 47,137 | (2,838) | (61,816) | (84,262) |
| Net income attributable to Acadia | $ 53,045 | $ 31,439 | $ 61,470 | $ 72,776 | $ 65,708 |
| **Basic and diluted earnings per share** | $ 0.62 | $ 0.38 | $ 0.73 | $ 0.94 | $ 0.94 |
| Weighted-average number of Common Shares outstanding, basic | 84,436 | 82,080 | 83,683 | 76,231 | 68,851 |
| Weighted-average number of Common Shares outstanding, diluted | 84,436 | 82,080 | 83,685 | 76,244 | 68,870 |
| Cash dividends declared per Common Share | $ 1.13 | $ 1.09 | $ 1.05 | $ 1.16 | $ 1.22 |
| **BALANCE SHEET DATA:** | | | | | |
| Real estate before accumulated depreciation | $ 4,099,542 | $ 3,697,805 | $ 3,466,482 | $ 3,382,000 | $ 2,736,283 |
| Total assets | 4,309,114 | 3,958,780 | 3,960,247 | 3,995,960 | 3,032,319 |
| Total indebtedness, net | 1,708,196 | 1,550,545 | 1,424,409 | 1,488,718 | 1,358,606 |
| Total common shareholders' equity | 1,542,308 | 1,459,505 | 1,567,199 | 1,588,577 | 1,100,488 |
| Noncontrolling interests | 644,657 | 622,442 | 648,440 | 589,548 | 420,866 |
| Total equity | 2,186,965 | 2,081,947 | 2,215,639 | 2,178,125 | 1,521,354 |
| **OTHER:** | | | | | |
| Funds from operations attributable to Common Shareholders and Common OP Unit holders [b] | 126,862 | 118,870 | 134,667 | 117,070 | 111,560 |
| Cash flows provided by (used in): [c] | | | | | |
| Operating activities | 127,177 | 96,076 | 114,655 | 109,848 | 113,598 |
| Investing activities | (397,057) | (136,619) | 4,063 | (613,564) | (354,503) |
| Financing activities | 265,042 | (10,278) | (127,758) | 488,365 | 96,101 |

(a) Amounts for credit losses have been reclassified from operating expenses to revenues for the years ended December 31, 2018, 2017, 2016 and 2015.
(b) Funds from operations is a non-GAAP measure. For an explanation of the measure and a reconciliation to the nearest GAAP measure, see "Item 7. Management's Discussion and Analysis — Supplemental Financial Measures."
(c) Cash flow activities for the year ended December 31, 2015 have not been adjusted for the impact of ASUs 2016-15 and 2016-18 (Note 1).

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

### OVERVIEW

As of December 31, 2019, there were 186 properties, which we own or have an ownership interest in, within our Core Portfolio and Funds. Our Core Portfolio consists of those properties either 100% owned, or partially owned through joint venture interests by the Operating Partnership, or subsidiaries thereof, not including those properties owned through our Funds. These properties primarily consist of street and urban retail, and suburban shopping centers. See Item 2. Properties for a summary of our wholly-owned and partially-owned retail properties and their physical occupancies at December 31, 2019.

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

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

- Own and operate a Core Portfolio of high-quality retail properties located primarily in high-barrier-to-entry, densely-populated metropolitan areas and create value through accretive development and re-tenanting activities coupled with the acquisition of high-quality assets that have the long-term potential to outperform the asset class as part of our Core asset recycling and acquisition initiative.
- Generate additional external growth through an opportunistic yet disciplined acquisition program within our Funds. We target transactions with high inherent opportunity for the creation of additional value through:
  - value-add investments in street retail properties, located in established and "next generation" submarkets, with re-tenanting or repositioning opportunities,
  - opportunistic acquisitions of well-located real-estate anchored by distressed retailers, and
  - other opportunistic acquisitions which may include high-yield acquisitions and purchases of distressed debt.

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

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

## SIGNIFICANT DEVELOPMENTS DURING THE YEAR ENDED DECEMBER 31, 2019

### Investments

During the year ended December 31, 2019, within our Core portfolio we invested in twelve properties aggregating $185.9 million, inclusive of transaction costs, as follows:

- On January 24, 2019, our unconsolidated Renaissance Portfolio venture acquired Fund III's 3104 M Street property located in Washington, D.C. for $10.7 million (Note 4) for which our share was $2.1 million as discussed further below.
- On March 15, March 27, May 29, July 30 and November 8, 2019, we acquired five retail condominiums located in the Soho section of New York City for a total of $87.0 million referred to as the "Soho Acquisitions" with an aggregate purchase price of approximately $122.0 million (Note 2).
- On May 2, 2019, we entered into a ground lease (Note 11) on a development property in Washington, D.C. referred to as "1238 Wisconsin Avenue."
- On September 11, 2019, we acquired two buildings in Chicago, Illinois, referred to as "849 and 912 W. Armitage" for a total of $7.8 million (Note 2).
- On October 25, 2019, we acquired a retail building in Los Angeles, California, referred to as "8436-8452 Melrose Place" for $48.7 million (Note 2).
- On December 9, 2019, we acquired a master lease position on a building in the Soho section of New York City, referred to as "565 Broadway" for $28.8 million (Note 11).
- On December 11, 2019, we acquired a building in Chicago, Illinois, referred to as "907 W. Armitage" for $2.9 million (Note 2).

During the year ended December 31, 2019, within our Fund portfolio we invested in eight properties aggregating $328.5 million as follows:

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

### Dispositions

On October 28, 2019, we sold our Pacesetter Park shopping center for $22.6 million (Note 2) and recognized a gain on the sale of this property of $16.8 million.

During the year ended December 31, 2019, we made four consolidated property dispositions and sold three condominium units (Note 2) from our Fund Portfolio for gross proceeds totaling $86.8 million as follows:

- On January 24, 2019, a venture in which Fund III holds an 80% interest sold its 3104 M Street property to an unconsolidated venture (Note 4), in which the Core Portfolio holds a 20% interest, for $10.5 million. The acquiring venture assumed the property's mortgage in the amount of $4.7 million.
- On July 24, 2019, Fund IV sold its consolidated JFK Plaza property for $7.8 million (Note 2).
- On August 22, 2019, Fund III sold its consolidated Nostrand Avenue property for $27.7 million (Note 2).
- On May 17, September 23, and November 7, 2019, Fund IV sold three consolidated residential condominium units for a total of $8.8 million (Note 2).

- On September 27, 2019 Fund IV sold its consolidated 938 W. North Avenue property for $32.0 million (Note 2).

The Funds recognized a net aggregate gain on the sales of these consolidated properties of $13.6 million and our share was $2.9 million, net of noncontrolling interests.

**Financings**

During the year ended December 31, 2019, we obtained aggregate new consolidated financings of $358.9 million (Note 7) and unconsolidated financings of $122.5 million, including:

- An additional $100.0 million of borrowing capacity on our senior unsecured revolving credit facility was obtained by amending the facility on October 8, 2019, bringing the total revolving credit capacity to $250.0 million.
- An aggregate of $258.9 million in new consolidated mortgage financing was obtained through one Fund II loan, three Fund IV loans and five Fund V loans.
- Fund V also obtained a total of $122.5 million in new mortgage financing for its three unconsolidated joint ventures (Note 4).

In addition, during the year ended December 31, 2019, the Funds repaid mortgage debt aggregating $71.1 million (Note 7) at five consolidated Fund properties, four of which were sold, and Fund IV repaid a $9.4 million mortgage at one of its unconsolidated joint venture properties (Note 4).

**Structured Financing**

During the year ended December 31, 2019, we entered into the following structured financing transactions (Note 3):

- We redeemed a $15.3 million Fund IV Structured Financing investment;
- We provided seller financing in the amount of $13.5 million in connection with the sale of our Pacesetter Park property (Note 2); and
- We funded an additional $4.3 million on an existing loan.

**Equity Issuance**

During the year ended December 31, 2019, the Company sold 5,164,055 shares under its ATM program (Note 10) for gross proceeds of $147.7 million, or $145.5 million net of issuance costs, at a weighted-average gross price per share of $28.61.

## RESULTS OF OPERATIONS

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

***Comparison of Results for the Year Ended December 31, 2019 to the Year Ended December 31, 2018***

The results of operations by reportable segment for the year ended December 31, 2019 compared to the year ended December 31, 2018 are summarized in the table below (in millions, totals may not add due to rounding):

| | Year Ended December 31, 2019 | | | | Year Ended December 31, 2018 | | | | Increase (Decrease) | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Core | Funds | SF | Total | Core | Funds | SF | Total | Core | Funds | SF | Total |
| Revenues | $ 173.2 | $ 122.2 | $ — | $ 295.3 | $ 166.8 | $ 92.9 | $ — | $ 259.7 | $ 6.4 | $ 29.3 | $ — | $ 35.6 |
| Depreciation and amortization | (61.8) | (63.6) | — | (125.4) | (60.9) | (56.6) | — | (117.5) | 0.9 | 7.0 | — | 7.9 |
| Property operating expenses, other operating and real estate taxes | (47.0) | (43.4) | — | (90.5) | (44.1) | (36.2) | — | (80.2) | 2.9 | 7.2 | — | 10.3 |
| General and administrative expenses | — | — | — | (35.4) | — | — | — | (34.3) | — | — | — | 1.1 |
| Impairment charge | — | (1.7) | — | (1.7) | — | — | — | — | — | 1.7 | — | 1.7 |
| Gain on disposition of properties | 16.8 | 13.6 | — | 30.3 | — | 5.1 | — | 5.1 | 16.8 | 8.5 | — | 25.2 |
| **Operating income** | 81.1 | 26.9 | — | 72.6 | 61.9 | 5.2 | — | 32.7 | 19.2 | 21.7 | — | 39.9 |
| Interest income | — | — | 8.0 | 8.0 | — | — | 13.2 | 13.2 | — | — | (5.2) | (5.2) |
| Equity in earnings (losses) of unconsolidated affiliates | 9.0 | (0.1) | — | 8.9 | 7.4 | 1.9 | — | 9.3 | 1.6 | (2.0) | — | (0.4) |
| Interest expense | (28.3) | (45.5) | — | (73.8) | (27.6) | (42.4) | — | (70.0) | 0.7 | 3.1 | — | 3.8 |
| Other income | 0.3 | 6.6 | — | 6.9 | — | — | — | — | 0.3 | 6.6 | — | 6.9 |
| Income tax provision | — | — | — | (1.5) | — | — | — | (0.9) | — | — | — | (0.6) |
| **Net income (loss)** | 62.1 | (12.0) | 8.0 | 21.2 | 41.7 | (35.3) | 13.2 | (15.7) | 20.4 | 23.3 | (5.2) | 36.9 |
| Net loss attributable to noncontrolling interests | 0.3 | 31.5 | — | 31.8 | 0.8 | 46.4 | — | 47.1 | 0.5 | 14.9 | — | 15.3 |
| **Net income attributable to Acadia** | $ 62.5 | $ 19.5 | $ 8.0 | $ 53.0 | $ 42.4 | $ 11.0 | $ 13.2 | $ 31.4 | $ 20.1 | $ 8.5 | $ (5.2) | $ 21.6 |

*Core Portfolio*

The results of operations for our Core Portfolio segment are depicted in the table above under the headings labeled "Core." Segment net income attributable to Acadia for our Core Portfolio increased $20.1 million for the year ended December 31, 2019 compared to the prior year as a result of the changes further described below.

Revenues for our Core Portfolio increased $6.4 million for the year ended December 31, 2019 compared to the prior year due primarily to $5.8 million from the acceleration of amortization on a below-market lease related to a tenant that vacated in 2019 and $3.4 million related to Core Portfolio property acquisitions. These increases were offset by a $2.4 million decrease in 2019 due to the acceleration of amortization on below- market leases due to two tenants that vacated in 2018.

Property operating expenses, other operating and real estate taxes for our Core Portfolio increased $2.9 million for the year ended December 31, 2019 compared to the prior year primarily due to $1.3 million from increased real estate tax expense at City Center and $1.1 million from increased legal expenses in the portfolio in 2019.

Gain on disposition of properties for $16.8 million relates to the sale of Pacesetter Park in 2019 (Note 2).

Equity in earnings of unconsolidated affiliates for our Core Portfolio increased $1.6 million for the year ended December 31, 2019 compared to the prior year primarily due to $1.0 million from the conversion of a note receivable into an increased ownership in real estate during 2018 along with $0.7 million from lease up at various joint venture properties in 2019.

Interest expense for our Core Portfolio increased $0.7 million for the year ended December 31, 2019 compared to the prior year due to a $1.3 million increase related to higher average outstanding borrowings, a $1.2 million increase related to higher average interest rates and $0.3 million from higher loan cost amortization in 2019. These increases were partially offset by $2.1 million more interest capitalized in 2019.

*Funds*

The results of operations for our Funds segment are depicted in the table above under the headings labeled "Funds." Segment net income attributable to Acadia for the Funds increased $8.5 million for the year ended December 31, 2019 compared to the prior year as a result of the changes described below.

Revenues for the Funds increased $29.3 million for the year ended December 31, 2019 compared to the prior year primarily due to (i) $19.8 million increase from Fund property acquisitions in 2018 and 2019, (ii) $5.1 million from the acceleration of amortization on a below-market lease, (iii) $3.6 million from lease up at Fund II's City Point property, (iv) $3.0 million related to Fund III's Cortlandt Crossing property being placed into service and (v) $2.1 million from the consolidation of Fund IV's Broughton Street Portfolio. These increases were partially offset by $2.8 million due to property sales in 2019 (described further below) and $1.4 million from the acceleration of amortization of a below-market lease related to a bankruptcy in 2018.

Depreciation and amortization for the Funds increased $7.0 million for the year ended December 31, 2019 compared to the prior year primarily due to Fund property acquisitions in 2018 and 2019.

Property operating expenses, other operating and real estate taxes for the Funds increased $7.2 million for the year ended December 31, 2019 compared to the prior year due Fund property acquisitions in 2018 and 2019.

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

Gain on disposition of properties for the Funds increased $8.5 million for the year ended December 31, 2019 compared to the prior year due to the sales of 938 West North Avenue and JFK Plaza in Fund IV and Nostrand Avenue and 3104 M Street in Fund III during 2019 compared to the sales of Lake Montclair and 1861 Union in Fund IV in 2018 (Note 2, Note 4).

Equity in earnings of unconsolidated affiliates for the Funds decreased $2.0 million for the year ended December 31, 2019 compared to the prior year primarily due to a $3.2 million distribution from Fund III's Storage Post venture in 2018, a cost method investment, (Note 4) offset by $1.1 million from the recognition of 100% of the net loss from the Broughton Street Portfolio in 2018 as our partner is no longer absorbing their share of the losses.

Interest expense for the Funds increased $3.1 million for the year ended December 31, 2019 compared to the prior year due to a $6.2 million increase related to higher average outstanding borrowings and $1.5 million from higher loan cost amortization in 2019 associated with Fund acquisitions. These increases were partially offset by $4.8 million more interest capitalized in 2019.

Other income for the Funds increased $6.6 million for the year ended December 31, 2019 compared to the prior year due to $5.0 million from the New Market Tax Credit transaction at Fund II's City Point investment (Note 7) and $1.6 million from an incentive fee earned from Fund III's Storage Post Venture.

Net loss (income) attributable to noncontrolling interests for the Funds increased $14.9 million for the year ended December 31, 2019 compared to the prior year based on the noncontrolling interests' share of the variances discussed above. (Income) loss attributable to noncontrolling interests in the Funds includes asset management fees earned by the Company of $17.5 million and $18.0 million for the years ended December 31, 2019 and 2018, respectively.

*Structured Financing*

The results of operations for our Structured Financing segment are depicted in the table above under the headings labeled "SF." Interest income for the Structured Financing portfolio decreased $5.2 million for the year ended December 31, 2019 compared to the prior year primarily due to the conversion of a portion of two notes receivable into increased ownership in the underlying real estate (Note 4) during 2018 along with the payoff of a note made to Fund IV during 2019.

*Unallocated*

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

Unallocated general and administrative expense increased $1.1 million for the year ended December 31, 2019 compared to the prior year period primarily due to internal leasing salaries no longer being capitalized in 2019.

*Prior Year Periods*

Discussions of 2017 items and comparisons between the year ended December 31, 2018 and 2017, respectively, that are not included in this Report can be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2018.

## SUPPLEMENTAL FINANCIAL MEASURES

### Net Property Operating Income

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

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

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

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| Consolidated operating income (a) | $ 72,603 | $ 32,681 | $ 66,205 |
| Add back: | | | |
| General and administrative | 35,416 | 34,343 | 33,756 |
| Depreciation and amortization | 125,443 | 117,549 | 104,934 |
| Impairment charge | 1,721 | — | 14,455 |
| | | | |
| Less: | | | |
| Above/below market rent and straight-line rent | (24,447) | (23,521) | (21,110) |
| Gain on disposition of properties | (30,324) | (5,140) | (48,886) |
| Consolidated NOI | 180,412 | 155,912 | 149,354 |
| | | | |
| Noncontrolling interest in consolidated NOI | (52,248) | (37,496) | (28,379) |
| Less: Operating Partnership's interest in Fund NOI included above | (13,870) | (9,790) | (7,927) |
| Add: Operating Partnership's share of unconsolidated joint ventures NOI [(a)] | 25,948 | 24,919 | 19,539 |
| NOI - Core Portfolio | $ 140,242 | $ 133,545 | $ 132,587 |

(a) Prior year amounts have been adjusted to include gains on disposition of properties, which have been reclassified to operating income effective January 1, 2019.
(b) Does not include the Operating Partnership's share of NOI from unconsolidated joint ventures within the Funds.

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

| | Year Ended December 31, | |
|---|---|---|
| | 2019 | 2018 |
| Core Portfolio NOI | $ 140,242 | $ 133,545 |
| Less properties excluded from Same-Property NOI | (16,312) | (14,235) |
| Same-Property NOI | $ 123,930 | $ 119,310 |
| | | |
| Percent change from prior year period | 3.9% | |
| | | |
| Components of Same-Property NOI: | | |
| Same-Property Revenues | $ 167,806 | $ 163,469 |
| Same-Property Operating Expenses | (43,876) | (44,159) |
| Same-Property NOI | $ 123,930 | $ 119,310 |

## Rent Spreads on Core Portfolio New and Renewal Leases

The following table summarizes rent spreads on both a cash basis and straight-line basis for new and renewal leases based on comparable leases executed within our Core Portfolio for the year ended December 31, 2019. Cash basis represents a comparison of rent most recently paid on the previous lease as compared to the initial rent paid on the new lease. Straight-line basis represents a comparison of rents as adjusted for contractual escalations, abated rent and lease incentives for the same comparable leases.

| | Year Ended December 31, 2019 | |
|---|---|---|
| **Core Portfolio New and Renewal Leases** | **Cash Basis** | **Straight-Line Basis** |
| Number of new and renewal leases executed | 42 | 42 |
| GLA commencing | 507,431 | 507,431 |
| New base rent | $ 17.48 | $ 18.22 |
| Expiring base rent | $ 16.65 | $ 15.77 |
| Percent growth in base rent | 5.0% | 15.5% |
| Average cost per square foot [(a)] | $ 5.52 | $ 5.52 |
| Weighted average lease term (years) | 6.9 | 6.9 |

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

## Funds from Operations

We consider funds from operations ("FFO") as defined by the National Association of Real Estate Investment Trusts ("NAREIT") to be an appropriate supplemental disclosure of operating performance for an equity REIT due to its widespread acceptance and use within the REIT and analyst communities. FFO is presented to assist investors in analyzing our performance. It is helpful as it excludes various items included in net income that are not indicative of the operating performance, such as gains (losses) from sales of depreciated property, depreciation and amortization, and impairment of depreciable real estate. Our method of calculating FFO may be different from methods used by other REITs and, accordingly, may not be comparable to such other REITs. FFO does not represent cash generated from operations as defined by generally accepted accounting principles ("GAAP") and is not indicative of cash available to fund all cash needs, including distributions. It should not be considered as an alternative to net income for the purpose of evaluating our performance or to cash flows as a measure of liquidity. Consistent with the NAREIT definition, we define FFO as net income (computed in accordance with GAAP), excluding gains (losses) from sales of depreciated property and impairment of depreciable real estate, plus depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. A reconciliation of net income attributable to Acadia to FFO follows (dollars in thousands, except per share amounts):

| | Year Ended December 31, | | |
|---|---|---|---|
| | **2019** | **2018** | **2017** |
| Net income attributable to Acadia | $ 53,045 | $ 31,439 | $ 61,470 |
| | | | |
| Depreciation of real estate and amortization of leasing costs (net of noncontrolling interests' share) | 89,373 | 85,852 | 83,515 |
| Impairment charge (net of noncontrolling interests' share) | 395 | — | 1,088 |
| Gain on disposition of properties (net of noncontrolling interests' share) | (19,786) | (994) | (15,565) |
| Income attributable to Common OP Unit holders | 3,295 | 2,033 | 3,609 |
| Distributions - Preferred OP Units | 540 | 540 | 550 |
| Funds from operations attributable to Common Shareholders and Common OP Unit holders | $ 126,862 | $ 118,870 | $ 134,667 |
| | | | |
| **Funds From Operations per Share - Diluted** | | | |
| Basic weighted-average shares outstanding, GAAP earnings | 84,435,826 | 82,080,159 | 83,682,789 |
| Weighted-average OP Units outstanding | 5,111,262 | 4,941,661 | 4,741,058 |
| Basic weighted-average shares outstanding, FFO | 89,547,088 | 87,021,820 | 88,423,847 |
| Assumed conversion of Preferred OP Units to common shares | 499,345 | 499,345 | 505,045 |
| Assumed conversion of LTIP units and restricted share units to common shares | — | 206,646 | 69,488 |
| Diluted weighted-average number of Common Shares and Common OP Units outstanding, FFO | 90,046,433 | 87,727,811 | 88,998,380 |
| | | | |
| Diluted Funds from operations, per Common Share and Common OP Unit | $ 1.41 | $ 1.35 | $ 1.51 |

## LIQUIDITY AND CAPITAL RESOURCES

### Uses of Liquidity and Cash Requirements

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

***Distributions***

In order to qualify as a REIT for federal income tax purposes, we must currently distribute at least 90% of our taxable income to our shareholders. During the year ended December 31, 2019, we paid dividends and distributions on our Common Shares, Common OP Units and Preferred OP Units totaling $101.0 million.

***Investments in Real Estate***

As previously discussed, during the year ended December 31, 2019, within our Core and Fund portfolios we invested in 20 new properties aggregating $514.4 million (Note 2, Note 4, Note 11). For activity subsequent to December 31, 2019, see Note 17.

***Structured Financing Investment***

During the year ended December 31, 2019, we advanced an additional $4.3 million on a note receivable and provided seller financing for $13.5 million (Note 3).

***Capital Commitments***

During the year ended December 31, 2019, we made capital contributions aggregating $32.8 million to our Funds. At December 31, 2019, our share of the remaining capital commitments to our Funds aggregated $86.1 million as follows:

- $3.3 million to Fund III. Fund III was launched in May 2007 with total committed capital of $450.0 million of which our original share was $89.6 million. During 2015, we acquired an additional interest, which had an original capital commitment of $20.9 million.
- $21.2 million to Fund IV. Fund IV was launched in May 2012 with total committed capital of $530.0 million of which our original share was $122.5 million.
- $61.6 million to Fund V. Fund V was launched in August 2016 with total committed capital of $520.0 million of which our initial share is $104.5 million.

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

***Development Activities***

During the year ended December 31, 2019, capitalized costs associated with development activities totaled $25.6 million (Note 2). At December 31, 2019, there were five Core portfolio properties under development and redevelopment and five Fund properties under development for which the estimated total cost to complete these projects through 2022 was $154.0 million to $191.3 million and our share was approximately $93.0 million to $111.1 million.

***Debt***

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

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Total Debt - Fixed and Effectively Fixed Rate | $ 1,403,324 | $ 1,001,658 |
| Total Debt - Variable Rate | 314,604 | 558,675 |
| | 1,717,928 | 1,560,333 |
| Net unamortized debt issuance costs | (10,383) | (10,541) |
| Unamortized premium | 651 | 753 |
| Total Indebtedness | $ 1,708,196 | $ 1,550,545 |

As of December 31, 2019, our consolidated outstanding mortgage and notes payable aggregated $1,717.9 million, excluding unamortized premium of $0.7 million and unamortized loan costs of $10.4 million, and were collateralized by 44 properties and related tenant leases. Interest rates on our outstanding indebtedness ranged from 2.95% to 6.00% with maturities that ranged from February 2020 to April 2035. Taking into consideration $948.8 million of notional principal under variable to fixed-rate swap agreements currently in effect, $1,403.3 million of the portfolio debt, or 81.7%, was fixed at a 3.56% weighted-average interest rate and $314.6 million, or 18.3% was floating at a 3.71% weighted average interest rate as of December 31, 2019. Our variable-rate debt includes $143.3 million of debt subject to interest rate caps.

There is $431.5 million of Fund debt maturing in 2020 at a weighted-average interest rate of 4.46%, including $121.5 million of debt with available one-year extension options and $240.0 million at Fund II for which the Company is actively seeking refinancing; there is $5.8 million of scheduled principal amortization due in 2020; and our share of scheduled remaining 2020 principal payments and maturities on our unconsolidated debt was $10.1 million at December 31, 2019. In addition, $287.7 million of our total consolidated debt and $7.9 million of our pro-rata share of unconsolidated debt will come due in 2021. As it relates to the maturing debt in 2020 and 2021, we may not have sufficient liquidity on hand to repay such indebtedness, and, therefore, we expect to refinance at least a portion of this indebtedness or select other alternatives based on market conditions as these loans mature; however, there can be no assurance that we will be able to obtain financing at acceptable terms.

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

***Share Repurchase Program***

The Company did not repurchase any of its Common Shares pursuant to its new share repurchase program (Note 10) during the year ended December 31, 2019.

**Sources of Liquidity**

Our primary sources of capital for funding our liquidity needs include (i) the issuance of both public equity and OP Units, (ii) the issuance of both secured and unsecured debt, (iii) unfunded capital commitments from noncontrolling interests within our Funds, (iv) future sales of existing properties, (v) repayments of structured financing investments, and (vi) cash on hand and future cash flow from operating activities. Our cash on hand in our consolidated subsidiaries at December 31, 2019 totaled $15.8 million. Our remaining sources of liquidity are described further below.

***ATM Program***

We have an ATM Program (Note 10) which provides us an efficient and low-cost vehicle for raising public equity to fund our capital needs. Through this program, we have been able to effectively "match-fund" the required equity for our Core Portfolio and Fund acquisitions through the issuance of Common Shares over extended periods employing a price averaging strategy. In addition, from time to time, we have issued and intend to continue to issue, equity in follow-on offerings separate from our ATM Program. Net proceeds raised through our ATM Program and follow-on offerings are primarily used for acquisitions, both for our Core Portfolio and our pro-rata share of Fund acquisitions, and for general corporate purposes. During the year ended December 31, 2019, the Company sold 5,164,055 shares under its ATM Program for gross proceeds of $147.7 million, or $145.5 million net of issuance costs, at a weighted-average gross price per share of $28.61.

***Fund Capital***

During the year ended December 31, 2019, Fund III called capital contributions totaling $12.5 million, Fund IV called capital contributions of $17.3 million and Fund V called capital contributions of $128.2 million, of which our aggregate proportionate share from all Funds was $32.8 million. At December 31, 2019, unfunded capital commitments from noncontrolling interests within our Funds II, III, IV and V were $10.8 million, $10.3 million, $70.6 million and $245.1 million, respectively.

***Asset Sales***

As previously discussed, during the year ended December 31, 2019, within our Fund portfolio we sold one Core and four Fund consolidated properties, and three Fund consolidated residential condominium units for an aggregate sales price of $109.3 million (Note 2).

***Structured Financing Repayments***

During the year ended December 31, 2019, Fund IV received full payment of $15.3 million plus accrued interest of $10.0 million on its Structured Financing investment. (Note 3).

***Financing and Debt***

As of December 31, 2019, we had $326.0 million of additional capacity under existing consolidated Core and Fund revolving debt facilities. In addition, at that date within our Core and Fund portfolios, we had 78 unleveraged consolidated properties with an aggregate carrying value of approximately $1.5 billion and one unleveraged unconsolidated property for which our share of the carrying value was $100.7 million, although there can be no assurance that we would be able to obtain financing for these properties at favorable terms, if at all.

**HISTORICAL CASH FLOW**

The following table compares the historical cash flow for the year ended December 31, 2019 with the cash flow for the year ended December 31, 2018 (in millions):

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2019 | 2018 | Variance |
| Net cash provided by operating activities | $ 127.2 | $ 96.1 | $ 31.1 |
| Net cash used in investing activities | (397.1) | (136.6) | (260.5) |
| Net cash provided by (used in) financing activities | 265.0 | (10.3) | 275.3 |
| Decrease in cash and restricted cash | $ (4.8) | $ (50.8) | $ 46.0 |

***Operating Activities***

Our operating activities provided $31.1 million more cash during the year ended December 31, 2019 as compared to the year ended December 31, 2018, primarily due to property acquisitions along with $10.0 million from the collection of accrued interest on a note receivable.

***Investing Activities***

During the year ended December 31, 2019 as compared to the year ended December 31, 2018, our investing activities used $260.5 million more cash, primarily due to (i) $209.5 million more cash used in acquisition and lease of properties, (ii) $148.1 million more cash used in investments in unconsolidated affiliates, and (iii) $10.8 million less cash received from repayments of notes receivable. These uses of cash were partially offset by (i) $79.7 million more cash received from return of capital from unconsolidated affiliates, (ii) $24.9 million more cash received from disposition of properties, and (iii) $5.6 million less cash used in development, construction and property improvement costs.

***Financing Activities***

Our financing activities provided $275.3 million more cash during the year ended December 31, 2019 as compared to the year ended December 31, 2018, primarily from (i) $145.5 million more cash received from the sale of Common Shares, (ii) $114.1 million more cash provided from contributions from noncontrolling interests, (iii) $55.1 million less cash used to repurchase Common Shares, and (iv) $40.9 million more cash provided from net borrowings. These sources of cash were partially offset by $69.8 million more cash used in distributions to noncontrolling interests and $5.0 million more cash used in dividends paid to Common Shareholders.

## CONTRACTUAL OBLIGATIONS

The following table summarizes: (i) principal and interest obligations under mortgage and other notes, (ii) rents due under non-cancelable operating and capital leases, which includes ground leases at seven of our properties and the lease for our corporate office and (iii) construction commitments as of December 31, 2019 (in millions):

| | Payments Due by Period | | | | |
|---|---|---|---|---|---|
| **Contractual Obligations** | **Total** | **Less than 1 Year** | **1 to 3 Years** | **3 to 5 Years** | **More than 5 Years** |
| Principal obligations on debt | $ 1,717.9 | $ 437.3 | $ 455.2 | $ 627.5 | $ 197.9 |
| Interest obligations on debt | 207.4 | 63.1 | 78.1 | 37.4 | 28.8 |
| Lease obligations | 346.9 | 7.0 | 13.7 | 13.8 | 312.4 |
| Construction commitments [(a)] | 41.1 | 41.1 | — | — | — |
| Total | $ 2,313.3 | $ 548.5 | $ 547.0 | $ 678.7 | $ 539.1 |

(a) In conjunction with the development of our Core Portfolio and Fund properties, we have entered into construction commitments with general contractors. We intend to fund these requirements with existing liquidity.

## OFF-BALANCE SHEET ARRANGEMENTS

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

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

| | Operating Partnership | | December 31, 2019 | |
|---|---|---|---|---|
| **Investment** | **Ownership Percentage** | **Pro-rata Share of Mortgage Debt** | **Effective Interest Rate [(a)]** | **Maturity Date** |
| 650 Bald Hill Road | 20.8% | $ 3.5 | 4.35% | Apr 2020 |
| Eden Square | 22.8% | 5.5 | 3.00% | Jun 2020 |
| Promenade at Manassas | 22.8% | 5.9 | 3.45% | Dec 2021 |
| 3104 M Street | 20.0% | 0.9 | 5.25% | Dec 2021 |
| Family Center at Riverdale | 18.0% | 5.8 | 3.40% | May 2022 |
| Gotham Plaza | 49.0% | 9.5 | 3.30% | Jun 2023 |
| Renaissance Portfolio | 20.0% | 32.0 | 3.40% | Aug 2023 |
| Crossroads | 49.0% | 31.8 | 3.94% | Oct 2024 |
| Tri-City Plaza | 18.1% | 5.5 | 3.09% | Oct 2024 |
| Frederick Crossing | 18.1% | 4.4 | 3.26% | Dec 2024 |
| Frederick County Square | 18.1% | 2.7 | 4.00% | Jan 2025 |
| 840 N. Michigan | 88.4% | 65.0 | 4.36% | Feb 2025 |
| Georgetown Portfolio | 50.0% | 8.1 | 4.72% | Dec 2027 |
| Total | | $ 180.6 | | |

(a) Effective interest rates incorporate the effect of interest rate swaps and caps that were in effect at December 31, 2019, where applicable.

## CRITICAL ACCOUNTING POLICIES

Management's discussion and analysis of financial condition and results of operations is based upon our Consolidated Financial Statements, which have been prepared in accordance with U.S. GAAP. The preparation of these Consolidated Financial Statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. We base our estimates on historical experience and assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. We believe the following critical accounting policies affect the significant judgments and estimates used by us in the preparation of our Consolidated Financial Statements.

### Valuation of Properties

On a quarterly basis, we review the carrying value of properties held for use and for sale as well as our development properties. We perform an impairment analysis by calculating and reviewing net operating income on a property-by-property basis. We evaluate leasing projections and perform other analyses to conclude whether an asset is impaired. 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. For properties held for sale, we reduce our carrying value to the fair value less costs to sell.

See Note 8 of the Notes to the Consolidated Financial Statements for a discussion of impairments recognized during the periods presented.

### Investments in and Advances to Unconsolidated Joint Ventures

We periodically review our investment in unconsolidated joint ventures for other than temporary declines in market value. An impairment charge is recorded for a decline that is considered to be other-than-temporary as a reduction in the carrying value of the investment. No impairment charges related to our investment in unconsolidated joint ventures were recognized for the years ended December 31, 2019, 2018 and 2017.

### Bad Debts

We assess the collectability of our accounts receivable related to tenant revenues. We first apply the guidance under ASC *Topic 842 "Leases"* ("ASC 842") in assessing our rents receivable: if collection of rents under specific operating leases is not probable, then we recognize the lesser of that lease's rental income on a straight-line basis or cash received, plus variable rents as earned. Once this initial assessment is completed, we apply a general reserve, as provided under ASC 450-20, if applicable. Rents receivable at December 31, 2019 and 2018 are shown net of an allowance for doubtful accounts of $11.4 million and $7.9 million, respectively. 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.

### 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 property expansion and development. Depreciation is computed on the straight-line basis over estimated useful lives of 40 years for buildings, the shorter of the useful life or lease term for tenant improvements and five years for furniture, fixtures and equipment. Expenditures for maintenance and repairs are charged to operations as incurred.

Upon acquisitions of real estate, we assess 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 the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") *Topic 805 "Business Combinations"* and ASC *Topic 350 "Intangibles – Goodwill and Other,"* and allocate purchase price based on these assessments. When acquisitions of properties do not meet the criteria for business combinations, as is the case for the majority of the Company's acquisitions, no goodwill is recorded and acquisition costs are capitalized. We assess 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.

**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 non-cancelable term of the respective leases. Certain of these leases also provide for percentage rents based upon the level of sales achieved by the tenant. Percentage rent is recognized in the period when the tenants' sales breakpoint is met. In addition, leases typically provide for the reimbursement to us of real estate taxes, insurance and other property operating expenses. These reimbursements are recognized as revenue in the period the expenses are incurred.

We assess the collectability of our accounts receivable related to tenant revenues as described under the heading "Bad Debts" above.

**Structured Financings**

Real estate notes receivable investments and preferred equity investments ("Structured Financings") are intended to be held to maturity and are carried at cost. Interest income from Structured Financings is recognized on the effective interest method over the expected life of the loan. Under the effective interest method, interest or fees to be collected at the origination of the Structured Financing investment is recognized over the term of the loan as an adjustment to yield.

Allowances for Structured Financing investments are established based upon management's quarterly review of the investments. In performing this review, management considers the estimated net recoverable value of the investment as well as other factors, including the fair value of any collateral, the amount and status of any senior debt, and the prospects for the borrower. Because this determination is based upon projections of future economic events, which are inherently subjective, the amounts ultimately realized from the Structured Financings may differ materially from the carrying value at the balance sheet date. Interest income recognition is generally suspended for investments when, in the opinion of management, a full recovery of income and principal becomes doubtful. Income recognition is resumed when the suspended investment becomes contractually current and performance is demonstrated to be resumed.

**Recently Issued Accounting Pronouncements**

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

## ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

**Information as of December 31, 2019**

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

Currently, we manage our exposure to fluctuations in interest rates primarily through the use of fixed-rate debt and interest rate swap and cap agreements. As of December 31, 2019, we had total mortgage and other notes payable of $1,717.9 million, excluding the unamortized premium of $0.7 million and unamortized debt issuance costs of $10.4 million, of which $1,403.3 million, or 81.7% was fixed-rate, inclusive of debt with rates fixed through the use of derivative financial instruments, and $314.6 million, or 18.3%, was variable-rate based upon LIBOR rates plus certain spreads. As of December 31, 2019, we were party to 40 interest rate swap and four interest rate cap agreements to hedge our exposure to changes in interest rates with respect to $948.8 million and $143.3 million of LIBOR-based variable-rate debt, respectively.

The following table sets forth information as of December 31, 2019 concerning our long-term debt obligations, including principal cash flows by scheduled maturity and weighted average interest rates of maturing amounts (dollars in millions):

*Core Consolidated Mortgage and Other Debt*

| Year | Scheduled Amortization | Maturities | Total | Weighted-Average Interest Rate |
|---|---|---|---|---|
| 2020 | $ 3.3 | $ 26.3 | $ 29.6 | 6.0% |
| 2021 | 3.5 | — | 3.5 | —% |
| 2022 | 3.6 | 60.8 | 64.4 | 3.0% |
| 2023 | 2.9 | 367.9 | 370.8 | 3.0% |
| 2024 | 2.6 | 7.3 | 9.9 | 4.7% |
| Thereafter | 13.1 | 177.2 | 190.3 | 3.8% |
| | $ 29.0 | $ 639.5 | $ 668.5 | |

*Fund Consolidated Mortgage and Other Debt*

| Year | Scheduled Amortization | Maturities | Total | Weighted-Average Interest Rate |
|---|---|---|---|---|
| 2020 | $ 2.5 | $ 405.3 | $ 407.8 | 4.4% |
| 2021 | 2.8 | 281.5 | 284.3 | 4.0% |
| 2022 | 3.1 | 100.0 | 103.1 | 3.9% |
| 2023 | 3.7 | 40.9 | 44.6 | 3.2% |
| 2024 | 2.5 | 199.5 | 202.0 | 3.5% |
| Thereafter | 0.3 | 7.3 | 7.6 | 3.6% |
| | $ 14.9 | $ 1,034.5 | $ 1,049.4 | |

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

| Year | Scheduled Amortization | Maturities | Total | Weighted-Average Interest Rate |
|---|---|---|---|---|
| 2020 | $ 1.2 | $ 8.9 | $ 10.1 | 4.0% |
| 2021 | 1.2 | 6.7 | 7.9 | 3.7% |
| 2022 | 1.2 | 5.8 | 7.0 | 3.4% |
| 2023 | 1.2 | 40.6 | 41.8 | 3.4% |
| 2024 | 0.9 | 38.2 | 39.1 | 3.8% |
| Thereafter | 0.8 | 73.9 | 74.7 | 4.4% |
| | $ 6.5 | $ 174.1 | $ 180.6 | |

In 2020, $437.3 million of our total consolidated debt and $10.1 million of our pro-rata share of unconsolidated outstanding debt will become due, substantially all of which is Fund debt including $121.5 million of debt with available one-year extension options and $240.0 million at Fund II for which the Company is actively seeking refinancing. In addition, $287.7 million of our total consolidated debt and $7.9 million of our pro-rata share of unconsolidated debt will become due in 2021. 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 $7.4 million annually if the interest rate on the refinanced debt increased by 100 basis points. After giving effect to noncontrolling interests, our share of this increase would be $1.8 million. Interest expense on our variable-rate debt of $314.6 million, net of variable to fixed-rate swap agreements currently in effect, as of December 31, 2019, would increase $3.1 million if LIBOR increased by 100 basis points. After giving effect to noncontrolling interests, our share of this increase would be $0.3 million. We may seek additional variable-rate financing if and when pricing and other commercial and financial terms warrant. As such, we would consider hedging against the interest rate risk related to such additional variable-rate debt through interest rate swaps and protection agreements, or other means.

Based on our outstanding debt balances as of December 31, 2019, the fair value of our total consolidated outstanding debt would decrease by approximately $11.5 million if interest rates increase by 1%. Conversely, if interest rates decrease by 1%, the fair value of our total outstanding debt would increase by approximately $13.6 million.

As of December 31, 2019, and 2018, we had consolidated notes receivable of $114.9 million and $111.8 million, respectively. We determined the estimated fair value of our notes receivable by discounting future cash receipts utilizing a discount rate equivalent to the rate at which similar notes receivable would be originated under conditions then existing.

Based on our outstanding notes receivable balances as of December 31, 2019, the fair value of our total outstanding notes receivable would decrease by approximately $1.1 million if interest rates increase by 1%. Conversely, if interest rates decrease by 1%, the fair value of our total outstanding notes receivable would increase by approximately $1.1 million.

**Summarized Information as of December 31, 2018**

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

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

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

Our interest rate risk exposure from December 31, 2018, to December 31, 2019, has decreased on an absolute basis, as the $558.7 million of variable-rate debt as of December 31, 2018, has decreased to $314.6 million as of December 31, 2019. As a percentage of our overall debt, our interest rate risk exposure has decreased as our variable-rate debt accounted for 35.8% of our consolidated debt as of December 31, 2018 compared to 18.3% as of December 31, 2019.

## ITEM 8. FINANCIAL STATEMENTS.

### ACADIA REALTY TRUST AND SUBSIDIARIES

### INDEX TO FINANCIAL STATEMENTS

## Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Trustees of Acadia Realty Trust

### Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Acadia Realty Trust (the "Company") as of December 31, 2019 and 2018, the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2019 and the related notes and financial statement schedules listed in the index at Item 15 (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") and our report dated February 20, 2020, expressed an unqualified opinion thereon.

### Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

### Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

*Purchase price allocation*

As described in note 2 to the consolidated financial statements, during the year ended December 31, 2019, the Company acquired approximately $334 million of tangible and intangible real estate assets and $10 million of related intangible liabilities. The Company allocates the purchase price of real estate investments to the identifiable assets and liabilities acquired based on their relative fair values. The determination of fair value requires significant judgment by management and third-party valuation specialists to develop significant estimates and market-based assumptions used in the cash flow models.

We identified the purchase price allocation process as a critical audit matter. Auditing management's judgments regarding market-based assumptions used in the discounted cash flow models including the forecasts of future revenue and operating expense growth rates, market capitalization rates and discount rates involved especially challenging auditor judgment due to the nature and extent of audit effort required to address these matters, including the extent of specialized skill or knowledge needed.

The primary procedures we performed to address this critical audit matter included:

- Testing the design and operating effectiveness of certain controls relating to management's purchase price allocation process including controls over assessment of the reasonableness of market-based assumptions.
- Assessing the reasonableness of significant market-based assumptions through: (i) benchmarking against third-party market data, industry metrics, and reviewing relevant supporting documentation, and (ii) assessing whether such assumptions were consistent with evidence obtained in other areas of the audit.
- Utilizing personnel with specialized knowledge and skill in valuation to assist in evaluating the reasonableness of the methodologies, certain assumptions, and mathematical accuracy of the underlying models used in the preparation of the purchase price allocations.

*Assessment of impairment of real estate and real-estate related investments*

As described in note 2 to the consolidated financial statements, the Company's net investment balance in real estate was $3.2 billion as of December 31, 2019. This represents the Company's ownership interest in 186 properties. In addition, as described in notes 3 and 4 to the consolidated financial statements, the Company's investments in unconsolidated affiliates and structured loan portfolio was $0.3 billion and $0.1 billion, respectively. During the year ended December 31, 2019, the Company recorded impairment charges of $1.7 million related to its real estate investments. The Company tests the recoverability of the real estate and real-estate related investments whenever events or changes in circumstances indicate that amounts may not be recoverable. Significant management's judgment is involved in determining if impairment indicators exist, assessing investments for recoverability and measuring fair value of the real estate and real-estate related investments.

We identified the assessment of impairment of the real estate and real-estate related investments as a critical audit matter due to the complexity of management's judgments relating to: (i) assessment of impairment indicators, and (ii) assessment of inputs and assumptions used in the expected future cash flows to determine fair values of real estate investments. Auditing management's judgments relating to the existence of impairment indicators and market-based assumptions used in the cash flow models including future revenue and operating expense growth rates, market capitalization rates, discount rates, and holding periods involved especially challenging auditor judgment due to the nature and extent of audit effort required to address these matters, including the extent of specialized skill or knowledge needed.

The primary procedures we performed to address this critical audit matter included:

- Testing the design and operating effectiveness of certain controls relating to: (i) assessment of the existence of impairment indicators, and (ii) assessment of real estate investments for recoverability and measurement of impairment including controls over the market-based assumptions used in the cash flow models.
- Testing the reasonableness of the significant market-based assumptions used in the cash flow models used by the Company against relevant supporting documentation and market-based information, industry metrics and other relevant information.
- Assessing whether the financial forecasts used by the Company in the impairment analysis were consistent with those used to support other judgments in the financial statements.
- Utilizing professionals with specialized skills and knowledge to assist in evaluating the reasonableness of the discount rates and certain other market-based information utilized by management.

/s/ BDO USA, LLP

We have served as the Company's auditor since 2005.

New York, New York
February 20, 2020

## ACADIA REALTY TRUST AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

| (dollars in thousands, except per share amounts) | December 31, 2019 | December 31, 2018 |
|---|---|---|
| | (Unaudited) | |
| **ASSETS** | | |
| Investments in real estate, at cost | | |
| Operating real estate, net | $ 3,355,913 | $ 3,160,851 |
| Real estate under development | 253,402 | 120,297 |
| Net investments in real estate | 3,609,315 | 3,281,148 |
| Notes receivable, net | 114,943 | 111,775 |
| Investments in and advances to unconsolidated affiliates | 305,097 | 262,410 |
| Other assets, net | 190,658 | 206,408 |
| Cash and cash equivalents | 15,845 | 21,268 |
| Restricted cash | 14,165 | 13,580 |
| Rents receivable | 59,091 | 62,191 |
| Total assets | $ 4,309,114 | $ 3,958,780 |
| | | |
| **LIABILITIES** | | |
| Mortgage and other notes payable, net | $ 1,170,076 | $ 1,017,288 |
| Unsecured notes payable, net | 477,320 | 533,257 |
| Unsecured line of credit | 60,800 | — |
| Accounts payable and other liabilities | 371,516 | 286,072 |
| Dividends and distributions payable | 27,075 | 24,593 |
| Distributions in excess of income from, and investments in, unconsolidated affiliates | 15,362 | 15,623 |
| Total liabilities | 2,122,149 | 1,876,833 |
| Commitments and contingencies | | |
| **EQUITY** | | |
| Acadia Shareholders' Equity | | |
| Common shares, $0.001 par value, authorized 200,000,000 shares, issued and outstanding 87,050,465 and 81,557,472 shares, respectively | 87 | 82 |
| Additional paid-in capital | 1,706,357 | 1,548,603 |
| Accumulated other comprehensive (loss) income | (31,175) | 516 |
| Distributions in excess of accumulated earnings | (132,961) | (89,696) |
| Total Acadia shareholders’ equity | 1,542,308 | 1,459,505 |
| Noncontrolling interests | 644,657 | 622,442 |
| Total equity | 2,186,965 | 2,081,947 |
| Total liabilities and equity | $ 4,309,114 | $ 3,958,780 |

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

**ACADIA REALTY TRUST AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF INCOME**

| | Year Ended December 31, | | |
|---|---|---|---|
| **(in thousands except per share amounts)** | **2019** | **2018** | **2017** |
| **Revenues** | | | |
| Rental income | $ 291,190 | $ 254,508 | $ 242,138 |
| Other | 4,137 | 5,173 | 6,414 |
| Total revenues | 295,327 | 259,681 | 248,552 |
| **Operating expenses** | | | |
| Depreciation and amortization | 125,443 | 117,549 | 104,934 |
| General and administrative | 35,416 | 34,343 | 33,756 |
| Real estate taxes | 39,315 | 36,712 | 35,946 |
| Property operating | 51,153 | 42,679 | 39,958 |
| Impairment charges | 1,721 | — | 14,455 |
| Other operating | — | 857 | 2,184 |
| Total operating expenses | 253,048 | 232,140 | 231,233 |
| | | | |
| Gain on disposition of properties | 30,324 | 5,140 | 48,886 |
| **Operating income** | 72,603 | 32,681 | 66,205 |
| Equity in earnings of unconsolidated affiliates inclusive of gain on disposition of properties of $0, $0 and $15,336, respectively | 8,922 | 9,302 | 23,371 |
| Interest income | 7,988 | 13,231 | 29,143 |
| Other income | 6,947 | — | 5,571 |
| Interest expense | (73,788) | (69,978) | (58,978) |
| **Income (loss) from continuing operations before income taxes** | 22,672 | (14,764) | 65,312 |
| Income tax provision | (1,468) | (934) | (1,004) |
| **Net income (loss)** | 21,204 | (15,698) | 64,308 |
| Net loss (income) attributable to noncontrolling interests | 31,841 | 47,137 | (2,838) |
| **Net income attributable to Acadia** | $ 53,045 | $ 31,439 | $ 61,470 |
| | | | |
| **Basic and diluted earnings per share** | $ 0.62 | $ 0.38 | $ 0.73 |

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

**ACADIA REALTY TRUST AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

| | Year Ended December 31, | | |
|---|---|---|---|
| **(in thousands)** | **2019** | **2018** | **2017** |
| Net income (loss) | $ 21,204 | $ (15,698) | $ 64,308 |
| Other comprehensive (loss) income: | | | |
| Unrealized (loss) income on valuation of swap agreements | (35,674) | (2,659) | 634 |
| Reclassification of realized interest on swap agreements | (872) | 71 | 3,317 |
| Other comprehensive (loss) income | (36,546) | (2,588) | 3,951 |
| Comprehensive (loss) income | (15,342) | (18,286) | 68,259 |
| Comprehensive loss (income) attributable to noncontrolling interests | 36,696 | 47,627 | (3,377) |
| Comprehensive income attributable to Acadia | $ 21,354 | $ 29,341 | $ 64,882 |

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

# ACADIA REALTY TRUST AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
## Years Ended December 31, 2019, 2018 and 2017

| (in thousands, except per share amounts) | Acadia Shareholders: Common Shares | Share Amount | Additional Paid-in Capital | Accumulated Other Comprehensive Income (Loss) | Distributions in Excess of Accumulated Earnings | Total Common Shareholders' Equity | Noncontrolling Interests | Total Equity |
|---|---|---|---|---|---|---|---|---|
| **Balance at January 1, 2019** | **81,557** | **$ 82** | **$ 1,548,603** | **$ 516** | **$ (89,696)** | **$ 1,459,505** | **$ 622,442** | **$ 2,081,947** |
| Conversion of OP Units to Common Shares by limited partners of the Operating Partnership | 308 | — | 5,104 | — | — | 5,104 | (5,104) | — |
| Issuance of Common Shares | 5,164 | 5 | 145,493 | — | — | 145,498 | — | 145,498 |
| Dividends/distributions declared ($1.13 per Common Share/OP Unit) | — | — | — | — | (96,310) | (96,310) | (7,124) | (103,434) |
| Employee and trustee stock compensation, net | 21 | — | 546 | — | — | 546 | 10,411 | 10,957 |
| Noncontrolling interest distributions | — | — | — | — | — | — | (94,289) | (94,289) |
| Noncontrolling interest contributions | — | — | — | — | — | — | 161,628 | 161,628 |
| Comprehensive (loss) income | — | — | — | (31,691) | 53,045 | 21,354 | (36,696) | (15,342) |
| Reallocation of noncontrolling interests | — | — | 6,611 | — | — | 6,611 | (6,611) | — |
| **Balance at December 31, 2019** | **87,050** | **$ 87** | **$ 1,706,357** | **$ (31,175)** | **$ (132,961)** | **$ 1,542,308** | **$ 644,657** | **$ 2,186,965** |
| | | | | | | | | |
| **Balance at January 1, 2018** | **83,708** | **$ 84** | **$ 1,596,514** | **$ 2,614** | **$ (32,013)** | **$ 1,567,199** | **$ 648,440** | **$ 2,215,639** |
| Conversion of OP Units to Common Shares by limited partners of the Operating Partnership | 117 | — | 2,068 | — | — | 2,068 | (2,068) | — |
| Repurchase of Common Shares | (2,294) | (2) | (55,109) | — | — | (55,111) | — | (55,111) |
| Dividends/distributions declared ($1.09 per Common Share/OP Unit) | — | — | — | — | (89,122) | (89,122) | (6,888) | (96,010) |
| Employee and trustee stock compensation, net | 26 | — | 574 | — | — | 574 | 12,374 | 12,948 |
| Noncontrolling interest distributions | — | — | — | — | — | — | (24,793) | (24,793) |
| Noncontrolling interest contributions | — | — | — | — | — | — | 47,560 | 47,560 |
| Comprehensive income (loss) | — | — | — | (2,098) | 31,439 | 29,341 | (47,627) | (18,286) |
| Reallocation of noncontrolling interests | — | — | 4,556 | — | — | 4,556 | (4,556) | — |
| **Balance at December 31, 2018** | **81,557** | **$ 82** | **$ 1,548,603** | **$ 516** | **$ (89,696)** | **$ 1,459,505** | **$ 622,442** | **$ 2,081,947** |
| | | | | | | | | |
| **Balance at January 1, 2017** | **83,598** | **$ 84** | **$ 1,594,926** | **$ (798)** | **$ (5,635)** | **$ 1,588,577** | **$ 589,548** | **$ 2,178,125** |
| Conversion of OP Units to Common Shares by limited partners of the Operating Partnership | 87 | — | 1,541 | — | — | 1,541 | (1,541) | — |
| Dividends/distributions declared ($1.05 per Common Share/OP Unit) | — | — | — | — | (87,848) | (87,848) | (6,453) | (94,301) |
| Employee and trustee stock compensation, net | 23 | — | 698 | — | — | 698 | 10,457 | 11,155 |
| Noncontrolling interest distributions | — | — | — | — | — | — | (32,805) | (32,805) |
| Noncontrolling interest contributions | — | — | — | — | — | — | 85,206 | 85,206 |
| Comprehensive income | — | — | — | 3,412 | 61,470 | 64,882 | 3,377 | 68,259 |
| Reallocation of noncontrolling interests | — | — | (651) | — | — | (651) | 651 | — |
| **Balance at December 31, 2017** | **83,708** | **$ 84** | **$ 1,596,514** | **$ 2,614** | **$ (32,013)** | **$ 1,567,199** | **$ 648,440** | **$ 2,215,639** |

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

**ACADIA REALTY TRUST AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

| | Year Ended December 31, | | |
|---|---|---|---|
| **(in thousands)** | **2019** | **2018** | **2017** |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Net income (loss) | $ 21,204 | $ (15,698) | $ 64,308 |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | | |
| Depreciation and amortization | 125,443 | 117,549 | 104,934 |
| Distributions of operating income from unconsolidated affiliates | 11,273 | 15,556 | 15,556 |
| Equity in earnings and gains of unconsolidated affiliates | (8,922) | (9,302) | (23,371) |
| Stock compensation expense | 10,957 | 12,948 | 11,155 |
| Amortization of financing costs | 7,577 | 6,008 | 5,985 |
| Impairment charge | 1,721 | — | 14,455 |
| Gain on disposition of properties | (30,324) | (5,140) | (48,886) |
| Gain on change in control | — | — | (5,571) |
| Deferred gain on tax credits | (5,034) | — | — |
| Other, net | (11,627) | (11,768) | (10,621) |
| Changes in assets and liabilities: | | | |
| Other liabilities | (4,466) | 6,161 | (4,285) |
| Prepaid expenses and other assets | 8,198 | (7,168) | (6,498) |
| Rents receivable, net | (455) | (10,044) | (11,274) |
| Accounts payable and accrued expenses | 1,632 | (3,026) | 8,768 |
| **Net cash provided by operating activities** | **127,177** | **96,076** | **114,655** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Acquisition of real estate | (319,673) | (147,985) | (200,429) |
| Acquisition of leasehold interests | (39,031) | — | — |
| Development, construction and property improvement costs | (89,270) | (94,834) | (108,142) |
| Issuance of or advances on notes receivable | (3,608) | (3,002) | (10,600) |
| Proceeds from the disposition of properties, net | 88,738 | 63,866 | 260,711 |
| Investments in and advances to unconsolidated affiliates and other | (151,281) | (3,161) | (6,535) |
| Return of capital from unconsolidated affiliates and other | 105,999 | 26,338 | 43,684 |
| Proceeds from notes receivable | 15,250 | 26,000 | 32,000 |
| Return of deposits for properties under contract | 2,870 | 1,692 | (2,000) |
| Payment of deferred leasing costs | (7,051) | (6,106) | (5,202) |
| Change in control of previously unconsolidated affiliate | — | 573 | 576 |
| **Net cash (used in) provided by investing activities** | **(397,057)** | **(136,619)** | **4,063** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Principal payments on mortgage and other notes | (168,211) | (81,726) | (306,119) |
| Principal payments on unsecured debt | (521,600) | (632,300) | (277,134) |
| Proceeds received on mortgage and other notes | 326,268 | 187,173 | 156,344 |
| Proceeds from unsecured debt | 526,400 | 648,800 | 359,625 |
| Payments of finance lease obligations | (2,749) | — | — |
| Repurchase of Common Shares | — | (55,111) | — |
| Proceeds from the sale of Common Shares, net | 145,498 | — | — |
| Capital contributions from noncontrolling interests | 161,628 | 47,560 | 85,206 |
| Distributions to noncontrolling interests | (101,370) | (31,568) | (39,942) |
| Dividends paid to Common Shareholders | (93,902) | (88,887) | (99,527) |
| Deferred financing and other costs | (6,920) | (4,219) | (6,211) |
| **Net cash provided by (used in) financing activities** | **265,042** | **(10,278)** | **(127,758)** |
| Decrease in cash and restricted cash | (4,838) | (50,821) | (9,040) |
| Cash of $21,268, $74,823 and $71,805 and restricted cash of $13,580, $10,846 and $22,904, respectively, beginning of year | 34,848 | 85,669 | 94,709 |
| Cash of $15,845, $21,268 and $74,823 and restricted cash of $14,165, $13,580 and $10,846, respectively, end of year | $ 30,010 | $ 34,848 | $ 85,669 |

## ACADIA REALTY TRUST AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS - Continued

| (in thousands) | Year Ended December 31, 2019 | 2018 | 2017 |
|---|---|---|---|
| **Supplemental disclosure of cash flow information** | | | |
| Cash paid during the period for interest, net of capitalized interest of $12,586 and $5,625 and $13,509 respectively | $ 53,586 | $ 61,832 | $ 49,942 |
| Cash paid for income taxes, net of refunds | $ 730 | $ 1,227 | $ 875 |
| **Supplemental disclosure of non-cash investing activities** | | | |
| Assumption of accounts payable and accrued expenses through acquisition of real estate | $ 4,666 | $ 2,597 | $ 2,173 |
| Right-of-use assets, finance leases obtained in exchange for finance lease liabilities | $ 16,349 | $ — | $ — |
| Right-of-use assets, finance leases obtained in exchange for assets under capital lease | $ 76,965 | $ — | $ — |
| Right-of-use assets, operating leases obtained in exchange for operating lease liabilities | $ 57,165 | $ — | $ — |
| Capital lease obligation exchanged for finance lease liability | $ 71,111 | $ — | $ — |
| Note receivable exchanged for sale of real estate | $ 13,530 | $ — | |
| Other liabilities exchanged for operating lease liabilities | $ 946 | $ — | $ — |
| Assumption of debt through investments in unconsolidated affiliates | $ 4,688 | $ — | $ — |
| Acquisition of undivided interest in a property through conversion of notes receivable | $ — | $ 22,201 | $ 60,695 |
| Acquisition of real estate through conversion of note receivable | $ — | $ — | $ 9,142 |
| **Change in control of previously unconsolidated (consolidated) investment** | | | |
| (Increase) decrease in real estate | $ 828 | $ (31,836) | $ (39,322) |
| Decrease (increase) in investments in and advances to unconsolidated affiliates | (1,189) | 35,881 | 4,159 |
| Change in other assets and liabilities | 12 | (3,472) | (1,842) |
| Decrease in right-of-use assets, finance leases | 11,051 | — | — |
| Decrease in finance lease liability | (10,702) | — | — |
| Decrease in notes receivable | — | — | 32,010 |
| Gain on change in control | — | — | 5,571 |
| Increase in cash and restricted cash upon change of control | $ — | $ 573 | $ 576 |

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

**ACADIA REALTY TRUST AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

### *Organization*

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

All of the Company’s assets are held by, and all of its operations are conducted through, Acadia Realty Limited Partnership (the “Operating Partnership”) and entities in which the Operating Partnership owns an interest. As of December 31, 2019 and 2018, the Company controlled approximately 95% and 94% of the Operating Partnership as the sole general partner and is entitled to share, in proportion to its percentage interest, in the cash distributions and profits and losses of the Operating Partnership. The limited partners primarily represent entities or individuals that contributed their interests in certain properties or entities to the Operating Partnership in exchange for common or preferred units of limited partnership interest (“Common OP Units” or “Preferred OP Units”) and employees who have been awarded restricted Common OP Units (“LTIP Units”) as long-term incentive compensation (Note 13). Limited partners holding Common OP and LTIP Units are generally entitled to exchange their units on a one-for-one basis for common shares of beneficial interest of the Company (“Common Shares”). This structure is referred to as an umbrella partnership REIT or “UPREIT.”

As of December 31, 2019, the Company has ownership interests in 129 properties within its core portfolio, which consist of those properties either 100% owned, or partially owned through joint venture interests, by the Operating Partnership, or subsidiaries thereof, not including those properties owned through its funds (“Core Portfolio”). The Company also has ownership interests in 57 properties within its opportunity funds, Acadia Strategic Opportunity Fund II, LLC (“Fund II”), Acadia Strategic Opportunity Fund III LLC (“Fund III”), Acadia Strategic Opportunity Fund IV LLC (“Fund IV”), and Acadia Strategic Opportunity Fund V LLC (“Fund V” and collectively with Fund II, Fund III, and Fund IV, the “Funds”). The 186 Core Portfolio and Fund properties primarily consist of street and urban retail, and suburban shopping centers. In addition, the Company, together with the investors in the Funds, invested in operating companies through Acadia Mervyn Investors I, LLC (“Mervyns I,” which was liquidated in 2018) and Acadia Mervyn Investors II, LLC (“Mervyns II”), all on a non-recourse basis. The Company consolidates the Funds as it has (i) the power to direct the activities that most significantly impact the Funds’ economic performance, (ii) is obligated to absorb the Funds’ losses and (iii) has the right to receive benefits from the Funds that could potentially be significant.

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

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

| Entity | Formation Date | Operating Partnership Share of Capital | Capital Called as of December 31, 2019 [b] | Unfunded Commitment [b] | Equity Interest Held By Operating Partnership [a] | Preferred Return | Total Distributions as of December 31, 2019 [b] |
|---|---|---|---|---|---|---|---|
| Fund II and Mervyns II [c] | 6/2004 | 28.33% | $ 347.1 | $ 15.0 | 28.33% | 8% | $ 146.6 |
| Fund III | 5/2007 | 24.54% | 436.4 | 13.6 | 24.54% | 6% | 568.8 |
| Fund IV | 5/2012 | 23.12% | 438.1 | 91.9 | 23.12% | 6% | 193.1 |
| Fund V | 8/2016 | 20.10% | 213.3 | 306.7 | 20.10% | 6% | 11.1 |

(a) Amount represents the current economic ownership at December 31, 2019, which could differ from the stated legal ownership based upon the cumulative preferred returns of the respective Fund.
(b) Represents the total for the Funds, including the Operating Partnership and noncontrolling interests’ shares.

(c) During April 2018, a distribution of $15.0 million was made to the Fund II investors, including $4.3 million to the Operating Partnership. This amount remains subject to re-contribution to Fund II until April 2021.

***Basis of Presentation***

*Segments*

At December 31, 2019, the Company had three reportable operating segments: Core Portfolio, Funds and Structured Financing. The Company's chief operating decision maker may review operational and financial data on a property-level basis and does not differentiate properties on a geographical basis for purposes of allocating resources or capital.

*Principles of Consolidation*

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

*Use of Estimates*

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

*Reclassifications*

Certain prior year amounts with regard to gains on dispositions of properties and credit losses have been reclassified to conform to the current year presentation. These reclassifications had no effect on the reported results of operations.

***Summary of Significant Accounting Policies***

*Real Estate*

Land, buildings, and personal property are carried at cost less accumulated depreciation. Improvements and significant renovations that extend the useful life of the properties are capitalized, while replacements, maintenance, and repairs that do not improve or extend the lives of the respective assets are expensed as incurred. Real estate under development includes costs for significant property expansion and development.

Depreciation is computed on the straight-line basis over estimated useful lives of the assets as follows:

| | |
|---|---|
| Buildings and improvements | Useful lives of 40 years for buildings and 15 years for improvements |
| Furniture and fixtures | Useful lives, ranging from five years to 20 years |
| Tenant improvements | Shorter of economic life or lease terms |

*Purchase Accounting* – Upon acquisitions of real estate, the Company assesses the fair value of acquired assets and assumed liabilities (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 *ASC Topic 805, "Business Combinations"* and *ASC Topic 350* "*Intangibles – Goodwill and Other,"* and allocates the acquisition price based on these assessments. When acquisitions of properties do not meet the criteria for business combinations, no goodwill is recorded and acquisition costs are capitalized.

The Company assesses fair value of its tangible assets acquired and assumed liabilities based on estimated cash flow projections that utilize appropriate discount and capitalization rates and available market information at the measurement period. 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.

In determining the value of above- and below-market leases, the Company estimates the present value difference between contractual rent obligations and estimated market rate of leases at the time of the transaction. To the extent there were fixed-rate options at below-market rental rates, the Company included these along with the current term below-market rent in arriving at the fair value of the acquired leases. The discounted difference between contract and market rents is being amortized to rental income over the remaining applicable lease term, inclusive of any option periods.

In determining the value of acquired in-place leases and customer relationships, the Company considers market conditions at the time of the transaction and values the costs to execute similar leases during the expected lease-up period from vacancy to existing occupancy, including carrying costs. The value assigned to in-place leases and tenant relationships is amortized over the estimated remaining term of the leases. If a lease were to be terminated prior to its scheduled expiration, all unamortized costs relating to that lease would be written off.

The Company estimates the value of any assumption of mortgage debt based on market conditions at the time of acquisitions including prevailing interest rates, terms and ability to obtain financing for a similar asset. Mortgage debt discounts or premiums are amortized into interest expense over the remaining term of the related debt instrument.

*Real Estate Under Development* – The Company capitalizes certain costs related to the development of real estate. Interest and real estate taxes incurred during the period of the construction, expansion or development of real estate are capitalized and depreciated over the estimated useful life of the building. The Company will cease the capitalization of these costs when construction activities are substantially completed and the property is available for occupancy by tenants, but no later than one year from the completion of major construction activity at which time the project is placed in service and depreciation commences. If the Company suspends substantially all activities related to development of a qualifying asset, the Company will cease capitalization of interest and taxes until activities are resumed.

*Real Estate Impairment* – The Company reviews its real estate and real estate under development for impairment when there is an event or a change in circumstances that indicates that the carrying amount may not be recoverable. In cases where the Company does not expect to recover its carrying costs on properties held for use, the Company reduces its carrying costs to fair value. The determination of anticipated undiscounted cash flows is inherently subjective, requiring significant estimates made by management, and considers the most likely expected course of action at the balance sheet date based on current plans, intended holding periods and available market information. If the Company is evaluating the potential sale of an asset, the undiscounted future cash flows analysis is probability-weighted based upon management's best estimate of the likelihood of the alternative courses of action as of the balance sheet date. Such cash flow projections consider factors such as expected future operating income, trends and prospects, as well as the effects of demand, competition and other factors. If an impairment is indicated, an impairment loss is recognized based on the excess of the carrying amount of the asset over its fair value. See Note 8 for information about impairment charges incurred during the periods presented.

*Dispositions of Real Estate* – The Company recognizes property sales in accordance with *ASC Topic 970* "*Real Estate.*" Sales of real estate include the sale of land, operating properties and investments in real estate joint ventures. Beginning January 1, 2018, gains on sale of investment properties are recognized, and the related real estate derecognized, when the Company has satisfied its performance obligations by transferring control of the property. Typically, the timing of payment and satisfaction of performance obligations occur simultaneously on the disposition date upon transfer of the property's ownership. Prior to January 1, 2018, gains from dispositions were recognized under the full accrual or partial sales method provided that various criteria relating to terms of sales and subsequent involvement by the Company with the asset sold are met.

*Real Estate Held for Sale* – The Company generally considers assets to be held for sale when it has entered into a contract to sell the property, all material due diligence requirements have been satisfied, and management believes it is probable that the disposition will occur within one year. Assets that are classified as held for sale are recorded at the lower of their carrying amount or fair value, less cost to sell.

*Notes Receivable*

Notes receivable include certain loans that are held for investment and are collateralized by real estate-related investments and may be subordinate to other senior loans. Notes receivable are recorded at stated principal amounts or at initial investment less accretive yield for loans purchased at a discount, which is accreted over the life of the note. The Company defers loan origination and commitment fees, net of origination costs, and amortizes them over the term of the related loan. The Company evaluates the collectability of both principal and interest based upon an assessment of the underlying collateral value to determine whether it is impaired. A reserve is recorded when, based upon current information and events, it is probable that the Company will be unable to collect all amounts due according to the existing contractual terms. The amount of the reserve is calculated by comparing the recorded investment to the value of the underlying collateral. As the underlying collateral for a majority of the notes receivable is real estate-related investments, the same valuation techniques are used to value the collateral as those used to determine the fair value of real estate investments for impairment purposes. Given the small number of notes outstanding, the Company does not provide for an additional reserve based on the grouping of loans, as the Company believes the characteristics of its notes are not sufficiently similar to allow an evaluation of these notes as a group for a possible loan loss allowance. As such, all of the Company's notes are evaluated individually for this purpose. Interest income on performing notes is accrued as earned. A note is placed on non-accrual status when, based upon current information and events, it is probable that the Company will not be able to collect all amounts due according to the existing contractual terms. Recognition of interest income on an accrual basis on non-performing notes is resumed when it is probable that the Company will be able to collect amounts due according to the contractual terms.

*Investments in and Advances to Unconsolidated Joint Ventures*

Some of the Company's joint ventures obtain non-recourse third-party financing on their property investments, contractually limiting the Company's exposure to losses. The Company recognizes income for distributions in excess of its investment where there is no recourse to the Company and no intention or obligation to contribute additional capital. For investments in which there is recourse to the Company or an obligation or intention to contribute additional capital exists, distributions in excess of the investment are recorded as a liability.

When characterizing distributions from equity investees within the Company's consolidated statements of cash flows, all distributions received are first applied as returns on investment to the extent there are cumulative earnings related to the respective investment and are classified as cash inflows from operating activities. If cumulative distributions are in excess of cumulative earnings, distributions are considered return of investment. In such cases, the distribution is classified as cash inflows from investing activities.

To the extent that the Company's carrying basis in an unconsolidated affiliate is different from the basis reflected at the joint venture level, the basis difference is amortized over the life of the related assets and included in the Company's share of equity in net income (loss) of investments in unconsolidated affiliates the joint venture.

The Company periodically reviews its investments in unconsolidated joint ventures for other-than-temporary losses in investment value. Any decline that is not expected to be recovered based on the underlying assets of the investment, is considered other than temporary and an impairment charge is recorded as a reduction in the carrying value of the investment. During the periods presented there were no impairment charges related to the Company's investments in unconsolidated joint ventures.

*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. Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed the limits insured by the Federal Deposit Insurance Corporation.

*Restricted Cash*

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

*Deferred Costs*

External fees and costs paid in the successful negotiation of leases are deferred and amortized on a straight-line basis over the terms of the respective leases. External fees and costs incurred in connection with obtaining financing are deferred and amortized as a component of interest expense over the term of the related debt obligation on a straight-line basis, which approximates the effective interest method. Effective January 1, 2019, internal leasing costs are no longer being capitalized as discussed further below under ASU 2016-02.

*Derivative Instruments and Hedging Activities*

The Company measures derivative instruments at fair value and records them as assets or liabilities, depending on its rights or obligations under the applicable derivative contract. Derivatives that are not designated as hedges must be adjusted to fair value through earnings. For a derivative designated and that qualified as a cash flow hedge, the effective portion of the change in fair value of the derivative is recognized in Other comprehensive (loss) income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value is immediately recognized in earnings.

Although the Company's derivative contracts are subject to master netting arrangements, which serve as credit mitigants to both the Company and its counterparties under certain situations, the Company does not net its derivative fair values or any existing rights or obligations to cash collateral on the consolidated balance sheets. The Company does not use derivatives for trading or speculative purposes. For the periods presented, all of the Company's derivatives qualified and were designated as cash flow hedges, and none of its derivatives were deemed ineffective.

*Noncontrolling Interests*

Noncontrolling interests represent the portion of equity that the Company does not own in those entities it consolidates. The Company identifies its noncontrolling interests separately within the equity section on the Company's consolidated balance sheets. The amounts of consolidated net earnings attributable to the Company and to the noncontrolling interests are presented separately on the Company's consolidated statements of income. Noncontrolling interests also include amounts related to common and preferred OP Units issued to unrelated third parties in connection with certain property acquisitions. In addition, the Company periodically issues common OP Units and LTIPs to certain employees of the Company under its share-based incentive program. Unit holders generally have the right to redeem their units for Common Shares subject to blackout and other limitations. Common and restricted OP Units are included in the caption Noncontrolling interest within the equity section on the Company's consolidated balance sheets.

*Revenue Recognition and Accounts Receivable*

Effective January 1, 2019, and as further described below, the Company accounts for its leases under ASC 842. Pursuant to ASC 842, the Company has made an accounting policy election to not separate the non-lease components from its leases, such as common area maintenance, and has accounted for each of its leases as a single lease component. In addition, the Company has elected to account only for those taxes that it pays on behalf of the tenant as reimbursable costs and will not account for those taxes paid directly by the tenant. Minimum rents from tenants are recognized using the straight-line method over the non-cancelable lease term of the respective leases. Lease termination fees are recognized upon the effective termination of a tenant's lease when the Company has no further obligations under the lease. As of December 31, 2019 and 2018, unbilled rents receivable relating to the straight-lining of rents of $48.4 million and $47.2 million, respectively, are included in Rents Receivable, net on the accompanying consolidated balance sheets. Certain of these leases also provide for percentage rents based upon the level of sales achieved by the tenant. Percentage rent is 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 related expenses are incurred.

The Company assesses the collectability of its accounts receivable related to tenant revenues. With the adoption of ASC Topic 842, the Company will first apply the guidance under ASC 842 in assessing its rents receivable: if collection of rents under specific operating leases is not probable, then the Company recognizes the lesser of that lease's rental income on a straight-line basis or cash received, plus variable rents as earned. Once this initial assessment is completed, the Company applies a general reserve, as provided under ASC 450-20, if applicable. Rents receivable at December 31, 2019 and 2018 are shown net of an allowance for doubtful accounts of $11.4 million and $7.9 million, respectively.

*Stock-Based Compensation*

Stock-based compensation expense for all equity-classified stock-based compensation awards is based on the grant date fair value estimated in accordance with current accounting guidance for share-based payments. The Company recognizes these compensation costs for only those shares or units expected to vest on a straight-line or graded-vesting basis, as appropriate, over the requisite service period of the award. The Company includes stock-based compensation within general and administrative expense on the consolidated statements of income.

*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 at least 90% of its REIT taxable income to its shareholders as well as comply with certain other income, asset and organizational requirements as defined in the Code. Accordingly, the Company is generally not subject to Federal corporate income tax to the extent that it distributes 100% of its REIT taxable income each year.

In connection with the REIT Modernization Act, the Company is permitted to participate in certain activities and still maintain its qualification as a REIT, so long as these activities are conducted in entities that elect to be treated as taxable subsidiaries under the Code. As such, the Company is subject to Federal and state income taxes on the income from these activities.

The Act was enacted in December 2017 and is generally effective for tax years beginning in 2018. This new legislation did not have a material adverse effect on the Company's business and allows non-corporate shareholders to deduct a portion of the Company's dividends.

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

The Company accounts for TRS income taxes under the liability method as required by ASC Topic 740, "Income Taxes." Under the liability method, deferred income taxes are recognized for the temporary differences between the GAAP basis and tax basis of the TRS income, assets and liabilities.

The Company records net deferred tax assets to the extent it believes it is more likely than not that these assets will be realized. In 2019, the Company recorded valuation allowances to reduce deferred tax assets when it determined that an uncertainty existed regarding their realization, which increased the provision for income taxes. In making such determination, the Company considered all available positive and negative evidence, including forecasts of future taxable income, the reversal of other existing temporary differences, available net operating loss carry-forwards, tax planning strategies and recent results of operations. Several of these considerations require assumptions and significant judgment about the forecasts of future taxable income and are consistent with the plans and estimates that the Company is utilizing to manage its business. To the extent facts and circumstances change in the future, further adjustments to the valuation allowances may be required.

***Recently Adopted Accounting Pronouncements***

*Lease Accounting*

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

To ease the transition, the new lease accounting guidance permits companies to utilize certain practical expedients in their implementation of the new standard:

- A package of three practical expedients that must be elected together for all leases and includes: (i) not reassessing expired or existing contracts as to whether they are or contain leases; (ii) not reassessing lease classification of existing leases and (iii) not reassessing the amount of capitalized initial direct costs for existing leases;
- A practical expedient to use hindsight in determining the lease term or assessing purchase options for existing leases and in assessing impairment of right of use assets;
- Lessees may make an accounting policy election by class of underlying asset not to separate lease components from non-lease components; and
- Lessees may make an accounting policy election not to apply the recognition and measurement requirements to short-term leases.

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

- ASU 2018-01, *Land Easements Practical Expedient for Transition to Topic 842* added a transition practical expedient to not reassess existing or expired land easement agreements not previously accounted for as leases;
- ASU 2018-10, *Codification Improvements to Topic 842, Leases*. These amendments provide minor clarifications and corrections to ASU 2016-02
- ASU 2018-11, *Leases (Topic 842): Targeted Improvements*.
    - The amendments in this Update provide entities with an additional optional transition method to adopt ASU 2016-02. Under this new transition method, an entity initially applies the new leases standard at the adoption date and recognizes a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. Consequently, an entity's reporting under this additional transition method for the comparative periods presented in the financial statements in which it adopts the new leases standard would continue to be in accordance with former GAAP (Topic 840, *Leases*).
    - The amendments in this Update also provide lessors with a practical expedient, by class of underlying asset, to make a policy election to not separate non-lease components from the associated lease component and, instead, to account for those components as a single component if the non-lease components otherwise would be accounted for under the new revenue

guidance (Topic 606). Conditions are required to elect the practical expedient, and if met, the single component will be accounted for under either under Topic 842 or Topic 606 depending on which component(s) are predominant. The lessor practical expedient to not separate non-lease components from the associated component must be elected for all existing and new leases.

- ASU 2018-20, *Leases (Topic 842), Narrow-Scope Improvements for Lessors*. This ASU modifies ASU No. 2016-02 to permit lessors, as an accounting policy election, not to evaluate whether certain sales taxes and other similar taxes are lessor costs or lessee costs. Instead, those lessors will account for those costs as if they are lessee costs. Consequently, a lessor making this election will exclude from the consideration in the contract and from variable payments not included in the consideration in the contract all collections from lessees of taxes within the scope of the election and will provide certain disclosures (includes sales, use, value added, and some excise taxes and excludes real estate taxes). ASU 2019-01, *Leases (Topic 842), Codification Improvements*. There are three codification updates to Topic 842 covered by this ASU: Issue 1 provides guidance on how to compute fair value of leased items for lessors who are non-dealers or manufacturers; Issue 2 relates to cash flow presentation for lessors of sales-type and direct financing leases; and Issue 3 clarifies that certain transition disclosures will only be required in annual disclosures.
- Under the new leasing guidance, contract consideration shall be allocated to its lease components (such as the lease of retail properties) and non-lease components (such as maintenance). For lessors, any non-lease components will be accounted for under Topic 606 unless the entity elects the lessor practical expedient to not separate the non-lease components from the associated lease component as described above. The new guidance also includes a definition of initial direct costs that is narrower than the prior definition in former GAAP (Topic 840, Leases). Topic 842 was effective for the Company beginning January 1, 2019.

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

As lessor, the Company has more than 1,000 leases with retail tenants and to a lesser extent with office and residential tenants. A significant majority of its leases are on a triple-net basis. The impact of adoption of ASU 2016-02 for the Company as lessor was as follows effective January 1, 2019:

- The Company has elected the lessor practical expedient to not separate common area maintenance from the associated lease for all existing and new leases and to account for the combined component as a single lease component. Common area maintenance is considered a non-lease component within the scope of Topic 606 and reimbursements of taxes and insurance are considered contractual payments that do not transfer a good or service to the tenant; however, such revenues related to leases, which were formerly reported as reimbursed expenses, have been reported within lease revenues in the presentation of the statement of income subsequent to the implementation of ASC 842. Prior year classifications under ASC 840 have been reclassified to conform to the current period presentation.
- Due to its election of available practical expedients, the Company notes that post-adoption substantially all existing leases, and new leases compared to similar existing leases, had no change in the timing of revenue recognition.
- The Company's internal leasing costs have been expensed as incurred, as opposed to being capitalized and deferred. Commissions subsequent to successful lease execution will continue to be capitalized. After adoption, the Company no longer capitalizes internal leasing costs that were previously capitalized (the Company capitalized $1.7 million of internal leasing costs during the year ended December 31, 2018).
- The Company has existing easement arrangements that have not been previously identified as leases. The Company's existing and similar future easement arrangements will not be classified as rental revenue but as other revenues as these arrangements do not transfer control to the counterparty.
- The Company has made a policy election to continue to account for only those taxes described under ASU 2018-20 that it pays on behalf of the tenant as reimbursable costs and will not account for those taxes paid directly by the lessee which are considered lessee costs.

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

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

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

*Other Accounting Topics*

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

In June 2018, the FASB issued ASU No. 2018-07, *Compensation — Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting.* These amendments provide specific guidance for transactions for acquiring goods and services from nonemployees and specify that Topic 718 applies to all share-based payment transactions in which a grantor acquires goods or services to be used or consumed in a grantor's own operations by issuing share-based payment awards. The amendments also clarify that Topic 718 does not apply to share-based payments used to effectively provide (i) financing to the issuer or (ii) awards granted in conjunction with selling goods or services to customers as part of a contract accounted for under Topic 606, *Revenue from Contracts with Customers*. This guidance is effective for fiscal years beginning after December 15, 2018, and interim periods beginning after December 15, 2020. Early adoption is permitted but not earlier than the adoption of Topic 606. The Company adopted this guidance effective January 1, 2019 and there was no impact on the Company's consolidated financial statements as it has not historically issued share-based payments in exchange for goods or services to be consumed within its operations.

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

***Recently Issued Accounting Pronouncements***

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

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

In November 2018, the FASB issued ASU No. 2018-19 *Codification Improvements to Topic 326, Financial Instruments — Credit Losses*. This ASU modifies ASU 2016-13 (discussed below). The amendment clarifies that receivables arising from operating leases are not within the scope of Subtopic 326-20, *Financial Instruments – Credit Losses – Measure at Amortized Cost*. Instead, impairment of receivables arising from operating leases should be accounted for in accordance with Topic 842, *Leases.* ASU 2018-19 is effective for periods beginning after December 15, 2019, with adoption permitted for fiscal years beginning after December 15, 2018. As previously discussed, the Company accounts for its lease receivables utilizing the guidance of ASC 842 and does not expect to make any adjustments related to the implementation of ASU 2019-19.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments — Credit Losses*. ASU 2016-13 introduces a new model for estimating credit losses for certain types of financial instruments, including loans receivable, held-to-maturity debt securities, and net investments in direct financing leases, amongst other financial instruments. ASU 2016-13 also modifies the impairment model for available-for-sale debt securities and expands the disclosure requirements regarding an entity's assumptions, models, and methods for estimating the allowance for losses. ASU 2016-13 is effective for periods beginning after December 15, 2019, with adoption permitted for fiscal years beginning after December 15, 2018. Retrospective adjustments shall be applied through a cumulative-effect adjustment to retained earnings. Upon implementation of ASU 2016-13 and other related guidance, the Company expects to record additional reserves related to its Structured Financing portfolio of loans receivable, but does not expect that these adjustments will be material to the Company's consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13, *Disclosure Framework — Changes to the Disclosure Requirements for Fair Value Measurement* which removes, modifies, and adds certain disclosure requirements related to fair value measurements in ASC 820. This guidance is effective for public companies in fiscal years beginning after December 15, 2019 with early adoption permitted. The Company will make the required updates to its fair value disclosures beginning with its 2020 interim reports.

In August 2018, the FASB issued ASU No. 2018-15 *Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract* to provide guidance on implementation costs incurred in a cloud computing arrangement that is a service contract. The ASU aligns the accounting for such costs with the guidance on capitalizing costs associated with developing or obtaining internal-use software. Specifically, the ASU amends ASC 350 to include in its scope implementation costs of such arrangements that are service contracts and clarifies that a customer should apply ASC 350-40 to determine which implementation costs should be capitalized. This ASU, which is effective for fiscal years beginning after December 15, 2019, has been early adopted by the Company effective January 1, 2019. As of December 31, 2019, the Company has capitalized and deferred approximately $0.2 million related to the ongoing implementation of two separate software applications for internal use pursuant to this new guidance.

## 2. Real Estate

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

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Land | $ 756,297 | $ 710,469 |
| Buildings and improvements | 2,740,479 | 2,594,828 |
| Tenant improvements | 173,686 | 151,154 |
| Construction in progress | 13,617 | 44,092 |
| Properties under capital lease (Note 11) | — | 76,965 |
| Right-of-use assets - finance leases (Note 11) | 102,055 | — |
| Right-of-use assets - operating leases (Note 11), net | 60,006 | — |
| Total | 3,846,140 | 3,577,508 |
| Less: Accumulated depreciation and amortization | (490,227) | (416,657) |
| Operating real estate, net | 3,355,913 | 3,160,851 |
| Real estate under development, at cost | 253,402 | 120,297 |
| Net investments in real estate | $ 3,609,315 | $ 3,281,148 |

***Acquisitions and Conversions***

During the years ended December 31, 2019 and December 31, 2018, the Company acquired the following consolidated retail properties (dollars in thousands):

| Property and Location | Percent Acquired | Date of Acquisition | Purchase Price |
|---|---|---|---|
| **2019 Acquisitions** | | | |
| Core | | | |
| Soho Acquisitions - 41, 45, 47, 51 and 53 Greene Street - New York, NY [(a)] | 100% | Mar 15, 2019<br>Mar 27, 2019<br>May 29, 2019<br>Jul 30, 2019<br>Nov 8, 2019 | $ 87,006 |
| 849, 907 and 912 W. Armitage - Chicago, IL | 100% | Sep 11, 2019<br>Dec 11, 2019 | 10,738 |
| 8436-8452 Melrose Place - Los Angeles, CA | 100% | Oct 25, 2019 | 48,691 |
| Subtotal Core | | | 146,435 |
| | | | |
| Fund V | | | |
| Palm Coast Landing - Palm Coast, FL | 100% | May 6, 2019 | 36,644 |
| Lincoln Commons - Lincoln, RI | 100% | Jun 21, 2019 | 54,299 |
| Landstown Commons - Virginia Beach, VA | 100% | Aug 2, 2019 | 86,961 |
| Subtotal Fund V | | | 177,904 |
| **Total 2019 Acquisitions** | | | **$ 324,339** |
| | | | |
| **2018 Acquisitions and Conversions** | | | |
| Core | | | |
| Bedford Green Land Parcel - Bedford Hills, NY | 100% | Mar 23, 2018 | $ 1,337 |
| Subtotal Core | | | 1,337 |
| | | | |
| Fund IV | | | |
| Broughton Street Partners I - Savannah, GA (Conversion) (Note 4) | 100% | Oct 11, 2018 | 36,104 |
| Subtotal Fund IV | | | 36,104 |
| | | | |
| Fund V | | | |
| Trussville Promenade - Trussville, AL | 100% | Feb 21, 2018 | 45,259 |
| Elk Grove Commons - Elk Grove, CA | 100% | Jul 18, 2018 | 59,320 |
| Hiram Pavilion - Hiram, GA | 100% | Oct 23, 2018 | 44,443 |
| Subtotal Fund V | | | 149,022 |
| **Total 2018 Acquisitions and Conversions** | | | **$ 186,463** |

(a) The Soho Acquisitions are a collection of seven properties located in New York, NY with an aggregate purchase price of approximately $122.0 million under two separate contracts. One of the remaining properties was acquired in January 2020 (Note 17). The acquisition of the remaining property is expected to be finalized during 2020. No assurance can be given that the Company will successfully close on the remaining acquisitions under contract, which are subject to customary closing conditions.

The 2019 Acquisitions and 2018 Acquisitions and Conversions were considered asset acquisitions based on accounting guidance effective as of January 1, 2018. For the years ended December 31, 2019 and 2018, the Company capitalized $2.6 million and $0.3 million of acquisition costs, respectively, of which $2.2 million related to the Core Portfolio and $0.4 million related to the Funds in 2019 and $0.3 million related to the Funds in 2018. No debt was assumed in any of the 2019 Acquisitions or 2018 Acquisitions or Conversions.

*Purchase Price Allocations*

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

| | Year Ended December 31, 2019 | Year Ended December 31, 2018 |
|---|---|---|
| **Net Assets Acquired** | | |
| Land | $ 78,263 | $ 38,086 |
| Buildings and improvements | 221,185 | 129,586 |
| Acquisition-related intangible assets (Note 6) | 34,972 | 26,693 |
| Acquisition-related intangible liabilities (Note 6) | (10,081) | (7,902) |
| Net assets acquired | $ 324,339 | $ 186,463 |
| | | |
| **Consideration** | | |
| Cash | $ 319,673 | $ 147,985 |
| Liabilities assumed | 4,666 | 2,597 |
| Existing interest in previously unconsolidated investment | — | 35,881 |
| Total consideration | $ 324,339 | $ 186,463 |

***Dispositions***

During the years ended December 31, 2019 and 2018, the Company disposed of the following consolidated properties (in thousands):

| Property and Location | Owner | Date Sold | Sale Price | Gain (Loss) on Sale |
|---|---|---|---|---|
| **2019 Dispositions** | | | | |
| 3104 M Street - Washington, DC (Note 4) | Fund III | Jan 24, 2019 | $ 10,500 | $ 2,014 |
| 210 Bowery - 3 Residential Condos - New York, NY | Fund IV | May 17, 2019<br>Sep 23, 2019<br>Nov 7, 2019 | 8,826 | (242) |
| JFK Plaza - Waterville, ME | Fund IV | Jul 24, 2019 | 7,800 | 2,075 |
| 3780-3858 Nostrand Avenue - New York, NY | Fund III | Aug 22, 2019 | 27,650 | 2,562 |
| 938 W North Avenue - Chicago, IL | Fund IV | Sep 27, 2019 | 32,000 | 7,144 |
| Pacesetter Park - Pomona, NY | Core | Oct 28, 2019 | 22,550 | 16,771 |
| **Total 2019 Dispositions** | | | **$ 109,326** | **$ 30,324** |
| | | | | |
| **2018 Dispositions** | | | | |
| Sherman Avenue - New York, NY | Fund II | Apr 17, 2018 | $ 26,000 | $ 33 |
| Lake Montclair - Dumfries, VA | Fund IV | Aug 27, 2018 | 22,450 | 2,923 |
| 1861 Union Street - San Francisco, CA | Fund IV | Aug 29, 2018 | 6,000 | 2,184 |
| 210 Bowery - 4 Residential Condos - New York, NY | Fund IV | Nov 30, 2018<br>Dec 10, 2018<br>Dec 17, 2018<br>Dec 21, 2018 | 12,050 | — |
| **Total 2018 Dispositions** | | | **$ 66,500** | **$ 5,140** |

The aggregate rental revenue, expenses and pre-tax income reported within continuing operations for the aforementioned consolidated properties that were sold during the years ended December 31, 2019, 2018 and 2017 were as follows (in thousands):

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| Revenues | $ 7,295 | $ 11,633 | $ 23,617 |
| Expenses | (6,403) | (10,084) | (31,651) |
| Gain on disposition of properties | 30,324 | 5,140 | 48,886 |
| Net income attributable to noncontrolling interests | (10,515) | (4,742) | (29,233) |
| Net income attributable to Acadia | $ 20,701 | $ 1,947 | $ 11,619 |

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

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

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

| | December 31, 2018 | | Year Ended December 31, 2019 | | | December 31, 2019 | |
|---|---|---|---|---|---|---|---|
| | Number of Properties | Carrying Value | Transfers In | Capitalized Costs | Transfers Out | Number of Properties | Carrying Value |
| Core | 1 | $ 7,759 | $ 57,342 | $ 5,581 | $ 9,819 | — | $ 60,863 |
| Fund II | — | 7,462 | — | 3,241 | — | — | 10,703 |
| Fund III | 1 | 21,242 | 12,313 | 2,685 | — | 1 | 36,240 |
| Fund IV | 1 | 83,834 | 47,689 | 14,073 | — | 2 | 145,596 |
| Total | 3 | $ 120,297 | $ 117,344 | $ 25,580 | $ 9,819 | 3 | $ 253,402 |

The number of properties in the table above refers to projects comprising the entire property; however, certain projects represent a portion of a property. During the year ended December 31, 2019, the Company placed the following projects into development:

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

During the year ended December 31, 2019, the Company placed one Core development project, 56 E. Walton, into service. Fund II amounts relate to the City Point Phase III project.

| | December 31, 2017 | | Year Ended 2018 | | | December 31, 2018 | |
|---|---|---|---|---|---|---|---|
| | Number of Properties | Carrying Value | Transfers In | Capitalized Costs | Transfers Out | Number of Properties | Carrying Value |
| Core | 2 | $ 21,897 | $ — | $ 6,320 | $ 20,458 | 1 | $ 7,759 |
| Fund II | — | 4,908 | — | 2,554 | — | — | 7,462 |
| Fund III | 2 | 63,939 | — | 36,117 | 78,814 | 1 | 21,242 |
| Fund IV | 1 | 82,958 | — | 876 | — | 1 | 83,834 |
| Total | 5 | $ 173,702 | $ — | $ 45,867 | $ 99,272 | 3 | $ 120,297 |

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

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

**3. Notes Receivable, Net**

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

| Description | December 31, 2019 | December 31, 2018 | December 31, 2019 Number | Maturity Date | Interest Rate |
|---|---|---|---|---|---|
| Core Portfolio [a] | $ 76,467 | $ 58,637 | 5 | Apr 2020 - Apr 2026 | 4.7% - 8.1% |
| Fund II | 33,170 | 32,582 | 1 | Dec 2020 | 1.75% |
| Fund III | 5,306 | 5,306 | 1 | Jul 2020 | 18.0% |
| Fund IV | — | 15,250 | — | Feb 2021 | 15.3% |
| | $ 114,943 | $ 111,775 | 7 | | |

(a) Includes two notes receivable from OP Unit holders, which are collateralized by their OP Units, with balances totaling \$6.5 million at December 31, 2019 and \$4.8 million at December 31, 2018.

During the year ended December 31, 2019, the Company:

- redeemed its \$15.3 million Fund IV investment plus accrued interest of \$10.0 million;
- provided seller financing to the buyer in the amount of \$13.5 million with an effective interest rate of 5.1%, collateralized by Pacesetter Park, in connection with the sale of the property (Note 2);
- funded an additional \$4.3 million on a Core note receivable from an OP Unit holder;
- increased the balance of a Fund II note receivable by the interest accrued of \$0.4 million;
- stopped accruing interest on one Fund III loan, due to the estimated market value of the collateral. The note had \$4.7 million of accrued interest at each of December 31, 2018 and December 31, 2019 and was guaranteed by a third party;
- extended the maturity for a Core note receivable to June 2, 2020; and
- modified one Core loan to defer \$0.4 million of interest until maturity. Subsequent to modification, the first mortgage, which aggregated \$20.8 million including accrued interest, was in default as of December 31, 2019. The Company believes that the collateral is sufficient to cover the outstanding principal and interest.

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

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

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

Earnings from these notes and mortgages receivable are reported within the Company's Structured Financing segment (Note 12). See Note 17 for information about investments subsequent to December 31, 2019.

## 4. Investments in and Advances to Unconsolidated Affiliates

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

| Portfolio | Property | Ownership Interest December 31, 2019 | December 31, 2019 | December 31, 2018 |
|---|---|---|---|---|
| **Core:** | | | | |
| | 840 N. Michigan (a) | 88.43% | $ 61,260 | $ 65,013 |
| | Renaissance Portfolio | 20% | 31,815 | 32,458 |
| | Gotham Plaza | 49% | 29,466 | 29,550 |
| | Town Center (a, b) | 75.22% | 97,674 | 99,758 |
| | Georgetown Portfolio | 50% | 4,498 | 4,653 |
| | 1238 Wisconsin Avenue | 80% | 1,194 | — |
| | | | 225,907 | 231,432 |
| **Mervyns I & II:** | KLA/Mervyn's, LLC (c) | 10.5% | — | — |
| **Fund III:** | | | | |
| | Fund III Other Portfolio | 94.23% | 17 | 21 |
| | Self Storage Management (d) | 95% | 207 | 206 |
| | | | 224 | 227 |
| **Fund IV:** | | | | |
| | Broughton Street Portfolio (e) | 50% | 12,702 | 3,236 |
| | Fund IV Other Portfolio | 98.57% | 14,733 | 14,540 |
| | 650 Bald Hill Road | 90% | 12,450 | 12,880 |
| | | | 39,885 | 30,656 |
| **Fund V:** | Family Center at Riverdale (a) | 89.42% | 13,329 | — |
| | Tri-City Plaza | 90% | 10,250 | — |
| | Frederick County Acquisitions | 90% | 15,070 | — |
| | | | 38,649 | — |
| **Various:** | Due to Related Parties | | (1,902) | (461) |
| | Other (f) | | 2,334 | 556 |
| | **Investments in and advances to unconsolidated affiliates** | | **$ 305,097** | **$ 262,410** |
| **Core:** | | | | |
| | Crossroads (g) | 49% | $ 15,362 | $ 15,623 |
| | **Distributions in excess of income from, and investments in, unconsolidated affiliates** | | **$ 15,362** | **$ 15,623** |

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

***Core Portfolio***

*2019 Acquisitions of Unconsolidated Investments*

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

On August 8, 2019, the Company invested $1.8 million in Fifth Wall Ventures Retail Fund, L.P. ("Fifth Wall"). During the fourth quarter 2019, the Company invested $0.1 million in Fifth Wall. Additionally, in November 2019, Fifth Wall distributed $0.2 million. The Company's total commitment is $5.0 million. The Company accounts for its interest at cost less impairment given its ownership is less than five percent, the investment has no readily determinable fair value, and the Company has virtually no influence over the partnership's operating and financial policies. At December 31, 2019, the Company's investment was $1.7 million.

On May 2, 2019, the Company acquired a ground lease interest at 1238 Wisconsin Avenue in Washington, D.C. ("1238 Wisconsin"). Prior to the fourth quarter of 2019, the Company had a controlling interest, and therefore consolidated the property within the Company's financial statements. During December 2019, the Company entered into an operating agreement in order to admit a co-investor and property manager, who was also appointed the development manager under a separate agreement. As a result of these transactions and the significant participation rights of the co-investor, the Company de-consolidated 1238 Wisconsin and accounted for its interest under the equity method of accounting effective October 1, 2019 as it does not control but exercises significant influence over the investment. No gain or loss was recognized as the Company's investment approximated fair value at the time of de-consolidation.

*Brandywine Portfolio, Market Square and Town Center*

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

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

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

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

At December 31, 2019, $38.7 million of the Brandywine Note Receivable remains outstanding (Note 3), which is collateralized by the remaining 24.78% undivided interest in Town Center.

***Fund Investments***

*2019 Acquisitions of Unconsolidated Investments*

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

On April 30, 2019, Fund V acquired a 90% interest in a venture which invested in a 300,000 square-foot property located in Vernon, Connecticut referred to as "Tri-City Plaza" for $36.7 million. The Company accounts for its interest in Tri-City Plaza under the equity method of accounting as it does not control but exercises significant influence over the investment.

On August 21, 2019, Fund V acquired a 90% interest in a venture which invested in a 225,000 square foot property and a 300,000 square foot property, both located in Frederick County, Maryland collectively referred to as the "Frederick County Acquisitions" for $21.8 million and $33.1 million, respectively. The Company accounts for its interest in the Frederick County Acquisitions under the equity method of accounting as it does not control but exercises significant influence over the investment.

*Storage Post*

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

*Broughton Street Portfolio*

During 2014, Fund IV acquired 50% interests in two joint ventures referred to as "BSP I" and "BSP II" with the same venture partner to acquire and operate a total of 23 properties in Savannah, Georgia referred to as the "Broughton Street Portfolio." Since that time, as described below, the ventures have sold eight of the properties and terminated the master leases on two of the properties. In October 2018, the venture partner relinquished its interest in BSP I, which held 11 consolidated properties (Note 2), resulting in Fund IV becoming the 100% owner of the BSP I venture. Fund IV accounted for this transaction as an asset purchase at fair value whereby its existing preferred and common interests were deemed consideration for the properties and no gain or loss was recognized. At December 31, 2019, the Broughton Street portfolio had 13 remaining properties, two of which are unconsolidated and are held within the BSP II venture.

*2018 Dispositions of Unconsolidated Investments*

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

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

On August 29, 2018, Fund IV's Broughton Street Portfolio venture sold a property for proceeds of $2.0 million, resulting in a net loss of $0.3 million at the property level, of which the Operating Partnership's share was less than $0.1 million.

***Fees from Unconsolidated Affiliates***

The Company earned property management, construction, development, legal and leasing fees from its investments in unconsolidated partnerships totaling $0.3 million and $0.5 million and $0.7 million for the years ended December 31, 2019, 2018 and 2017, respectively, which is included in other revenues in the consolidated financial statements.

In addition, the Company paid to certain unaffiliated partners of its joint ventures, $1.3 million and $1.6 million and $1.9 million for the years ended December 31, 2019, 2018 and 2017, respectively, for leasing commissions, development, management, construction and overhead fees.

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

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

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| **Combined and Condensed Balance Sheets** | | |
| Assets: | | |
| Rental property, net | $ 656,265 | $ 487,846 |
| Real estate under development | 1,341 | — |
| Other assets | 85,540 | 89,890 |
| Total assets | $ 743,146 | $ 577,736 |
| Liabilities and partners' equity: | | |
| Mortgage notes payable | $ 502,036 | $ 408,967 |
| Other liabilities | 77,785 | 54,585 |
| Partners' equity | 163,325 | 114,184 |
| Total liabilities and partners' equity | $ 743,146 | $ 577,736 |
| | | |
| Company's share of accumulated equity | $ 186,864 | $ 139,028 |
| Basis differential | 100,962 | 103,812 |
| Deferred fees, net of portion related to the Company's interest | 1,270 | 3,646 |
| Amounts payable by the Company | (1,902) | (461) |
| Investments in and advances to unconsolidated affiliates, net of Company's share of distributions in excess of income from and investments in unconsolidated affiliates | 287,194 | 246,025 |
| Cost method investments | 2,541 | 762 |
| Company's share of distributions in excess of income from and investments in unconsolidated affiliates | 15,362 | 15,623 |
| Investments in and advances to unconsolidated affiliates | $ 305,097 | $ 262,410 |

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| **Combined and Condensed Statements of Income** | | | |
| Total revenues | $ 88,585 | $ 80,184 | $ 83,222 |
| Operating and other expenses | (24,624) | (23,586) | (24,711) |
| Interest expense | (21,874) | (19,954) | (18,733) |
| Depreciation and amortization | (25,358) | (22,228) | (24,192) |
| Loss on debt extinguishment | — | — | (154) |
| (Loss) gain on disposition of properties | — | (1,673) | 18,957 |
| Net income attributable to unconsolidated affiliates | $ 16,729 | $ 12,743 | $ 34,389 |
| | | | |
| Company's share of equity in net income of unconsolidated affiliates | $ 11,772 | $ 12,345 | $ 26,039 |
| Basis differential amortization | (2,850) | (3,043) | (2,668) |
| Company's equity in earnings of unconsolidated affiliates | $ 8,922 | $ 9,302 | $ 23,371 |

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

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

| (in thousands) | December 31, 2019 | December 31, 2018 |
|---|---|---|
| **Other Assets, Net:** | | |
| Lease intangibles, net (Note 6) | $ 116,820 | $ 115,939 |
| Deferred charges, net [(a)] | 28,746 | 28,619 |
| Prepaid expenses | 18,873 | 18,422 |
| Other receivables | 3,996 | 2,896 |
| Accrued interest receivable | 9,872 | 17,046 |
| Due from seller | 3,682 | 4,000 |
| Deposits | 1,853 | 4,611 |
| Corporate assets, net | 1,565 | 1,953 |
| Income taxes receivable | 1,755 | 2,070 |
| Derivative financial instruments (Note 8) | 2,583 | 7,018 |
| Deferred tax assets | 913 | 2,032 |
| Due from related parties | — | 1,802 |
| | $ 190,658 | $ 206,408 |
| | | |
| **(a) Deferred Charges, Net:** | | |
| Deferred leasing and other costs | $ 49,081 | $ 45,011 |
| Deferred financing costs related to line of credit | 10,051 | 8,960 |
| | 59,132 | 53,971 |
| Accumulated amortization | (30,386) | (25,352) |
| Deferred charges, net | $ 28,746 | $ 28,619 |
| | | |
| **Accounts Payable and Other Liabilities:** | | |
| Lease intangibles, net (Note 6) | $ 82,926 | $ 95,045 |
| Lease liability - finance leases, net (Note 11) | 77,657 | — |
| Accounts payable and accrued expenses | 68,838 | 65,215 |
| Lease liability - operating leases, net (Note 11) | 56,762 | — |
| Derivative financial instruments (Note 8) | 39,061 | 7,304 |
| Deferred income | 33,682 | 34,052 |
| Tenant security deposits, escrow and other | 12,590 | 10,588 |
| Capital lease obligations (Note 11) | — | 71,111 |
| Other | — | 2,757 |
| | $ 371,516 | $ 286,072 |

## 6. Lease Intangibles

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, including below-market options and acquired in-place leases) and assumed liabilities. The lease intangibles are amortized over the remaining terms of the respective leases, including option periods where applicable.

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

| | December 31, 2019 | | | December 31, 2018 | | |
|---|---|---|---|---|---|---|
| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| **Amortizable Intangible Assets** | | | | | | |
| In-place lease intangible assets | $ 249,961 | $ (137,108) | $ 112,853 | $ 216,021 | $ (105,972) | $ 110,049 |
| Above-market rent | 17,227 | (13,260) | 3,967 | 18,169 | (12,279) | 5,890 |
| | $ 267,188 | $ (150,368) | $ 116,820 | $ 234,190 | $ (118,251) | $ 115,939 |
| | | | | | | |
| **Amortizable Intangible Liabilities** | | | | | | |
| Below-market rent | $ (160,721) | $ 78,315 | $ (82,406) | $ (152,188) | $ 57,721 | $ (94,467) |
| Above-market ground lease | (671) | 151 | (520) | (671) | 93 | (578) |
| | $ (161,392) | $ 78,466 | $ (82,926) | $ (152,859) | $ 57,814 | $ (95,045) |

During the year ended December 31, 2019, the Company acquired in-place lease intangible assets of $36.1 million, above-market rents of $0.6 million, and below-market rents of $10.4 million with weighted-average useful lives of 7.9, 6.7, and 21.7 years, respectively. During the year ended December 31, 2018, the Company acquired in-place lease intangible assets of $24.2 million, above-market rents of $2.5 million, and below-market rents of $7.9 million with weighted-average useful lives of 5.2, 5.1, and 20.5 years, respectively.

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

The scheduled amortization of acquired lease intangible assets and assumed liabilities as of December 31, 2019 is as follows (in thousands):

| Years Ending December 31, | Net Increase in Lease Revenues | Increase to Amortization | Reduction of Rent Expense | Net (Expense) Income |
|---|---|---|---|---|
| 2020 | $ 7,177 | $ (27,827) | $ 58 | $ (20,592) |
| 2021 | 6,717 | (21,053) | 58 | (14,278) |
| 2022 | 6,196 | (15,160) | 58 | (8,906) |
| 2023 | 6,149 | (11,578) | 58 | (5,371) |
| 2024 | 5,706 | (8,931) | 58 | (3,167) |
| Thereafter | 46,494 | (28,304) | 230 | 18,420 |
| Total | $ 78,439 | $ (112,853) | $ 520 | $ (33,894) |

## 7. Debt

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

| | Interest Rate at | | | Carrying Value at | |
|---|---|---|---|---|---|
| | December 31, 2019 | December 31, 2018 | Maturity Date at December 31, 2019 | December 31, 2019 | December 31, 2018 |
| **Mortgages Payable** | | | | | |
| Core Fixed Rate | 3.88%-6.00% | 3.88%-6.00% | Feb 2024 - Apr 2035 | $ 176,176 | $ 178,271 |
| Core Variable Rate - Swapped (a) | 3.41%-4.54% | 3.41%-5.67% | Jan 2023 - Nov 2028 | 81,559 | 82,583 |
| **Total Core Mortgages Payable** | | | | **257,735** | **260,854** |
| Fund II Fixed Rate | 4.75% | 1.00%-4.75% | May 2020 | 200,000 | 205,262 |
| Fund II Variable Rate | LIBOR+3.00% | — | March 2022 | 24,225 | — |
| Fund II Variable Rate - Swapped (a) | 2.88% | 4.27% | Nov 2021 | 19,073 | 19,325 |
| **Total Fund II Mortgages Payable** | | | | **243,298** | **224,587** |
| **Fund III Variable Rate** | LIBOR+2.75%-LIBOR+3.10% | Prime+0.50%-LIBOR+4.65% | Jun 2020 - Jan 2021 | **74,554** | **90,096** |
| Fund IV Fixed Rate | 3.40%-4.50% | 3.40%-4.50% | Oct 2025 - Jun 2026 | 8,189 | 8,189 |
| Fund IV Variable Rate | LIBOR+1.60%-LIBOR+3.40% | LIBOR+1.60%-LIBOR+3.95% | Feb 2020 - Aug 2021 | 157,015 | 233,065 |
| Fund IV Variable Rate - Swapped (a) | 3.48%-4.61% | 3.67%-4.23% | Mar 2020 - Dec 2022 | 102,699 | 71,841 |
| **Total Fund IV Mortgages Payable** | | | | **267,903** | **313,095** |
| Fund V Variable Rate | LIBOR+1.50%-LIBOR+2.20% | LIBOR+2.25% | Feb 2021 - Dec 2024 | 1,387 | 51,506 |
| Fund V Variable Rate - Swapped (a) | 2.95%-4.78% | 4.61%-4.78% | Feb 2021 - Dec 2024 | 334,626 | 86,570 |
| **Total Fund V Mortgage Payable** | | | | **336,013** | **138,076** |
| Net unamortized debt issuance costs | | | | (10,078) | (10,173) |
| Unamortized premium | | | | 651 | 753 |
| **Total Mortgages Payable** | | | | **$ 1,170,076** | **$ 1,017,288** |
| **Unsecured Notes Payable** | | | | | |
| Core Term Loans | — | LIBOR+1.25% | Mar 2023 | $ — | $ 383 |
| Core Variable Rate Unsecured Term Loans - Swapped (a) | 2.49%-5.02% | 2.54%-3.59% | Mar 2023 | 350,000 | 349,617 |
| **Total Core Unsecured Notes Payable** | | | | **350,000** | **350,000** |
| **Fund II Unsecured Notes Payable** | LIBOR+1.65% | LIBOR+1.40% | Sep 2020 | **40,000** | **40,000** |
| **Fund IV Term Loan/Subscription Facility** | LIBOR+1.65%-LIBOR+2.00% | LIBOR+1.65%-LIBOR+2.75% | Dec 2020 - June 2021 | **87,625** | **40,825** |
| **Fund V Subscription Facility** | — | LIBOR+1.60% | May 2020 | **—** | **102,800** |
| | | | | | |
| Net unamortized debt issuance costs | | | | (305) | (368) |
| **Total Unsecured Notes Payable** | | | | **$ 477,320** | **$ 533,257** |
| **Unsecured Line of Credit** | | | | | |
| **Core Unsecured Line of Credit - Swapped (a)** | 2.49%-5.02% | — | Mar 2022 | **$ 60,800** | **$ —** |
| | | | | | |
| Total Debt - Fixed Rate (b)(c) | | | | $ 1,403,324 | $ 1,001,658 |
| Total Debt - Variable Rate (d) | | | | 314,604 | 558,675 |
| Total Debt | | | | 1,717,928 | 1,560,333 |
| Net unamortized debt issuance costs | | | | (10,383) | (10,541) |
| Unamortized premium | | | | 651 | 753 |
| **Total Indebtedness** | | | | **$ 1,708,196** | **$ 1,550,545** |

(a) At December 31, 2019, the stated rates ranged from LIBOR + 1.50% to LIBOR +1.90% for Core variable-rate debt; LIBOR + 1.39% for Fund II variable-rate debt; LIBOR + 2.75% to LIBOR + 3.10% for Fund III variable-rate debt; LIBOR + 1.75% to LIBOR +2.25%for Fund IV variable-rate debt; LIBOR + 1.50% to LIBOR + 2.20% for Fund V variable-rate debt; LIBOR + 1.25% for Core variable-rate unsecured term loans; and LIBOR + 1.35% for Core variable-rate unsecured lines of credit.
(b) Includes $948.8 million and $609.9 million, respectively, of variable-rate debt that has been fixed with interest rate swap agreements as of the periods presented.
(c) Fixed-rate debt at December 31, 2019 includes $70.2 million of Core swaps that may be used to hedge debt instruments of the Funds.
(d) Includes $143.3 million and $143.8 million, respectively, of variable-rate debt that is subject to interest cap agreements.

***Credit Facility***

On February 20, 2018, the Company entered into a $500.0 million senior unsecured credit facility (the "Credit Facility"), comprised of a $150.0 million senior unsecured revolving credit facility (the "Revolver") which bears interest at LIBOR + 1.35% (inclusive of a 20 basis-point facility fee), and a $350.0 million senior unsecured term loan (the "Term Loan") which bears interest at LIBOR + 1.25%.

On October 8, 2019, the Company modified the Credit Facility, which provided for a $100.0 million increase in the Revolver. This amendment resulted in borrowing capacity of up to $600.0 million in principal amount, which includes a $250.0 million revolving credit facility maturing on March 31, 2022, subject to an extension option, and a $350.0 million Term Loan expiring on March 31, 2023. In addition, the amendment provides for revisions to the accordion feature, which allows for one or more increases in the revolving credit facility or term loan facility, for a maximum aggregate principal amount not to exceed $750.0 million.

***Mortgages Payable***

During the year ended December 31, 2019, the Company:

- obtained one new Fund II construction loan, three new Fund IV mortgages and five new Fund V mortgages totaling $258.9 million with a weighted-average interest rate of LIBOR + 1.70% collateralized by nine properties and maturing in 2022 through 2024;
- refinanced three mortgages with existing balances totaling $69.0 million at a weighted-average rate of LIBOR + 2.08% and maturities ranging from May 2019 to January 2021 with new mortgages totaling $71.8 million with a weighted-average rate of LIBOR + 1.86% and maturities ranging from April 2022 through December 2024;
- transferred a Fund III mortgage with a balance of $4.7 million and an interest rate of Prime + 0.5% and assumed by the purchasing venture in a property sale (Note 2). The Company repaid one Fund III loan in the amount of $9.8 million and two Fund IV loans in the aggregate amount of $18.4 million in connection with the sale of the properties. The Company also repaid a Fund IV loan in full, which had a balance of $38.2 million and an interest rate of LIBOR + 2.35%. The Company also made scheduled principal payments of $5.9 million;
- modified three loans with prior borrowing capacity totaling $135.9 million at a weighted-average rate of LIBOR + 3.65% and maturities ranging from November 2019 through January 2020 by obtaining new commitments totaling $125.3 million with a weighted-average rate of LIBOR + 2.96% and maturities ranging from December 2020 through May 2021; and
- Entered into interest rate swap contracts to effectively fix the variable portion of the interest rates of all nine new obligations and two of the refinanced obligations with a notional value of $283.6 million at a weighted-average interest rate of 1.78%.

During the year ended December 31, 2018, the Company obtained four new Fund V mortgages totaling $109.5 million with a weighted-average interest rate of LIBOR + 1.99% collateralized by four properties and maturing in 2021. In addition, the Company obtained a $73.5 million Core mortgage with an interest rate of LIBOR + 1.50% collateralized by one property and maturing in 2028. As of December 31, 2018, the Company had drawn $50.0 million on this loan. The Company entered into interest rate swap contracts to effectively fix the variable portion of the interest rates of four of these obligations with a notional value of $136.6 million at an interest rate of 2.86%. In addition, the Company drew down $24.6 million on a Fund III construction loan. Also during 2018, the Company repaid one Core mortgage in full, which had a balance of $40.4 million and an interest rate of LIBOR + 1.65%, and three Fund IV mortgages in full, totaling $27.2 million with a weighted-average interest rate of LIBOR + 2.81%. The Company also made scheduled principal payments of $6.7 million during the year.

At December 31, 2019 and 2018, the Company's mortgages were collateralized by 44 and 43 properties, respectively, and the related tenant leases. Certain loans are cross-collateralized and contain cross-default provisions. The loan agreements contain customary representations, covenants and events of default. Certain loan agreements require the Company to comply with affirmative and negative covenants, including the maintenance of debt service coverage and leverage ratios. A portion of the Company's variable-rate mortgage debt has been effectively fixed through certain cash flow hedge transactions (Note 8).

The mortgage loan collateralized by the property held by Brandywine Holdings in the Core Portfolio, was in default and subject to litigation at December 31, 2019 and 2018. This loan was originated in June 2006 and had an original principal amount of $26.3 million and a scheduled maturity of July 1, 2016. The loan bears interest at a stated rate of approximately 6.00% and is subject to additional default interest of 5%. In April 2017, the successor to the original lender, Wilmington – 5190 Brandywine Parkway, LLC (the "Successor Lender"), initiated lawsuits against Brandywine Holdings in Delaware Superior Court and Delaware Chancery Court for, among other things, judgment on the note (the "Note Complaint") and foreclosure on the property. In a contemporaneously filed action in Delaware Superior Court (the "Guaranty Complaint"), the Successor Lender initiated a lawsuit against the Operating Partnership as guarantor of certain guaranteed obligations of Brandywine Holdings set forth in a non-recourse carve-out guaranty executed by the Operating Partnership. The Guaranty Complaint alleges that the Operating Partnership is liable for the full balance of the principal, accrued interest, default interest, as well as fees and costs, under the

Brandywine Loan, which the Successor Lender alleges totaled approximately $33.0 million as of November 9, 2017 (exclusive of accruing interest, default interest, and fees and costs). In August 2019, the Delaware Superior Court heard arguments on the parties' cross-motions for summary judgement regarding both the Guaranty Complaint and the Note Complaint. On February 7, 2020, the Delaware Superior Court granted in part the Successor Lender's motion, and denied Brandywine Holdings' and the Operating Partnership's cross-motion, for summary judgment, finding that each of Brandywine Holdings and the Operating Partnership have recourse liability for the outstanding balance of the Brandywine Loan. The Delaware Superior Court's decision will be appealable when a judgement is formally entered. Brandywine Holdings and the Operating Partnership intend to appeal the ruling as soon as it becomes appealable and to vigorously contest it.

During the third quarter of 2019, the company recognized income of $5.0 million related to Fund II's New Market Tax Credit transaction ("NMTC") involving its City Point project. NMTCs were created to encourage economic development in low income communities and provided for a 39% tax credit on certain qualifying invested equity/loans. In 2012, the NMTCs were transferred to a group of investors ("Investors") in exchange for $5.2 million. The NMTCs were subject to recapture under various circumstances, including redemption of the loan/investment prior to a requisite seven-year hold period, and recognition of income was deferred. Upon the expiration of the seven-year period and there being no further obligations, the Company recognized the income of $5.0 million, of which the Company's proportionate share was $1.4 million, which is included in Other income in the consolidated statements of income.

***Unsecured Notes Payable***

Unsecured notes payable for which total availability was $152.5 million and $54.8 million at December 31, 2019 and 2018, respectively, are comprised of the following:

- The outstanding balance of the Core term loan was $350.0 million at each of December 31, 2019 and 2018. During the year ended December 31, 2019, the Company entered into interest rate swap contracts to effectively fix the variable portion of the interest rate with a notional value of $156.0 million at a weighted-average interest rate of 2.43%, which may be used to swap the Company's unhedged, unsecured, LIBOR-based variable-rate debt. The Company previously entered into swap agreements fixing the rate of the Core term loan balance.
- Fund II has a $40.0 million term loan secured by the real estate assets of City Point Phase II and guaranteed by the Company and the Operating Partnership. The outstanding balance of the Fund II term loan was $40.0 million at each of December 31, 2019 and 2018. Total availability was $0.0 at each of December 31, 2019 and 2018.
- At Fund IV there are a $79.2 million bridge facility and a $15.0 million subscription line which were modified from their previous limits of $40.8 million and $27.0 million, respectively, during 2019. The outstanding balance of the Fund IV bridge facility was $79.2 million and $40.8 million at December 31, 2019 and 2018, respectively. Total availability was $0.0 million at each of December 31, 2019 and 2018. The outstanding balance of the Fund IV subscription line was $8.4 million and $0.0 million at December 31, 2019 and 2018, respectively. Total available credit was $2.5 million and $7.6 million at December 31, 2019 and 2018, reflecting letters of credit of $4.1 million and $7.4 million, respectively.
- Fund V has a $150.0 million subscription line collateralized by Fund V's unfunded capital commitments and guaranteed in part by the Operating Partnership. The outstanding balance and total available credit of the Fund V subscription line was $0.0 million and $150.0 million, respectively at December 31, 2019. The outstanding balance and total available credit of the Fund V subscription line was $102.8 million and $47.2 million, respectively at December 31, 2018.

***Unsecured Revolving Line of Credit***

The Company had a total of $173.6 million and $137.7 million, respectively, available under its $250.0 million Core Revolver, which was formerly a $150.0 million Revolver as previously discussed, reflecting borrowings of $60.8 and $0.0 million and letters of credit of $15.6 million and $12.3 million at December 31, 2019 and 2018. At each of December 31, 2019 and 2018, all of the Core unsecured revolving line of credit was swapped to a fixed rate.

***Scheduled Debt Principal Payments***

The scheduled principal repayments of the Company's consolidated indebtedness, as of December 31, 2019 are as follows (in thousands):

| **Year Ending December 31,** | | |
|---|---|---|
| 2020 | $ | 437,329 |
| 2021 | | 287,723 |
| 2022 | | 167,514 |
| 2023 | | 415,476 |
| 2024 | | 211,991 |
| Thereafter | | 197,895 |
| | | 1,717,928 |
| Unamortized premium | | 651 |
| Net unamortized debt issuance costs | | (10,383) |
| Total indebtedness | $ | 1,708,196 |

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

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

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

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

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

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

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

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

The Company did not have any transfers into or out of Level 1, Level 2, and Level 3 measurements during the year ended December 31, 2019 or 2018.

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

| | December 31, 2019 | | | December 31, 2018 | | |
|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| Assets | | | | | | |
| Money market funds | $ — | $ — | $ — | $ 4,504 | $ — | $ — |
| Derivative financial instruments | — | 2,583 | — | — | 7,018 | — |
| Liabilities | | | | | | |
| Derivative financial instruments | — | 39,061 | — | — | 7,304 | — |

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

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

During 2018, the Company began selling the residential units of its 210 Bowery property in Fund IV. As the projected aggregate selling prices net of selling costs were in line with the carrying amount of the property through the first quarter 2019, no gain or loss had been recognized on the units sold through that date and no impairment was previously deemed necessary. During the second quarter 2019, the Company revised its estimate of the expected selling price of the remaining three units. Accordingly, the Company recognized a $1.4 million impairment charge, inclusive of an amount attributable to a noncontrolling interest of $1.1 million, to adjust the carrying value to the estimated selling price less estimated costs to sell. During the third quarter 2019, upon execution of a contract for sale (Note 2) the Company recognized an additional $0.3 million impairment charge for the remaining condominium unit, inclusive of an amount attributable to a noncontrolling interest of $0.2 million, to adjust the carrying value to the estimated selling price less estimated costs to sell.

The Company did not record any impairment charges during the year ended December 31, 2018.

During the year ended December 31, 2017, the Company recognized an impairment charge of $3.8 million, inclusive of an amount attributable to a noncontrolling interest of $2.7 million, on a property classified as held for sale at September 30, 2017, in order to reduce the carrying value of the property to its estimated fair value. In addition, the Company recognized an impairment charge of $10.6 million, inclusive of an amount attributable to a noncontrolling interest of $7.6 million, on a property classified as held for sale at December 31, 2017 in order to reduce the carrying value of the property to its estimated fair value. This property was sold in April 2018. These fair value measurements approximated the estimated selling prices less estimated costs to sell.

***Derivative Financial Instruments***

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

| Derivative Instrument | Aggregate Notional Amount | Effective Date | Maturity Date | Strike Rate Low | | Strike Rate High | Balance Sheet Location | Fair Value December 31, 2019 | Fair Value December 31, 2018 |
|---|---|---|---|---|---|---|---|---|---|
| **Core** | | | | | | | | | |
| Interest Rate Swaps | $ 423,442 | Dec 2012-July 2020 | Mar 2022-July 2030 | 1.71% | — | 3.77% | Other Liabilities [(a)] | $ (33,750) | $ (6,332) |
| Interest Rate Swaps | 139,118 | Nov 2015 - July 2016 | July 2020-June 2021 | 1.24% | — | 1.31% | Other Assets | 456 | 6,022 |
| | $ 562,560 | | | | | | | $ (33,294) | $ (310) |
| **Fund II** | | | | | | | | | |
| Interest Rate Swap | $ 19,073 | Oct 2014 | Nov 2021 | 2.88% | — | 2.88% | Other Liabilities | $ (139) | $ — |
| Interest Rate Swap | — | — | — | — | — | — | Other Assets | — | 108 |
| Interest Rate Cap | 23,300 | Mar 2019 | Mar 2022 | 3.50% | — | 3.50% | Other Assets | 1 | — |
| | $ 42,373 | | | | | | | $ (138) | $ 108 |
| **Fund III** | | | | | | | | | |
| Interest Rate Cap | $ 58,000 | Dec 2016 | Jan 2020 | 3.00% | — | 3.00% | Other Assets | $ — | $ 8 |
| **Fund IV** | | | | | | | | | |
| Interest Rate Swaps | $ 14,395 | Dec 2019 | Apr 2022 - Dec 2022 | 1.48% | — | 1.52% | Other Assets | $ 22 | $ 851 |
| Interest Rate Swaps | 88,304 | Mar 2017 - May 2019 | Mar 2020 - Dec 2022 | 1.82% | — | 4.00% | Other Liabilities | (812) | — |
| Interest Rate Caps | 90,600 | July 2019 - Dec 2019 | Dec 2020 - July 2021 | 3.00% | — | 3.50% | Other Assets | — | 8 |
| | $ 193,299 | | | | | | | $ (790) | $ 859 |
| **Fund V** | | | | | | | | | |
| Interest Rate Swaps | $ 177,726 | Oct 2019 - Nov 2019 | Oct 2022 - Oct 2024 | 1.25% | — | 1.47% | Other Assets | $ 2,104 | $ 21 |
| Interest Rate Swaps | 156,900 | Jan 2018-Mar 2019 | Feb 2021-Mar 2024 | 2.27% | — | 2.88% | Other Liabilities | (4,360) | (972) |
| | $ 334,626 | | | | | | | $ (2,256) | $ (951) |
| Total asset derivatives | | | | | | | | $ 2,583 | $ 7,018 |
| Total liability derivatives | | | | | | | | $ (39,061) | $ (7,304) |

(a) Includes two swaps with a total fair value of ($11.8) million and ($2.9) million at December 31, 2019 and 2018, respectively, which were acquired during July 2018 and are not effective until July 2020.

All of the Company's derivative instruments have been designated as cash flow hedges and hedge the future cash outflows on variable-rate debt (Note 7). It is estimated that approximately $5.2 million included in accumulated other comprehensive (loss) income related to derivatives will be reclassified to interest expense within the next twelve months. As of December 31, 2019 and 2018, no derivatives were designated as fair value hedges or hedges of net investments in foreign operations. Additionally, the Company does not use derivatives for trading or speculative purposes and currently does not have any derivatives that are not designated hedges.

*Risk Management Objective of Using Derivatives*

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

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

*Credit Risk-Related Contingent Features*

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

***Other Financial Instruments***

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

| | | December 31, 2019 | | December 31, 2018 | |
|---|---|---|---|---|---|
| | Level | Carrying Amount | Estimated Fair Value | Carrying Amount | Estimated Fair Value |
| Notes Receivable [(a)] | 3 | $ 114,943 | $ 113,422 | $ 111,775 | $ 109,532 |
| Mortgage and Other Notes Payable [(a)] | 3 | 1,179,503 | 1,191,281 | 1,026,708 | 1,021,075 |
| Investment in non-traded equity securities [(b)] | 3 | 1,778 | 57,964 | — | 56,337 |
| Unsecured notes payable and Unsecured line of credit [(c)] | 2 | 538,425 | 539,362 | 533,625 | 533,954 |

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

(b) Represents Fund II's cost-method investment in Albertsons' supermarkets and the Operating Partnership's cost-method investment in Fifth Wall (Note 4).

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

The Company's cash and cash equivalents, restricted cash, accounts receivable, accounts payable and certain financial instruments included in other assets and other liabilities had fair values that approximated their carrying values at December 31, 2019 and 2018 due to their short maturity profiles.

## 9. Commitments and Contingencies

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

*Commitments and Guaranties*

In conjunction with the development and expansion of various properties, the Company has entered into agreements with general contractors for the construction or development of properties aggregating approximately $41.1 million and $55.5 million as of December 31, 2019 and 2018, respectively.

At December 31, 2019 and 2018, the Company had letters of credit outstanding of $19.8 million and $19.7 million, respectively. The Company has not recorded any obligation associated with these letters of credit. The majority of the letters of credit are collateral for existing indebtedness and other obligations of the Company.

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

***Common Shares and Units***

In addition to the ATM Program activity discussed below, the Company completed the following transactions in its Common Shares during the year ended December 31, 2019:

- The Company withheld 2,468 Restricted Shares to pay the employees' statutory minimum income taxes due on the value of the portion of their Restricted Shares that vested.
- The Company recognized Common Share-based compensation totaling $8.8 million in connection with Restricted Shares and Units (Note 13).

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

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

***ATM Program***

The Company has an at-the-market equity issuance program ("ATM Program") which provides the Company an efficient and low-cost vehicle for raising public equity to fund its capital needs. The Company entered into its current $250.0 million ATM Program (which replaced its prior program) in the second quarter of 2019 and also added an optional "forward purchase" component. The Company has not issued any shares on a forward basis during the year ended December 31, 2019. During the year ended December 31, 2019, the Company sold 5,164,055 Common Shares under its ATM Program for gross proceeds of $147.7 million, or $145.5 million net of issuance costs, at a weighted-average gross price per share of $28.61.

***Share Repurchase Program***

During 2018, the Company's Board of Trustees approved a new share repurchase program, which authorizes management, at its discretion, to repurchase up to $200.0 million of its outstanding Common Shares. The program does not obligate the Company to repurchase any specific number of Common Shares and may be discontinued or extended at any time. The Company repurchased 2,294,235 Common Shares for $55.1 million, inclusive of $0.1 million of fees, during the year ended December 31, 2018. During the year ended December 31, 2019 the Company made no repurchases under the share repurchase program, under which $145.0 million currently remains available.

***Dividends and Distributions***

The following table sets forth the dividends declared and/or paid during the years ended December 31, 2019 and 2018:

| Date Declared | Amount Per Share | Record Date | Payment Date |
|---|---|---|---|
| November 8, 2017 | $ 0.27 | December 29, 2017 | January 13, 2018 |
| February 27, 2018 | $ 0.27 | March 30, 2018 | April 13, 2018 |
| May 11, 2018 | $ 0.27 | June 29, 2018 | July 13, 2018 |
| August 7, 2018 | $ 0.27 | September 28, 2018 | October 15, 2018 |
| November 13, 2018 | $ 0.28 | December 31, 2018 | January 15, 2019 |
| February 28, 2019 | $ 0.28 | March 29, 2019 | April 15, 2019 |
| May 9, 2019 | $ 0.28 | June 28, 2019 | July 15, 2019 |
| August 13, 2019 | $ 0.28 | September 30, 2019 | October 15, 2019 |
| November 5, 2019 | $ 0.29 | December 31, 2019 | January 15, 2020 |

***Accumulated Other Comprehensive Income***

The following tables set forth the activity in accumulated other comprehensive income for the years ended December 31, 2019, 2018 and 2017 (in thousands):

| | Gains or Losses on Derivative Instruments |
|---|---|
| **Balance at January 1, 2019** | **$ 516** |
| Other comprehensive loss before reclassifications | (35,674) |
| Reclassification of realized interest on swap agreements | (872) |
| Net current period other comprehensive loss | (36,546) |
| Net current period other comprehensive loss attributable to noncontrolling interests | 4,855 |
| **Balance at December 31, 2019** | **$ (31,175)** |
| **Balance at January 1, 2018** | **$ 2,614** |
| Other comprehensive loss before reclassifications | (2,659) |
| Reclassification of realized interest on swap agreements | 71 |
| Net current period other comprehensive loss | (2,588) |
| Net current period other comprehensive loss attributable to noncontrolling interests | 490 |
| **Balance at December 31, 2018** | **$ 516** |
| **Balance at January 1, 2017** | **$ (798)** |
| Other comprehensive income before reclassifications | 634 |
| Reclassification of realized interest on swap agreements | 3,317 |
| Net current period other comprehensive income | 3,951 |
| Net current period other comprehensive income attributable to noncontrolling interests | (539) |
| **Balance at December 31, 2017** | **$ 2,614** |

***Noncontrolling Interests***

The following tables summarize the change in the noncontrolling interests for the years ended December 31, 2019, 2018 and 2017 (dollars in thousands):

| | Noncontrolling Interests in Operating Partnership [(a)] | Noncontrolling Interests in Partially-Owned Affiliates [(b)] | Total |
|---|---|---|---|
| **Balance at January 1, 2019** | **$ 104,223** | **$ 518,219** | **$ 622,442** |
| Distributions declared of $1.13 per Common OP Unit | (7,124) | — | (7,124) |
| Net income (loss) for the year ended December 31, 2019 | 3,836 | (35,677) | (31,841) |
| Conversion of 307,663 Common OP Units to Common Shares by limited partners of the Operating Partnership | (5,104) | — | (5,104) |
| Other comprehensive loss - unrealized loss on valuation of swap agreements | (1,899) | (3,036) | (4,935) |
| Reclassification of realized interest expense on swap agreements | (62) | 142 | 80 |
| Noncontrolling interest contributions | — | 161,628 | 161,628 |
| Noncontrolling interest distributions | — | (94,289) | (94,289) |
| Employee Long-term Incentive Plan Unit Awards | 10,411 | — | 10,411 |
| Reallocation of noncontrolling interests [(c)] | (6,611) | — | (6,611) |
| **Balance at December 31, 2019** | **$ 97,670** | **$ 546,987** | **$ 644,657** |
| | | | |
| **Balance at January 1, 2018** | **$ 102,921** | **$ 545,519** | **$ 648,440** |
| Distributions declared of $1.09 per Common OP Unit | (6,888) | — | (6,888) |
| Net income (loss) for the year ended December 31, 2018 | 2,572 | (49,709) | (47,137) |
| Conversion of 117,978 Common OP Units to Common Shares by limited partners of the Operating Partnership | (2,068) | — | (2,068) |
| Other comprehensive income - unrealized gain on valuation of swap agreements | (129) | (681) | (810) |
| Reclassification of realized interest expense on swap agreements | (3) | 323 | 320 |
| Noncontrolling interest contributions | — | 47,560 | 47,560 |
| Noncontrolling interest distributions | — | (24,793) | (24,793) |
| Employee Long-term Incentive Plan Unit Awards | 12,374 | — | 12,374 |
| Reallocation of noncontrolling interests [(c)] | (4,556) | — | (4,556) |
| **Balance at December 31, 2018** | **$ 104,223** | **$ 518,219** | **$ 622,442** |
| | | | |
| **Balance at January 1, 2017** | **$ 95,422** | **$ 494,126** | **$ 589,548** |
| Distributions declared of $1.05 per Common OP Unit | (6,453) | — | (6,453) |
| Net income (loss) for the year ended December 31, 2017 | 4,159 | (1,321) | 2,838 |
| Conversion of 81,453 Common OP Units to Common Shares by limited partners of the Operating Partnership | (1,541) | — | (1,541) |
| Other comprehensive loss - unrealized loss on valuation of swap agreements | 85 | (232) | (147) |
| Reclassification of realized interest expense on swap agreements | 141 | 545 | 686 |
| Noncontrolling interest contributions | — | 85,206 | 85,206 |
| Noncontrolling interest distributions | — | (32,805) | (32,805) |
| Employee Long-term Incentive Plan Unit Awards | 10,457 | — | 10,457 |
| Rebalancing adjustment [(c)] | 651 | — | 651 |
| **Balance at December 31, 2017** | **$ 102,921** | **$ 545,519** | **$ 648,440** |

(a) Noncontrolling interests in the Operating Partnership are comprised of (i) the limited partners' 3,250,603, 3,329,640 and 3,328,873 Common OP Units at December 31, 2019, 2018 and 2017, respectively; (ii) 188 Series A Preferred OP Units at December 31, 2019, 2018 and 2017; (iii) 136,593 Series C Preferred OP Units at December 31, 2019, 2018 and 2017; and (iv) 2,673,484, 2,569,044 and 2,274,147 LTIP units at December 31, 2019, 2018 and 2017, respectively, as discussed in Share Incentive Plan (Note 13). Distributions declared for Preferred OP Units are reflected in net income (loss) in the table above.

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

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

*Preferred OP Units*

There were no issuances of Preferred OP Units during the year ended December 31, 2019.

In 1999 the Operating Partnership issued 1,580 Series A Preferred OP Units in connection with the acquisition of a property, which have a stated value of $1,000 per unit, and are entitled to a preferred quarterly distribution of the greater of (i) $22.50 (9% annually) per Series A Preferred OP Unit or (ii) the quarterly distribution attributable to a Series A Preferred OP Unit if such unit was converted into a Common OP Unit. Through December 31, 2019, 1,392 Series A Preferred OP Units were converted into 185,600 Common OP Units and then into Common Shares. The 188 remaining Series A Preferred OP Units are currently convertible into Common OP Units based on the stated value divided by $7.50. Either the Company or the holders can currently call for the conversion of the Series A Preferred OP Units at the lesser of $7.50 or the market price of the Common Shares as of the conversion date.

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

## 11. Leases

***Operating Leases***

***As Lessor***

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

The Company is engaged in the operation of shopping centers and other retail properties that are either owned or, with respect to certain shopping centers, operated under long-term ground leases (see below) that expire at various dates through June 20, 2066, with renewal options. Space in the shopping centers is leased to tenants pursuant to agreements that provide for terms ranging generally from one month to sixty years and generally provide for additional rents based on certain operating expenses as well as tenants' sales volumes. During the year ended December 31, 2019, the Company earned $56.4 million in variable lease revenues, primarily for real estate taxes and common area maintenance charges, which are included in lease revenues in the consolidated statements of income.

***As Lessee***

During the year ended December 31, 2019, the Company:

- recorded right-of-use assets and corresponding lease liabilities as lessee of $11.9 million and $12.8 million, respectively, for nine existing operating leases (for ground, office and equipment leases) and $82.6 million and $76.6 million, respectively, for four finance leases related to ground rentals including an existing capital lease which represented $77.0 million and $71.1 million, respectively, upon implementation of ASC Topic 842;
- recorded three new finance leases effective January 1, 2019 upon the implementation of ASC 842. An assessment of triggering events whereby the Company's cumulative leasehold investment made it reasonably certain that the Company would exercise its purchase options;
- entered into a prepaid master lease on December 9, 2019 comprised of an operating lease component related to the land and a finance lease component related to the building. The property is referred to as "565 Broadway" within the Core Portfolio. The Company recorded a Right-of-use-asset-operating-lease of $4.9 million and a Right-of-use-asset-finance lease of $19.4 million; and
- entered into a ground lease on May 1, 2019 which is an operating lease. The property is referred to as "110 University Place" and is within the Fund IV portfolio. The Company recorded a Right of use asset–operating lease of $45.3 million and a corresponding Lease liability–operating-lease of $45.3 million.

The Company recorded the following assets and liabilities in connection with acquisitions of leasehold interests:

| | Year Ended December 31, 2019 | Year Ended December 31, 2018 |
|---|---|---|
| **Amounts recorded upon acquisition of leasehold interests:** | | (Not applicable) |
| Right of use asset - operating lease | $ 50,147 | |
| Right of use asset - finance lease | 19,422 | |
| Leasehold improvements | 13,354 | |
| Lease intangibles (Note 6) | 1,760 | |
| Lease liability - operating lease | (45,293) | |
| Acquisition-related intangible liabilities (Note 6) | (359) | |
| Cash paid upon acquisition of leasehold interests | $ 39,031 | |

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

| | Year Ended December 31, 2019 | 2018 | 2017 |
|---|---|---|---|
| **Lease Cost** | | (Not applicable) | (Not applicable) |
| Finance lease cost: | | | |
| Amortization of right-of-use assets | $ 2,168 | | |
| Interest on lease liabilities | 3,737 | | |
| Subtotal | 5,905 | | |
| Operating lease cost | 4,430 | | |
| Variable lease cost | 164 | | |
| Total lease cost | $ 10,499 | | |
| | | | |
| **Other Information** | | | |
| Weighted-average remaining lease term - finance leases (years) | 42.5 | | |
| Weighted-average remaining lease term - operating leases (years) | 34.1 | | |
| Weighted-average discount rate - finance leases | 4.5% | | |
| Weighted-average discount rate - operating leases | 5.8% | | |

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

***Lease Disclosures Related to Prior Periods***

The Company leased land at six of its shopping centers, which were accounted for as operating leases through December 31, 2018 and generally provided the Company with renewal options. Ground rent expense was $1.7 million and $1.4 million (including capitalized ground rent at a property under development of $0 and $0.1 million) for the years ended December 31, 2018 and 2017, respectively. The leases terminate at various dates between 2020 and 2066. These leases provide the Company with options to renew for additional terms aggregating up to 25 to 71 years. The Company also leases space for its corporate office. Office rent expense under these leases was $1.0 million for each of the years ended December 31, 2018 and 2017, respectively.

During 2016, the Company entered into a 49-year master lease, which was accounted for as a capital lease through December 31, 2018. During the years ended December 31, 2018 and 2017, payments for this lease totaled $2.5 million. The property under the capital lease is included in Note 2.

***Lease Obligations***

The scheduled future minimum (i) rental revenues from rental properties under the terms of non-cancelable tenant leases greater than one year (assuming no new or renegotiated leases or option extensions for such premises) and (ii) rental payments under the terms of all non-cancelable operating and finance leases in which the Company is the lessee, principally for office space, land and equipment, as of December 31, 2019, are summarized as follows (in thousands):

| **Year Ending December 31,** | **Minimum Rental Revenues** | **Minimum Rental Payments [(a)]** |
|---|---|---|
| 2020 | $ 212,871 | $ 7,040 |
| 2021 | 203,077 | 6,823 |
| 2022 | 181,731 | 6,832 |
| 2023 | 160,237 | 6,825 |
| 2024 | 137,451 | 7,008 |
| Thereafter | 563,124 | 312,421 |
| Total | $ 1,458,491 | $ 346,949 |

(a) Minimum rental payments include $219.0 million of interest related to leases.

During the years ended December 31, 2019, 2018 and 2017, no single tenant or property collectively comprised more than 10% of the Company's consolidated total revenues.

**12. Segment Reporting**

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

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

| | As of or for the Year Ended December 31, 2019 | | | | |
|---|---|---|---|---|---|
| | Core Portfolio | Funds | Structured Financing | Unallocated | Total |
| Revenues | $ 173,177 | $ 122,150 | $ — | $ — | $ 295,327 |
| Depreciation and amortization | (61,819) | (63,624) | — | — | (125,443) |
| Property operating expenses, other operating and real estate taxes | (47,032) | (43,436) | — | — | (90,468) |
| General and administrative expenses | — | — | — | (35,416) | (35,416) |
| Impairment charge | — | (1,721) | — | — | (1,721) |
| Gain on disposition of properties | 16,771 | 13,553 | — | — | 30,324 |
| Operating income | 81,097 | 26,922 | — | (35,416) | 72,603 |
| Interest income | — | — | 7,988 | — | 7,988 |
| Equity in earnings of unconsolidated affiliates inclusive of gains on disposition of properties | 9,020 | (98) | — | — | 8,922 |
| Interest expense | (28,304) | (45,484) | — | — | (73,788) |
| Other income | 327 | 6,620 | — | — | 6,947 |
| Income tax provision | — | — | — | (1,468) | (1,468) |
| Net income (loss) | 62,140 | (12,040) | 7,988 | (36,884) | 21,204 |
| Net loss attributable to noncontrolling interests | 337 | 31,504 | — | — | 31,841 |
| Net income attributable to Acadia [(a)] | $ 62,477 | $ 19,464 | $ 7,988 | $ (36,884) | $ 53,045 |
| | | | | | |
| Real estate at cost [(b)] | $ 2,264,010 | $ 1,835,532 | $ — | $ — | $ 4,099,542 |
| Total Assets [(b)] | $ 2,350,833 | $ 1,843,338 | $ 114,943 | $ — | $ 4,309,114 |
| Cash paid for acquisition of real estate and leasehold interest | $ 173,892 | $ 184,812 | $ — | $ — | $ 358,704 |
| Cash paid for development and property improvement costs | $ 22,724 | $ 66,546 | $ — | $ — | $ 89,270 |

| | As of or for the Year Ended December 31, 2018 | | | | |
|---|---|---|---|---|---|
| | Core Portfolio | Funds | Structured Financing | Unallocated | Total |
| Revenues | $ 166,816 | $ 92,865 | $ — | $ — | $ 259,681 |
| Depreciation and amortization | (60,903) | (56,646) | — | — | (117,549) |
| Property operating expenses, other operating and real estate taxes | (44,060) | (36,188) | — | — | (80,248) |
| General and administrative expenses | — | — | — | (34,343) | (34,343) |
| Gain on disposition of properties | — | 5,140 | — | — | 5,140 |
| Operating income | 61,853 | 5,171 | - | (34,343) | 32,681 |
| Interest income | — | — | 13,231 | — | 13,231 |
| Equity in earnings of unconsolidated affiliates inclusive of gains on disposition of properties | 7,415 | 1,887 | — | — | 9,302 |
| Interest expense | (27,575) | (42,403) | — | — | (69,978) |
| Income tax provision | — | — | — | (934) | (934) |
| Net income (loss) | 41,693 | (35,345) | 13,231 | (35,277) | (15,698) |
| Net income attributable to noncontrolling interests | 752 | 46,385 | — | — | 47,137 |
| Net income attributable to Acadia [(a)] | $ 42,445 | $ 11,040 | $ 13,231 | $ (35,277) | $ 31,439 |
| | | | | | |
| Real estate at cost [(b)] | $ 2,069,439 | $ 1,628,366 | $ — | $ — | $ 3,697,805 |
| Total Assets [(b)] | $ 2,232,695 | $ 1,616,472 | $ 109,613 | $ — | $ 3,958,780 |
| Cash paid for acquisition of real estate | $ 1,343 | $ 146,642 | $ — | $ — | $ 147,985 |
| Cash paid for development and property improvement costs | $ 32,662 | $ 62,172 | $ — | $ — | $ 94,834 |

| | As of or for the Year Ended December 31, 2017 | | | | |
|---|---|---|---|---|---|
| | Core Portfolio | Funds | Structured Financing | Unallocated | Total |
| Revenues | $ 168,795 | $ 79,757 | $ — | $ — | $ 248,552 |
| Depreciation and amortization | (61,705) | (43,229) | — | — | (104,934) |
| Property operating expenses, other operating and real estate taxes | (44,169) | (33,919) | — | — | (78,088) |
| General and administrative expenses | — | — | — | (33,756) | (33,756) |
| Impairment charge | — | (14,455) | — | — | (14,455) |
| Gain on disposition of properties | — | 48,886 | — | — | 48,886 |
| Operating income | 62,921 | 37,040 | — | (33,756) | 66,205 |
| Interest income | — | — | 29,143 | — | 29,143 |
| Equity in earnings of unconsolidated affiliates inclusive of gains on disposition of properties | 3,735 | 19,636 | — | — | 23,371 |
| Interest expense | (28,618) | (30,360) | — | — | (58,978) |
| Other income | 5,571 | — | — | — | 5,571 |
| Income tax provision | — | — | — | (1,004) | (1,004) |
| Net income | 43,609 | 26,316 | 29,143 | (34,760) | 64,308 |
| Net income attributable to noncontrolling interests | (1,107) | (1,731) | — | — | (2,838) |
| Net income attributable to Acadia [(a)] | $ 42,502 | $ 24,585 | $ 29,143 | $ (34,760) | $ 61,470 |
| | | | | | |
| Cash paid for acquisition of real estate | $ — | $ 200,429 | $ — | $ — | $ 200,429 |
| Cash paid for development and property improvement costs | $ 42,026 | $ 66,116 | $ — | $ — | $ 108,142 |

(a) Net income attributable to Acadia for the Core segment includes $4.7 million, $4.1 million and $0.9 million associated with one property, Town Center, for the years ended December 31, 2019, 2018 and 2017, respectively. These amounts include the results of three entities, including the unconsolidated Town Center venture and the consolidated Brandywine Holdings (Note 4) and Brandywine Maintenance Corp., which on a combined basis constitute the operating results of the shopping center.

(b) Real estate at cost and total assets for the Funds segment include $603.3 million and $576.1 million, or $174.7 million and $167.2 million net of non-controlling interests, related to Fund II's City Point property for the years ended December 31, 2019 and 2018, respectively.

## 13. Share Incentive and Other Compensation

### *Share Incentive Plan*

The Second Amended and Restated 2006 Incentive Plan (the "Share Incentive Plan") authorizes the Company to issue options, Restricted Shares, LTIP Units and other securities (collectively "Awards") to, among others, the Company's officers, trustees and employees. At December 31, 2019 a total of 708,632 shares remained available to be issued under the Share Incentive Plan.

*Restricted Shares and LTIP Units*

During the year ended December 31, 2019, the Company issued 330,718 LTIP Units and 8,041 Restricted Share Units to employees of the Company pursuant to the Share Incentive Plan. Certain of these equity awards were granted in performance-based Restricted Share Units or LTIP Units with market conditions as described below ("2019 Performance Shares"). These awards were measured at their fair value on the grant date, incorporating the following factors:

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

For valuation of the 2019 Performance Shares, a Monte Carlo simulation was used to estimate the fair values based on probability of satisfying the market conditions and the projected share prices at the time of payments, discounted to the valuation dates over the three-year performance periods. The assumptions include volatility (19.6%) and risk-free interest rates (2.5%). The total value of the 2019 Performance Shares will be expensed over the vesting period regardless of the Company's performance.

The total value of the above Restricted Share Units and LTIP Units as of the grant date was $11.1 million. Total long-term incentive compensation expense, including the expense related to the Share Incentive Plan, was $8.8 million the year ended December 31, 2019 and $8.4 million for each of the years ended December 31, 2018, and 2017 and is recorded in General and Administrative in the Consolidated Statements of Income.

During the quarter ended December 31, 2018, in connection with the retirement of an executive, an additional 26,632 LTIP Units were issued. The value of these LTIP Units was $0.6 million and was recognized as compensation expense in 2018. Also, in connection with this retirement, the Company recognized $1.7 million as compensation expense relating to the acceleration of previously granted LTIP Units.

In addition, members of the Board of Trustees have been issued shares and units under the Share Incentive Plan. During 2019, the Company issued 18,009 LTIP Units and 17,318 Restricted Shares to Trustees of the Company in connection with Trustee fees. Vesting with respect to 6,463 of the LTIP Units and 3,996 of the Restricted Shares will be on the first anniversary of the date of issuance and 11,546 of the LTIP Units and 13,322 of the Restricted Shares vest over three years with 33% vesting on each of the next three anniversaries of the issuance date. The Restricted Shares do not carry voting rights or other rights of Common Shares until vesting and may not be transferred, assigned or pledged until the recipients have a vested non-forfeitable right to such shares. Dividends are not paid currently on unvested Restricted Shares, but are paid cumulatively from the issuance date through the applicable vesting date of such Restricted Shares. Total trustee fee expense, including the expense related to the Share Incentive Plan, was $1.4 million and $1.3 million for the years ended December 31, 2019 and 2018, respectively.

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

As payments to other employees are not subject to further Board approval, compensation relating to these awards will be recorded based on the estimated fair value at each reporting period in accordance with ASC Topic 718, *Compensation– Stock Compensation.* The awards in connection with Funds IV and V were determined to have no intrinsic value as of December 31, 2019.

Compensation expense of $0, $0 and $0.6 million was recognized for the years ended December 31, 2019, 2018, and 2017, related to the Program in connection with Funds III, IV and V.

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

| Unvested Restricted Shares and LTIP Units | Common Restricted Shares | Weighted Grant-Date Fair Value | LTIP Units | Weighted Grant-Date Fair Value |
|---|---|---|---|---|
| **Unvested at January 1, 2017** | **46,499** | **$ 27.58** | **856,877** | **$ 26.99** |
| Granted | 19,442 | 29.85 | 310,551 | 31.80 |
| Vested | (23,430) | 30.47 | (257,124) | 28.27 |
| Forfeited | (1,184) | 32.65 | (205) | 32.49 |
| **Unvested at December 31, 2017** | **41,327** | **$ 26.92** | **910,099** | **$ 28.28** |
| Granted | 22,817 | 23.65 | 425,880 | 26.80 |
| Vested | (25,261) | 30.79 | (431,827) | 29.72 |
| Forfeited | (428) | 27.25 | (12,266) | 28.57 |
| **Unvested at December 31, 2018** | **38,455** | **22.44** | **891,886** | **26.87** |
| Granted | 25,359 | 28.56 | 348,726 | 32.78 |
| Vested | (21,424) | 27.12 | (290,753) | 29.30 |
| Forfeited | — | — | (15,679) | 31.49 |
| **Unvested at December 31, 2019** | **42,390** | **$ 23.73** | **934,180** | **$ 28.24** |

The weighted-average grant date fair value for Restricted Shares and LTIP Units granted for the years ended December 31, 2019 and 2018 were $32.50 and $26.64, respectively. As of December 31, 2019, there was $14.6 million of total unrecognized compensation cost related to unvested share-based compensation arrangements granted under the Share Incentive Plan. That cost is expected to be recognized over a weighted-average period of 1.5 years. The total fair value of Restricted Shares that vested for the years ended December 31, 2019 and 2018, was $0.6 million and $0.8 million, respectively. The total fair value of LTIP Units that vested (LTIP units vest primarily in the first quarter) during the years ended December 31, 2019 and 2018, was $8.5 million and $12.8 million, respectively.

***Other Plans***

On a combined basis, the Company incurred a total of $0.3 million, $0.3 million and $0.2 million related to the following employee benefit plans for each of the years ended December 31, 2019, 2018 and 2017, respectively:

*Employee Share Purchase Plan*

The Acadia Realty Trust Employee Share Purchase Plan (the "Purchase Plan"), allows eligible employees of the Company to purchase Common Shares through payroll deductions. The Purchase Plan provides for employees to purchase Common Shares on a quarterly basis at a 15% discount to the closing price of the Company's Common Shares on either the first day or the last day of the quarter, whichever is lower. A participant may not purchase more the $25,000 in Common Shares per year. Compensation expense will be recognized by the Company to the extent of the above discount to the closing price of the Common Shares with respect to the applicable quarter. A total of 2,320 and 3,495 Common Shares were purchased by employees under the Purchase Plan for the year ended December 31, 2019 and 2018, respectively.

*Deferred Share Plan*

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

*Employee 401(k) Plan*

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

**14. Federal Income Taxes**

The Company has elected to qualify as a REIT in accordance with Sections 856 through 860 of the Code, and intends at all times to qualify as a REIT under the Code. 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, 2019, 2018 and 2017, 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 is subject to Federal, state and local income taxes. No more than 20% of the value of our total assets may consist of the securities of one or more TRS.

In the normal course of business, the Company or one or more of its subsidiaries is subject to examination by Federal, state and local jurisdictions, in which it operates, where applicable. The Company expects to recognize interest and penalties related to uncertain tax positions, if any, as income tax expense. For the three years ended December 31, 2019, the Company recognized no material adjustments regarding its tax accounting treatment for uncertain tax provisions. As of December 31, 2019, the tax years that remain subject to examination by the major tax jurisdictions under applicable statutes of limitations are generally the year 2016 and forward.

***Reconciliation of Net Income to Taxable Income***

Reconciliation of GAAP net income attributable to Acadia to taxable income is as follows:

| (in thousands) | Year Ended December 31, 2019 | 2018 | 2017 |
|---|---|---|---|
| Net income attributable to Acadia | $ 53,045 | $ 31,439 | $ 61,470 |
| Deferred cancellation of indebtedness income | — | 2,050 | 2,050 |
| Deferred rental and other income [(a)] | 1,203 | 1,222 | (934) |
| Book/tax difference - depreciation and amortization [(a)] | 21,688 | 23,166 | 21,334 |
| Straight-line rent and above- and below-market rent adjustments [(a)] | (10,949) | (12,129) | (10,559) |
| Book/tax differences - equity-based compensation | 7,177 | 6,042 | 5,325 |
| Joint venture equity in earnings, net [(a)] | 15,571 | 13,905 | 9,114 |
| Acquisition costs [(a)] | 63 | 326 | 1,135 |
| Gain (loss) on disposition of properties | 2,375 | — | (5,181) |
| Book/tax differences - miscellaneous | (1,473) | (2,821) | 930 |
| Taxable income | $ 88,700 | $ 63,200 | $ 84,684 |
| Distributions declared | $ 96,310 | $ 89,122 | $ 87,848 |

(a) Adjustments from certain subsidiaries and affiliates, which are consolidated for financial reporting but not for tax reporting, are included in the reconciliation item "Joint venture equity in earnings, net."

***Characterization of Distributions***

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

| | Year Ended December 31, 2019 | | 2018 | | 2017 | |
|---|---|---|---|---|---|---|
| | Per Share | % | Per Share | % | Per Share | % |
| Ordinary income - Non-Section 199A | $ — | —% | — | —% | $ 0.820 | 78% |
| Ordinary income - Section 199A | 0.820 | 77% | 0.870 | 100% | — | —% |
| Qualified dividend | — | —% | — | —% | — | —% |
| Capital gain | 0.240 | 23% | — | —% | 0.230 | 22% |
| Total [(b)] | $ 1.060 | 100% | 0.870 | 100% | $ 1.050 | 100% |

(b) The fourth quarter 2019 regular dividend was $0.29 per common share, all of which is allocable to 2020. The fourth quarter 2018 regular dividend was $0.28 per common share of which approximately $0.06 was allocable to 2018 and approximately $0.22 is allocable to 2019.

***Taxable REIT Subsidiaries***

Income taxes have been provided for using the liability method as required by ASC Topic 740, "Income Taxes." The Company's TRS income and provision for income taxes associated with the TRS for the periods presented are summarized as follows (in thousands):

| | Year Ended December 31, 2019 | 2018 | 2017 |
|---|---|---|---|
| TRS loss before income taxes | $ (3,117) | $ (2,609) | $ (3,604) |
| (Provision) benefit for income taxes: | | | |
| Federal | 754 | (377) | (982) |
| State and local | 317 | 26 | 423 |
| TRS net loss before noncontrolling interests | (2,046) | (2,960) | (4,163) |
| Noncontrolling interests | (369) | 4 | 8 |
| TRS net loss | $ (2,415) | $ (2,956) | $ (4,155) |

The income tax provision for the Company differs from the amount computed by applying the statutory Federal income tax rate to income before income taxes as follows. Amounts are not adjusted for temporary book/tax differences (in thousands):

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| Federal tax benefit at statutory tax rate | $ (655) | $ (548) | $ (1,225) |
| TRS state and local taxes, net of Federal benefit | (197) | (165) | (190) |
| Tax effect of: | | | |
| Permanent differences, net | 239 | 951 | 1,131 |
| Prior year over-accrual, net | — | — | (1,541) |
| Effect of Tax Cuts and Jobs Act | — | — | 1,982 |
| Adjustment to deferred tax reserve | 1,748 | (1,530) | — |
| Other | (112) | 1,702 | 404 |
| REIT state and local income and franchise taxes | 445 | 524 | 443 |
| Total provision (benefit) for income taxes | $ 1,468 | $ 934 | $ 1,004 |

As of December 31, 2019, and 2018, the Company’s deferred tax assets were $0.9 million and $2.0 million net of applicable reserves of $1.7 million and $0, respectively and were comprised of capital loss carryovers of $0.1 and $0.1 million and net operating loss carryovers of $2.5 million and $1.9 million, respectively.

Under GAAP a reduction of the carrying amounts of deferred tax assets by a valuation allowance is required, if, based on the evidence available, it is more likely than not (a likelihood of more than 50 percent) that some portion or all of the deferred tax assets will not be realized. The valuation allowance should be sufficient to reduce the deferred tax asset to the amount that is more likely than not to be realized. During 2019, the Company determined that the realization of its deferred tax assets was not likely and as such, the Company recorded a valuation allowance against its deferred tax assets.

## 15. Earnings Per Common Share

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

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

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

| | Year Ended December 31, | | |
|---|---|---|---|
| **(dollars in thousands)** | **2019** | **2018** | **2017** |
| **Numerator:** | | | |
| Net income attributable to Acadia | $ 53,045 | $ 31,439 | $ 61,470 |
| Less: net income attributable to participating securities | (413) | (267) | (642) |
| Income from continuing operations net of income attributable to participating securities | $ 52,632 | $ 31,172 | $ 60,828 |
| **Denominator:** | | | |
| Weighted average shares for basic earnings per share | 84,435,826 | 82,080,159 | 83,682,789 |
| Effect of dilutive securities: | | | |
| Employee unvested restricted shares | — | — | 2,682 |
| Denominator for diluted earnings per share | 84,435,826 | 82,080,159 | 83,685,471 |
| Basic and diluted earnings per Common Share from continuing operations attributable to Acadia | $ 0.62 | $ 0.38 | $ 0.73 |
| **Anti-Dilutive Shares Excluded from Denominator:** | | | |
| Series A Preferred OP Units | 188 | 188 | 188 |
| Series A Preferred OP Units - Common share equivalent | 25,067 | 25,067 | 25,067 |
| Series C Preferred OP Units | 136,593 | 136,593 | 136,593 |
| Series C Preferred OP Units - Common share equivalent | 474,278 | 474,278 | 479,978 |
| Restricted shares | 40,821 | 36,879 | 41,299 |

## 16. Summary of Quarterly Financial Information (Unaudited)

The quarterly results of operations of the Company for the years ended December 31, 2019 and 2018 are as follows (in thousands, except per share amounts):

| | Three Months Ended [a, b, c, d, e] | | | |
|---|---|---|---|---|
| | March 31, 2019 | June 30, 2019 | September 30, 2019 | December 31, 2019 |
| Revenues | $ 73,985 | $ 70,229 | $ 73,327 | $ 77,786 |
| Net income (loss) | 2,936 | (5,237) | 8,840 | 14,665 |
| Net loss attributable to noncontrolling interests | 9,261 | 14,317 | 1,618 | 6,645 |
| Net income attributable to Acadia | 12,197 | 9,080 | 10,458 | 21,310 |
| | | | | |
| Earnings per share attributable to Acadia: | | | | |
| Basic | $ 0.15 | $ 0.11 | $ 0.12 | $ 0.24 |
| Diluted | 0.15 | 0.11 | 0.12 | 0.24 |
| | | | | |
| Weighted average number of shares: | | | | |
| Basic | 82,037 | 83,704 | 84,888 | 87,058 |
| Diluted | 82,037 | 83,704 | 84,888 | 87,058 |
| | | | | |
| Cash dividends declared per Common Share | $ 0.28 | $ 0.28 | $ 0.28 | $ 0.29 |

(a) The quarter ended June 30, 2019 includes an impairment charge of $1.4 million and the quarter ended September 30, 2019 includes an impairment charge of $0.3 million, of which the Company's aggregate share was $0.4 million (Note 8)
(b) The quarter ended September 30, 2019 includes an aggregate gain on disposition of two consolidated properties and one condominium unit at Fund IV and one consolidated property at Fund III of $12.1 million, of which the Company's share was $2.8 million (Note 2).
(c) The quarter ended December 31, 2019 includes a net gain on disposition of a consolidated Core property of $16.3 million, of which the Company's share was $16.7 million (Note 2).
(d) The quarter ended September 30, 2019 includes a deferred gain on tax credits at Fund II of which the Company's share was $1.4 million (Note 7).
(e) Revenues for the quarters ended March 31, 2019 and June 30, 2019 have each been revised to reflect the reclassifications of credit losses of $0.8 million (Note 1).

| | Three Months Ended [a, b] | | | |
|---|---|---|---|---|
| | March 31, 2018 | June 30, 2018 | September 30, 2018 | December 31, 2018 |
| Revenues | $ 62,226 | $ 62,201 | $ 65,527 | $ 69,727 |
| Net income | (4,160) | (2,270) | (2,597) | (6,671) |
| Net (income) loss attributable to noncontrolling interests | 11,579 | 9,935 | 11,822 | 13,801 |
| Net income attributable to Acadia | 7,419 | 7,665 | 9,225 | 7,130 |
| Earnings per share attributable to Acadia: | | | | |
| Basic | | | | |
| Diluted | $ 0.09 | $ 0.09 | $ 0.11 | $ 0.09 |
| | 0.09 | 0.09 | 0.11 | 0.09 |
| Weighted average number of shares: | | | | |
| Basic | 83,434 | 81,756 | 81,566 | 81,591 |
| Diluted | 83,438 | 81,756 | 81,566 | 81,591 |
| | | | | |
| Cash dividends declared per Common Share | $ 0.27 | $ 0.27 | $ 0.27 | $ 0.28 |

Credit losses aggregating $2.5 million have been reclassified from property operating expense to revenues in each of the quarters in the year ended December 31, 2018 to conform to the current period presentation (Note 1).
The three months ended September 30, 2018 includes an aggregate $5.1 million gain on the sales of two consolidated Fund IV properties (Note 2), of which $3.9 million was attributable to noncontrolling interests

## 17. Subsequent Events

***Acquisitions***

In January 2020, the Company acquired two properties in its Core Portfolio as follows:

- 37 Greene Street – On January 9, the Company acquired a retail condominium in the Soho section of New York City for approximately $15.4 million.
- 917 West Armitage Avenue – On February 13, the Company acquired a mixed-use property in Chicago Illinois for approximately $3.5 million.

It is not practicable to disclose the preliminary purchase price allocations for these transactions given the short period of time between the acquisition date and the filing of this Report.

***Structured Financing Transactions***

On January 17, 2020 the Company made a preferred equity investment in the amount of $54.0 million collateralized by the interests in a property in Sunset Park, Brooklyn, NY.

On February 7, 2020 the Company made a mezzanine loan in the amount of $5.0 million to a joint venture partner collateralized by the venture partner's interest in the Georgetown Portfolio (Note 4) venture

## ACADIA REALTY TRUST
## SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

| | Balance at Beginning of Year | Charged to Expenses | Adjustments to Valuation Accounts | Deductions | Balance at End of Year |
|---|---|---|---|---|---|
| Year Ended December 31, 2019: | | | | | |
| Allowance for deferred tax asset | $ — | $ — | $ 1,748 | $ — | $ 1,748 |
| Allowance for uncollectible accounts | 7,921 | 4,402 | (915) | — | 11,408 |
| Allowance for notes receivable | — | — | — | — | — |
| Year Ended December 31, 2018: | | | | | |
| Allowance for deferred tax asset | $ 1,530 | $ — | $ (1,530) | — | $ — |
| Allowance for uncollectible accounts | 5,920 | 2,532 | (531) | — | 7,921 |
| Allowance for notes receivable | — | — | — | — | — |
| Year Ended December 31, 2017: | | | | | |
| Allowance for deferred tax asset | $ 859 | $ — | $ 671 | $ — | $ 1,530 |
| Allowance for uncollectible accounts | 5,720 | 200 | — | — | 5,920 |
| Allowance for notes receivable | — | — | — | — | — |

# ACADIA REALTY TRUST
# SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION

## December 31, 2019

| | | Initial Cost to Company | | | Amount at Which Carried at December 31, 2019 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Description and Location | Encumbrances | Land | Buildings & Improvements | Increase (Decrease) in Net Investments | Land | Buildings & Improvements | Total | Accumulated Depreciation | Date of Acquisition (a) Construction (c) | Life on which Depreciation in Latest Statement of Income is Compared |
| **Core Portfolio:** | | | | | | | | | | |
| Crescent Plaza Brockton, MA | — | 1,147 | 7,425 | 3,301 | 1,147 | 10,726 | 11,873 | 8,455 | 1993 (a) | 40 years |
| New Loudon Center Latham, NY | — | 505 | 4,161 | 14,119 | 505 | 18,280 | 18,785 | 15,352 | 1993 (a) | 40 years |
| Mark Plaza Edwardsville, PA | — | — | 3,396 | — | — | 3,396 | 3,396 | 3,028 | 1993 (c) | 40 years |
| Plaza 422 Lebanon, PA | — | 190 | 3,004 | 2,809 | 190 | 5,813 | 6,003 | 5,262 | 1993 (c) | 40 years |
| Route 6 Mall Honesdale, PA | — | 1,664 | — | 12,490 | 1,664 | 12,490 | 14,154 | 10,235 | 1994 (c) | 40 years |
| Abington Towne Center Abington, PA | — | 799 | 3,197 | 3,872 | 799 | 7,069 | 7,868 | 4,222 | 1998 (a) | 40 years |
| Bloomfield Town Square Bloomfield Hills, MI | — | 3,207 | 13,774 | 25,803 | 3,207 | 39,577 | 42,784 | 24,739 | 1998 (a) | 40 years |
| Elmwood Park Shopping Center Elmwood Park, NJ | — | 3,248 | 12,992 | 16,314 | 3,798 | 28,756 | 32,554 | 20,402 | 1998 (a) | 40 years |
| Merrillville Plaza Hobart, IN | — | 4,288 | 17,152 | 6,058 | 4,288 | 23,210 | 27,498 | 13,910 | 1998 (a) | 40 years |
| Marketplace of Absecon Absecon, NJ | — | 2,573 | 10,294 | 5,072 | 2,577 | 15,362 | 17,939 | 9,096 | 1998 (a) | 40 years |
| 239 Greenwich Avenue Greenwich, CT | 26,572 | 1,817 | 15,846 | 1,086 | 1,817 | 16,932 | 18,749 | 8,738 | 1998 (a) | 40 years |
| Hobson West Plaza Naperville, IL | — | 1,793 | 7,172 | 4,604 | 1,793 | 11,776 | 13,569 | 5,871 | 1998 (a) | 40 years |
| Village Commons Shopping Center Smithtown, NY | — | 3,229 | 12,917 | 5,228 | 3,229 | 18,145 | 21,374 | 10,479 | 1998 (a) | 40 years |
| Town Line Plaza Rocky Hill, CT | — | 878 | 3,510 | 7,736 | 907 | 11,217 | 12,124 | 9,348 | 1998 (a) | 40 years |
| Branch Shopping Center Smithtown, NY | — | 3,156 | 12,545 | 16,414 | 3,401 | 28,714 | 32,115 | 14,322 | 1998 (a) | 40 years |
| Methuen Shopping Center Methuen, MA | — | 956 | 3,826 | 1,695 | 961 | 5,516 | 6,477 | 2,866 | 1998 (a) | 40 years |
| The Gateway Shopping Center South Burlington, VT | — | 1,273 | 5,091 | 12,471 | 1,273 | 17,562 | 18,835 | 10,712 | 1999 (a) | 40 years |
| Mad River Station Dayton, OH | — | 2,350 | 9,404 | 2,251 | 2,350 | 11,655 | 14,005 | 6,310 | 1999 (a) | 40 years |
| Brandywine Holdings Wilmington, DE | 26,250 | 5,063 | 15,252 | 2,495 | 5,201 | 17,609 | 22,810 | 7,601 | 2003 (a) | 40 years |
| Bartow Avenue Bronx, NY | — | 1,691 | 5,803 | 1,196 | 1,691 | 6,999 | 8,690 | 3,458 | 2005 (c) | 40 years |
| Amboy Road Staten Island, NY | — | — | 11,909 | 3,175 | — | 15,084 | 15,084 | 8,094 | 2005 (a) | 40 years |
| Chestnut Hill Philadelphia, PA | — | 8,289 | 5,691 | 4,509 | 8,289 | 10,200 | 18,489 | 4,910 | 2006 (a) | 40 years |
| 2914 Third Avenue Bronx, NY | — | 11,108 | 8,038 | 5,175 | 11,855 | 12,466 | 24,321 | 3,420 | 2006 (a) | 40 years |
| West Shore Expressway Staten Island, NY | — | 3,380 | 13,499 | 28 | 3,380 | 13,527 | 16,907 | 4,878 | 2007 (a) | 40 years |
| West 54th Street Manhattan, NY | — | 16,699 | 18,704 | 1,264 | 16,699 | 19,968 | 36,667 | 6,730 | 2007 (a) | 40 years |
| 5-7 East 17th Street Manhattan, NY | — | 3,048 | 7,281 | 6,133 | 3,048 | 13,414 | 16,462 | 3,386 | 2008 (a) | 40 years |
| 651-671 W Diversey Chicago, IL | — | 8,576 | 17,256 | 8 | 8,576 | 17,264 | 25,840 | 3,704 | 2011 (a) | 40 years |
| 15 Mercer Street Manhattan, NY | — | 1,887 | 2,483 | 1 | 1,887 | 2,484 | 4,371 | 528 | 2011 (a) | 40 years |

# ACADIA REALTY TRUST
## SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION

| | | Initial Cost to Company | | | Amount at Which Carried at December 31, 2019 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Description and Location | Encumbrances | Land | Buildings & Improvements | Increase (Decrease) in Net Investments | Land | Buildings & Improvements | Total | Accumulated Depreciation | Date of Acquisition (a) Construction (c) | Life on which Depreciation in Latest Statement of Income is Compared |
| 4401 White Plains Bronx, NY | — | 1,581 | 5,054 | — | 1,581 | 5,054 | 6,635 | 1,053 | 2011(a) | 40 years |
| 56 E. Walton Chicago, IL | — | 994 | 6,126 | 2,558 | 994 | 8,684 | 9,678 | 177 | 2011(a) | 40 years |
| 841 W. Armitage Chicago, IL | — | 728 | 1,989 | 422 | 728 | 2,411 | 3,139 | 517 | 2011(a) | 40 years |
| 2731 N. Clark Chicago, IL | — | 557 | 1,839 | 32 | 557 | 1,871 | 2,428 | 402 | 2011(a) | 40 years |
| 2140 N. Clybourn Chicago, IL | — | 306 | 788 | — | 306 | 788 | 1,094 | 168 | 2011(a) | 40 years |
| 853 W. Armitage Chicago, IL | — | 557 | 1,946 | 439 | 557 | 2,385 | 2,942 | 557 | 2011(a) | 40 years |
| 2299 N. Clybourn Avenue Chicago, IL | — | 177 | 484 | — | 177 | 484 | 661 | 102 | 2011(a) | 40 years |
| 843-45 W. Armitage Chicago, IL | — | 731 | 2,730 | 228 | 731 | 2,958 | 3,689 | 590 | 2012(a) | 40 years |
| 1525 W. Belmont Avenue Chicago, IL | — | 1,480 | 3,338 | 710 | 1,480 | 4,048 | 5,528 | 735 | 2012(a) | 40 years |
| 2206-08 N. Halsted Chicago, IL | — | 1,183 | 3,540 | 351 | 1,183 | 3,891 | 5,074 | 961 | 2012(a) | 40 years |
| 2633 N. Halsted Chicago, IL | — | 960 | 4,096 | 359 | 998 | 4,417 | 5,415 | 837 | 2012(a) | 40 years |
| 50-54 E. Walton Chicago, IL | — | 2,848 | 12,694 | 570 | 2,848 | 13,264 | 16,112 | 2,613 | 2012(a) | 40 years |
| 662 W. Diversey Chicago, IL | — | 1,713 | 1,603 | 10 | 1,713 | 1,613 | 3,326 | 284 | 2012(a) | 40 years |
| 837 W. Armitage Chicago, IL | — | 780 | 1,758 | 237 | 780 | 1,995 | 2,775 | 393 | 2012(a) | 40 years |
| 823 W. Armitage Chicago, IL | — | 717 | 1,149 | 95 | 717 | 1,244 | 1,961 | 223 | 2012(a) | 40 years |
| 851 W. Armitage Chicago, IL | — | 545 | 209 | 139 | 545 | 348 | 893 | 107 | 2012(a) | 40 years |
| 1240 W. Belmont Avenue Chicago, IL | — | 2,137 | 1,589 | 583 | 2,137 | 2,172 | 4,309 | 456 | 2012(a) | 40 years |
| 21 E. Chestnut Chicago, IL | — | 1,318 | 8,468 | 34 | 1,318 | 8,502 | 9,820 | 1,503 | 2012(a) | 40 years |
| 819 W. Armitage Chicago, IL | — | 790 | 1,266 | 140 | 790 | 1,406 | 2,196 | 336 | 2012(a) | 40 years |
| 1520 Milwaukee Avenue Chicago, IL | — | 2,110 | 1,306 | 290 | 2,110 | 1,596 | 3,706 | 304 | 2012(a) | 40 years |
| 330-340 River St Cambridge, MA | 11,140 | 8,404 | 14,235 | — | 8,404 | 14,235 | 22,639 | 2,914 | 2012(a) | 40 years |
| Rhode Island Place Shopping Center Washington, D.C. | — | 7,458 | 15,968 | 1,902 | 7,458 | 17,870 | 25,328 | 3,995 | 2012(a) | 40 years |
| 930 Rush Street Chicago, IL | — | 4,933 | 14,587 | — | 4,933 | 14,587 | 19,520 | 2,826 | 2012(a) | 40 years |
| 28 Jericho Turnpike Westbury, NY | 13,416 | 6,220 | 24,416 | 12 | 6,220 | 24,428 | 30,648 | 4,856 | 2012(a) | 40 years |
| 181 Main Street Westport, CT | — | 1,908 | 12,158 | 409 | 1,908 | 12,567 | 14,475 | 2,279 | 2012(a) | 40 years |
| 83 Spring Street Manhattan, NY | — | 1,754 | 9,200 | — | 1,754 | 9,200 | 10,954 | 1,725 | 2012(a) | 40 years |
| 60 Orange Street Bloomfield, NJ | 7,001 | 3,609 | 10,790 | — | 3,609 | 10,790 | 14,399 | 2,157 | 2012(a) | 40 years |
| 179-53 & 1801-03 Connecticut Avenue Washington, D.C. | — | 11,690 | 10,135 | 1,088 | 11,690 | 11,223 | 22,913 | 2,205 | 2012(a) | 40 years |
| 639 West Diversey Chicago, IL | — | 4,429 | 6,102 | 1,034 | 4,429 | 7,136 | 11,565 | 1,503 | 2012(a) | 40 years |
| 664 North Michigan Chicago, IL | — | 15,240 | 65,331 | — | 15,240 | 65,331 | 80,571 | 11,229 | 2013(a) | 40 years |

# ACADIA REALTY TRUST
## SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION

| | | Initial Cost to Company | | | Amount at Which Carried at December 31, 2019 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Description and Location | Encumbrances | Land | Buildings & Improvements | Increase (Decrease) in Net Investments | Land | Buildings & Improvements | Total | Accumulated Depreciation | Date of Acquisition (a) Construction (c) | Life on which Depreciation in Latest Statement of Income is Compared |
| 8-12 E. Walton Chicago, IL | — | 5,398 | 15,601 | 978 | 5,398 | 16,579 | 21,977 | 2,910 | 2013(a) | 40 years |
| 3200-3204 M Street Washington, DC | — | 6,899 | 4,249 | 168 | 6,899 | 4,417 | 11,316 | 839 | 2013(a) | 40 years |
| 868 Broadway Manhattan, NY | — | 3,519 | 9,247 | 5 | 3,519 | 9,252 | 12,771 | 1,405 | 2013(a) | 40 years |
| 313-315 Bowery Manhattan, NY | — | — | 5,516 | — | — | 5,516 | 5,516 | 1,339 | 2013(a) | 40 years |
| 120 West Broadway Manhattan, NY | — | — | 32,819 | 1,124 | — | 33,943 | 33,943 | 3,403 | 2013(a) | 40 years |
| 11 E. Walton Chicago, IL | — | 16,744 | 28,346 | 195 | 16,744 | 28,541 | 45,285 | 4,373 | 2014(a) | 40 years |
| 61 Main Street Westport, CT | — | 4,578 | 2,645 | 789 | 4,578 | 3,434 | 8,012 | 436 | 2014(a) | 40 years |
| 865 W. North Avenue Chicago, IL | — | 1,893 | 11,594 | 41 | 1,893 | 11,635 | 13,528 | 1,688 | 2014(a) | 40 years |
| 152-154 Spring St. Manhattan, NY | — | 8,544 | 27,001 | 180 | 8,544 | 27,181 | 35,725 | 3,878 | 2014(a) | 40 years |
| 2520 Flatbush Ave Brooklyn, NY | — | 6,613 | 10,419 | 303 | 6,613 | 10,722 | 17,335 | 1,575 | 2014(a) | 40 years |
| 252-256 Greenwich Avenue Greenwich, CT | — | 10,175 | 12,641 | 544 | 10,175 | 13,185 | 23,360 | 2,008 | 2014(a) | 40 years |
| Bedford Green Bedford Hills, NY | — | 12,425 | 32,730 | 4,370 | 13,763 | 35,762 | 49,525 | 5,263 | 2014(a) | 40 years |
| 131-135 Prince Street Manhattan, NY | — | — | 57,536 | 625 | — | 58,161 | 58,161 | 14,554 | 2014(a) | 40 years |
| Shops at Grand Ave Queens, NY | — | 20,264 | 33,131 | 1,715 | 20,264 | 34,846 | 55,110 | 4,615 | 2014(a) | 40 years |
| 201 Needham Street Newton, MA | — | 4,550 | 4,459 | 105 | 4,550 | 4,564 | 9,114 | 652 | 2014(a) | 40 years |
| City Center San Francisco, CA | — | 36,063 | 109,098 | (24,600) | 26,386 | 94,175 | 120,561 | 13,356 | 2015(a) | 40 years |
| 163 Highland Avenue Needham, MA | 8,582 | 12,679 | 11,213 | 43 | 12,679 | 11,256 | 23,935 | 1,486 | 2015(a) | 40 years |
| Roosevelt Galleria Chicago, IL | — | 4,838 | 14,574 | 61 | 4,838 | 14,635 | 19,473 | 1,590 | 2015(a) | 40 years |
| Route 202 Shopping Center Wilmington, DE | — | — | 6,346 | 501 | — | 6,847 | 6,847 | 1,297 | 2015(a) | 40 years |
| 991 Madison Avenue Manhattan, NY | — | — | 76,965 | 1,691 | — | 78,656 | 78,656 | 6,160 | 2016(a) | 40 years |
| 165 Newbury Street Boston, MA | — | 1,918 | 3,980 | — | 1,918 | 3,980 | 5,898 | 365 | 2016(a) | 40 years |
| Concord & Milwaukee Chicago, IL | 2,650 | 2,739 | 2,746 | 246 | 2,739 | 2,992 | 5,731 | 278 | 2016(a) | 40 years |
| State & Washington Chicago, IL | 23,881 | 3,907 | 70,943 | 5,436 | 3,907 | 76,379 | 80,286 | 6,205 | 2016(a) | 40 years |
| 151 N. State Street Chicago, IL | 13,574 | 1,941 | 25,529 | — | 1,941 | 25,529 | 27,470 | 2,181 | 2016(a) | 40 years |
| North & Kingsbury Chicago, IL | 12,164 | 18,731 | 16,292 | 192 | 18,731 | 16,484 | 35,215 | 1,420 | 2016(a) | 40 years |
| Sullivan Center Chicago, IL | 50,000 | 13,443 | 137,327 | 536 | 13,443 | 137,863 | 151,306 | 11,837 | 2016(a) | 40 years |
| California & Armitage Chicago, IL | 2,506 | 6,770 | 2,292 | 2 | 6,770 | 2,294 | 9,064 | 211 | 2016(a) | 40 years |
| 555 9th Street San Francisco, CA | 60,000 | 75,591 | 73,268 | 82 | 75,591 | 73,350 | 148,941 | 5,848 | 2016(a) | 40 years |
| Market Square Wilmington, DE | — | 8,100 | 31,221 | 313 | 8,100 | 31,534 | 39,634 | 1,807 | 2017(a) | 40 years |
| 613-623 W. Diversey Chicago, IL | — | 10,061 | 2,773 | 11,101 | 10,061 | 13,874 | 23,935 | 3,408 | 2018(c) | 40 years |

## ACADIA REALTY TRUST
## SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION

| | | Initial Cost to Company | | | Amount at Which Carried at December 31, 2019 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Description and Location** | **Encumbrances** | **Land** | **Buildings & Improvements** | **Increase (Decrease) in Net Investments** | **Land** | **Buildings & Improvements** | **Total** | **Accumulated Depreciation** | **Date of Acquisition (a) Construction (c)** | **Life on which Depreciation in Latest Statement of Income is Compared** |
| 51 Greene Street Manhattan, NY | — | 4,488 | 8,992 | — | 4,488 | 8,992 | 13,480 | 187 | 2019(a) | 40 years |
| 53 Greene Street Manhattan, NY | — | 3,605 | 12,177 | — | 3,605 | 12,177 | 15,782 | 228 | 2019(a) | 40 years |
| 41 Greene Street Manhattan, NY | — | 6,276 | 9,582 | — | 6,276 | 9,582 | 15,858 | 140 | 2019(a) | 40 years |
| 47 Greene Street Manhattan, NY | — | 6,265 | 16,758 | — | 6,265 | 16,758 | 23,023 | 175 | 2019(a) | 40 years |
| 849 W Armitage Chicago, IL | — | 837 | 2,731 | — | 837 | 2,731 | 3,568 | 24 | 2019(a) | 40 years |
| 912 W Armitage Chicago, IL | — | 982 | 2,868 | — | 982 | 2,868 | 3,850 | 25 | 2019(a) | 40 years |
| Melrose Place Collection Los Angeles, CA | — | 20,490 | 26,788 | — | 20,490 | 26,788 | 47,278 | 112 | 2019(a) | 40 years |
| 45 Greene Street Manhattan, NY | — | 2,903 | 8,487 | — | 2,903 | 8,487 | 11,390 | 39 | 2019(a) | 40 years |
| 565 Broadway Manhattan, NY | — | — | 22,491 | — | — | 22,491 | 22,491 | — | 2019(a) | 40 years |
| 907 W Armitage Chicago, IL | — | 700 | 2,081 | — | 700 | 2,081 | 2,781 | 5 | 2019(a) | 40 years |
| Undeveloped Land | — | 100 | — | — | 100 | — | 100 | — | | |
| **Fund II:** | | | | | | | | | | |
| City Point Brooklyn, NY | 243,298 | — | 100,316 | 491,335 | — | 591,651 | 591,651 | 48,096 | 2007(c) | 40 years |
| **Fund III:** | | | | | | | | | | |
| 654 Broadway Manhattan, NY | — | 9,040 | 3,654 | 4,177 | 9,040 | 7,831 | 16,871 | 1,549 | 2011(a) | 40 years |
| 640 Broadway Manhattan, NY | 39,470 | 12,503 | 19,960 | 15,225 | 12,503 | 35,185 | 47,688 | 6,970 | 2012(a) | 40 years |
| Cortlandt Crossing Mohegan Lake, NY | 28,818 | 11,000 | — | 59,277 | 10,473 | 59,804 | 70,277 | 2,005 | 2012(c) | 40 years |
| **Fund IV:** | | | | | | | | | | |
| 210 Bowery Manhattan, NY | — | 1,875 | 5,625 | (3,950) | 1,875 | 1,675 | 3,550 | 57 | 2012(c) | 40 years |
| Paramus Plaza Paramus, NJ | 18,900 | 11,052 | 7,037 | 12,901 | 11,052 | 19,938 | 30,990 | 4,304 | 2013(a) | 40 years |
| 27 E. 61st Street Manhattan, NY | — | 4,813 | 14,438 | 7,241 | 4,813 | 21,679 | 26,492 | 1,311 | 2014(c) | 40 years |
| 17 E. 71st Street Manhattan, NY | 18,833 | 7,391 | 20,176 | 306 | 7,391 | 20,482 | 27,873 | 2,987 | 2014(a) | 40 years |
| 1035 Third Avenue Manhattan, NY | — | 12,759 | 37,431 | 5,541 | 14,099 | 41,632 | 55,731 | 6,070 | 2015(a) | 40 years |
| 801 Madison Avenue Manhattan, NY | — | 4,178 | 28,470 | 5,844 | 4,178 | 34,314 | 38,492 | 2,085 | 2015(c) | 40 years |
| 2208-2216 Fillmore Street San Francisco, CA | 5,606 | 3,027 | 6,376 | 57 | 3,027 | 6,433 | 9,460 | 734 | 2015(a) | 40 years |
| 2207 Fillmore Street San Francisco, CA | 1,120 | 1,498 | 1,735 | 118 | 1,498 | 1,853 | 3,351 | 213 | 2015(a) | 40 years |
| 1964 Union Street San Francisco, CA | 1,463 | 563 | 1,688 | 1,867 | 563 | 3,555 | 4,118 | 230 | 2016(c) | 40 years |
| Restaurants at Fort Point Boston, MA | 6,070 | 1,041 | 10,905 | 182 | 1,041 | 11,087 | 12,128 | 1,200 | 2016(a) | 40 years |
| Wakeforest Crossing Wake Forest, NC | 23,337 | 7,570 | 24,829 | 472 | 7,570 | 25,301 | 32,871 | 2,846 | 2016(a) | 40 years |
| Airport Mall Bangor, ME | 5,334 | 2,294 | 7,067 | 1,882 | 2,294 | 8,949 | 11,243 | 868 | 2016(a) | 40 years |
| Colonie Plaza Albany, NY | 11,713 | 2,852 | 9,619 | 273 | 2,852 | 9,892 | 12,744 | 1,021 | 2016(a) | 40 years |
| Dauphin Plaza Harrisburg, PA | 12,718 | 5,290 | 9,464 | 3,056 | 5,290 | 12,520 | 17,810 | 1,557 | 2016(a) | 40 years |

## ACADIA REALTY TRUST
## SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION

| | | Initial Cost to Company | | | Amount at Which Carried at December 31, 2019 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Description and Location | Encumbrances | Land | Buildings & Improvements | Increase (Decrease) in Net Investments | Land | Buildings & Improvements | Total | Accumulated Depreciation | Date of Acquisition (a) Construction (c) | Life on which Depreciation in Latest Statement of Income is Compared |
| Mayfair Shopping Center Philadelphia, PA | 11,895 | 6,178 | 9,266 | 1,132 | 6,178 | 10,398 | 16,576 | 1,061 | 2016(a) | 40 years |
| Shaw's Plaza Waterville, ME | 7,636 | 828 | 11,814 | 272 | 828 | 12,086 | 12,914 | 1,162 | 2016(a) | 40 years |
| Wells Plaza Wells, ME | 5,700 | 1,892 | 2,585 | 505 | 1,892 | 3,090 | 4,982 | 424 | 2016(a) | 40 years |
| 717 N. Michigan Chicago, IL | 16,148 | 20,674 | 10,093 | — | 20,674 | 10,093 | 30,767 | 843 | 2016(c) | 40 years |
| Shaw's Plaza North Windham, ME | 5,702 | 1,876 | 6,696 | 1 | 1,876 | 6,697 | 8,573 | 509 | 2017(a) | 40 years |
| Lincoln Place Fairview Heights, IL | 23,100 | 7,149 | 22,201 | 2,035 | 7,149 | 24,236 | 31,385 | 2,215 | 2017(a) | 40 years |
| 18 E. Broughton St. Savannah, GA | 2,032 | 609 | 1,513 | — | 609 | 1,513 | 2,122 | 51 | 2018(a) | 40 years |
| 20 E. Broughton St. Savannah, GA | 1,258 | 588 | 937 | — | 588 | 937 | 1,525 | 32 | 2018(a) | 40 years |
| 25 E. Broughton St. Savannah, GA | 3,302 | 1,324 | 2,459 | 319 | 1,324 | 2,778 | 4,102 | 109 | 2018(a) | 40 years |
| 109 W. Broughton St. Savannah, GA | 8,809 | 2,343 | 6,560 | — | 2,343 | 6,560 | 8,903 | 223 | 2018(a) | 40 years |
| 204-206 W. Broughton St. Savannah, GA | 590 | 547 | 439 | 45 | 547 | 484 | 1,031 | 15 | 2018(a) | 40 years |
| 216-218 W. Broughton St. Savannah, GA | 3,674 | 1,160 | 2,736 | 17 | 1,160 | 2,753 | 3,913 | 94 | 2018(a) | 40 years |
| 220 W. Broughton St. Savannah, GA | 2,416 | 619 | 1,799 | — | 619 | 1,799 | 2,418 | 61 | 2018(a) | 40 years |
| 223 W. Broughton St. Savannah, GA | 924 | 465 | 688 | — | 465 | 688 | 1,153 | 24 | 2018(a) | 40 years |
| 226-228 W. Broughton St. Savannah, GA | 2,551 | 660 | 1,900 | — | 660 | 1,900 | 2,560 | 64 | 2018(a) | 40 years |
| 309/311 W. Broughton St. Savannah, GA | 3,619 | 1,160 | 2,695 | — | 1,160 | 2,695 | 3,855 | 91 | 2018(a) | 40 years |
| 110 University Manhattan, NY | — | — | 1,370 | — | — | 1,370 | 1,370 | 25 | 2019(a) | 40 years |
| **Fund V:** | | | | | | | | | | |
| Plaza Santa Fe Santa Fe, NM | 22,893 | — | 28,214 | 360 | — | 28,574 | 28,574 | 2,047 | 2017(a) | 40 years |
| Hickory Ridge Hickory, NC | 30,000 | 7,852 | 29,998 | 1,350 | 7,852 | 31,348 | 39,200 | 2,120 | 2017(a) | 40 years |
| New Towne Plaza Canton, MI | 16,900 | 5,040 | 17,391 | 59 | 5,040 | 17,450 | 22,490 | 1,210 | 2017(a) | 40 years |
| Fairlane Green Allen Park, MI | 40,300 | 18,121 | 37,143 | 256 | 18,121 | 37,399 | 55,520 | 2,059 | 2017(a) | 40 years |
| Trussville Promenade Birmingham, AL | 29,370 | 7,587 | 34,285 | 36 | 7,587 | 34,321 | 41,908 | 1,713 | 2018(a) | 40 years |
| Elk Grove Commons Elk Grove, CA | 41,500 | 6,204 | 48,008 | 70 | 6,204 | 48,078 | 54,282 | 1,786 | 2018(a) | 40 years |
| Hiram Pavilion Hiram, GA | 28,830 | 13,029 | 25,446 | 56 | 13,029 | 25,502 | 38,531 | 964 | 2018(a) | 40 years |
| Palm Coast Landing Palm Coast, FL | 26,500 | 7,066 | 27,299 | — | 7,066 | 27,299 | 34,365 | 554 | 2019(a) | 40 years |
| Lincoln Commons Lincoln, RI | 38,820 | 14,429 | 34,417 | 170 | 14,429 | 34,587 | 49,016 | 517 | 2019(a) | 40 years |
| Landstown Commons Virginia Beach, VA | 60,900 | 10,221 | 69,005 | 166 | 10,221 | 69,171 | 79,392 | 766 | 2019(a) | 40 years |
| Real Estate Under Development | 69,718 | 82,969 | 53,847 | 116,586 | 94,923 | 158,479 | 253,402 | — | | |
| Right-of-use assets - operating lease | — | 56,961 | 5,058 | (2,013) | 55,764 | 4,242 | 60,006 | — | | |

## ACADIA REALTY TRUST
## SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION

| Description and Location | Encumbrances | Initial Cost to Company: Land | Initial Cost to Company: Buildings & Improvements | Increase (Decrease) in Net Investments | Amount at Which Carried at December 31, 2019: Land | Amount at Which Carried at December 31, 2019: Buildings & Improvements | Amount at Which Carried at December 31, 2019: Total | Accumulated Depreciation | Date of Acquisition (a) Construction (c) | Life on which Depreciation in Latest Statement of Income is Compared |
|---|---|---|---|---|---|---|---|---|---|---|
| Unamortized Loan Costs | (10,078) | — | — | — | — | — | — | — | | |
| Unamortized Premium | 651 | — | — | — | — | — | — | — | | |
| Total | $ 1,170,076 | $901,997 | $ 2,286,624 | $ 910,921 | $906,984 | $ 3,192,558 | $4,099,542 | $ 490,227 | | |

Notes:

1. Depreciation on buildings and improvements reflected in the consolidated statements of income is calculated over the estimated useful life of the assets as follows: Buildings at 40 years and improvements at the shorter of lease term or useful life.
2. The aggregate gross cost of property included above for Federal income tax purposes was approximately $4.0 billion as of December 31, 2019.

The following table reconciles the activity for real estate properties from January 1, 2017 to December 31, 2019 (in thousands):

| | Year Ended December 31, 2019 | 2018 | 2017 |
|---|---|---|---|
| Balance at beginning of year | $ 3,697,805 | $ 3,466,482 | $ 3,382,000 |
| Improvements and other | 97,000 | 99,594 | 55,763 |
| Property acquisitions | 303,884 | 134,559 | 179,292 |
| Property dispositions or held for sale assets | (84,243) | (34,666) | (189,895) |
| Right-of-use assets - operating leases obtained | 62,020 | — | — |
| Right-of-use assets - finance leases obtained and reclassified | 102,055 | — | — |
| Capital lease reclassified as Right-of-use assets - finance lease | (76,965) | — | — |
| Right-of-use assets - operating lease amortization | (2,014) | — | — |
| Consolidation of previously unconsolidated investments | — | 31,836 | 39,322 |
| Balance at end of year | $ 4,099,542 | $ 3,697,805 | $ 3,466,482 |

The following table reconciles accumulated depreciation from January 1, 2017 to December 31, 2019 (in thousands):

| | Year Ended December 31, 2019 | 2018 | 2017 |
|---|---|---|---|
| Balance at beginning of year | $ 416,657 | $ 339,862 | $ 287,066 |
| Depreciation related to real estate | 85,317 | 78,453 | 73,268 |
| Property dispositions | (11,747) | (1,658) | (20,472) |
| Balance at end of year | $ 490,227 | $ 416,657 | $ 339,862 |

## ACADIA REALTY TRUST
## SCHEDULE IV - MORTGAGE LOANS ON REAL ESTATE

**December 31, 2019**

*(in thousands)*

| Description | Effective Interest Rate | Final Maturity Date | Face Amount of Notes Receivable | Net Carrying Amount of Notes Receivable as of December 31, 2019 |
|---|---|---|---|---|
| First Mortgage Loan | 6.0% | 4/30/2020 | $ 17,810 | $ 17,802 |
| First Mortgage Loan | 8.1% | 6/20/2020 | 153,400 | 38,673 |
| Zero Coupon Loan | 2.5% | 5/31/2020 | 29,793 | 33,170 |
| Mezzanine Loan | 18.0% | 7/1/2020 | 5,306 | 5,306 |
| First Mortgage Loan | 5.1% | 10/28/2021 | 13,530 | 13,530 |
| Other | 4.65% | 4/12/2026 | 6,000 | 6,000 |
| Other | 4.82% | 4/10/2021 | 462 | 462 |
| Total | | | $ 226,301 | $ 114,943 |

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

The following table reconciles the activity for loans on real estate from January 1, 2017 to December 31, 2019 (in thousands):

| | Reconciliation of Loans on Real Estate Year Ended December 31, | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| Balance at beginning of year | $ 111,775 | $ 160,991 | $ 283,125 |
| Additions | 18,418 | 3,805 | 11,571 |
| Repayments | (15,250) | (31,000) | (32,000) |
| Conversion to real estate through receipt of deed | — | (22,021) | (101,705) |
| Balance at end of year | $ 114,943 | $ 111,775 | $ 160,991 |