ACADIA REALTY TRUST
Form 10-K
March 01, 2007

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

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

For the fiscal year ended December 31, 2006

o **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 as specified in its charter)

Maryland	**23-2715194**
(State of incorporation)	(I.R.S. employer identification no.)

1311 Mamaroneck Avenue, Suite 260
White Plains, NY 10605
(Address of principal executive offices)
(914) 288-8100
(Registrant s telephone number)

Securities registered pursuant to Section 12(b) of the Act:
Common Shares of Beneficial Interest, $.001 par value
(Title of Class)
New York Stock Exchange
(Name of Exchange on which registered)

Securities registered pursuant to Section 12(g) of the Act:
None

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

YES þ NO o

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

YES o NO þ

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 þ NO o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer (as defined in Rule 12b-2 of the Act).

Large Accelerated Filer þ Accelerated Filer o Non-accelerated Filer o

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

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 $751.4 million, based on a price of $23.65 per share, the average sales price for the registrant s 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 March 1, 2007 was 32,132,797.

DOCUMENTS INCORPORATED BY REFERENCE

Part III Definitive proxy statement for the 2007 Annual Meeting of Shareholders presently scheduled to be held May 15, 2007 to be filed pursuant to Regulation 14A.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

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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 Acadia Realty Trust and its consolidated subsidiaries. W a fully integrated, self-managed and self-administered equity REIT focused primarily on the ownership, acquisition, redevelopment and management of retail properties, including neighborhood and community shopping centers and mixed-use properties with retail components. We currently operate 74 properties, which we own or have an ownership interest in. These assets are located primarily in the Northeast, Mid-Atlantic and Midwestern regions of the United States which, in total, comprise approximately 10 million square feet. We also have private equity investments in other retail real estate related opportunities including investments for which we provide operational support to the operating ventures in which we have a minority equity interest.

All of our investments 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 a controlling interest. As of December 31, 2006, the Trust controlled 98% 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 represent entities or individuals which 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). Limited partners holding Common OP Units are generally entitled to exchange their units on a one-for-one basis for common shares of beneficial interest of the Trust (Common Shares). This structure is commonly referred to as an umbrella partnership REIT or UPREIT .

BUSINESS OBJECTIVES AND STRATEGIES

Our primary business objective is to acquire, develop 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 community and neighborhood shopping centers and mixed-use properties with a retail component located in markets with strong demographics

- Generate internal growth within the portfolio through aggressive redevelopment, re-anchoring and leasing activities

- Generate external growth through an opportunistic yet disciplined acquisition program. The emphasis is on targeting transactions with high inherent opportunity for the creation of additional value through redevelopment and leasing and/or transactions requiring creative capital structuring to facilitate the transactions

- Partner 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 External Growth through Opportunistic Acquisition Platforms

The requirements that acquisitions be accretive on a long-term basis based on our cost of capital, as well as increase the overall portfolio quality and value, are core to our acquisition program. 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. We may engage in discussions with public and private entities regarding business combinations. In addition to our direct investments in real estate assets, we have also capitalized on our expertise in the acquisition, redevelopment, leasing and management of retail real estate by establishing joint ventures in which we earn, in addition to a return on our equity interest, fees and priority distributions for our services. To date, we have launched two acquisition joint ventures, Acadia Strategic Opportunity Fund, LP (Fund I) and Acadia Strategic Opportunity

Fund II, LLC (Fund II).

Fund I

In September 2001, we and four of our institutional shareholders formed a joint venture, whereby the investors committed $70.0 million for the purpose of acquiring real estate assets. The Operating Partnership committed an additional $20.0 million to Fund I, as the general partner with a 22% interest. In addition to a pro-rata return on its invested equity, the Operating Partnership is entitled to a profit participation based upon certain investment return thresholds. Cash flow is distributed pro-rata to the partners (including the Operating Partnership) until they have received a 9% cumulative return on, and a return of all capital contributions.

Thereafter, remaining cash flow is distributed 80% to the partners (including the Operating Partnership) and 20% to the Operating Partnership as a carried interest (Promote). The Operating Partnership also earns fees and/or priority distributions for asset management services equal to 1.5% of the allocated invested equity, as well as for property management, leasing and construction services. All such fees and priority distributions are reflected as adjustments to minority interest in the Consolidated Financial Statements included in Item 8 of Form 10-K.

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Our acquisition program was executed exclusively through Fund I through June 2004. Fund I focused on targeting assets for acquisition that had superior in-fill locations, restricted competition due to high barriers of entry and in-place below-market anchor leases with the potential to create significant additional value through re-tenanting, timely capital improvements and property redevelopment.

On January 4, 2006, Fund I recapitalized a one million square foot retail portfolio located in Wilmington Delaware (Brandywine Portfolio) through a merger of interests with affiliates of GDC Properties (GDC). The Brandywine Portfolio was recapitalized through a cash-out merger of the 77.8% interest, which was previously held by the institutional investors in Fund I, to GDC at a valuation of $164.0 million. The Operating Partnership, through a subsidiary, retained its existing 22.2% interest and continues to operate the Brandywine Portfolio and earn fees for such services. At the closing of the merger, the Fund I investors received a return of all of their capital invested in Fund I and their unpaid preferred return, thus triggering the payment to the Operating Partnership of its additional 20% Promote in all future Fund I distributions. During June 2006, the Fund I investors received $36.0 million of additional proceeds from this transaction following the replacement of bridge financing which they provided, with permanent mortgage financing, triggering $7.2 million in additional Promote due the Operating Partnership, which will be paid from the Fund I investor s share of the remaining assets in Fund I.

There are 32 assets comprising approximately two million square feet remaining in Fund I in which the Operating Partnership s interest in cash flow and income has increased from 22.2% to 37.8% as a result of the Promote.

<u>Fund II</u>

Following our success with Fund I, we formed a second, larger acquisition joint venture. During June of 2004, we launched Fund II, which includes all of the investors from Fund I as well as two additional institutional investors. With $300.0 million of committed discretionary capital, Fund II expects to be able to acquire up to $900.0 million of real estate assets on a leveraged basis. The Operating Partnership is the managing member with a 20% interest in Fund II. The terms and structure of Fund II are substantially the same as Fund I with the exception that the Preferred Return is 8%.

As the demand for retail real estate has significantly increased in recent years, there has been a commensurate increase in selling prices. In an effort to generate superior risk-adjusted returns for our shareholders and joint venture investors, we have channeled our acquisition efforts through Fund II in two new opportunistic joint ventures launched during 2004 the Retailer Controlled Property Venture and the New York Urban Infill Redevelopment Initiative.

<u>Retailer Controlled Property Venture (the RCP Venture)</u>

On January 27, 2004, through Funds I and II, we entered into the RCP Venture with Klaff Realty, L.P. (Klaff) and Klaff s long time partner Lubert-Adler Management, Inc. (Lubert-Adler) for the purpose of making investments in surplus or underutilized properties owned by retailers. The initial size of the RCP Venture is expected to be approximately $300 million in equity based on anticipated investments of approximately $1 billion. Each participant in the RCP Venture has the right to opt out of any potential investment. Affiliates of Funds I and II have invested $12.3 million and $37.1 million, respectively, in the RCP Venture to date on a non-recourse basis. While we are not required to invest any additional capital into any of these investments, should additional capital be required and we elect not to contribute our share, our proportionate share in the investment will be reduced. Since Fund I is fully invested, Fund II will provide the remaining portion of the original 20% of the equity of the RCP Venture. Cash flow is to be distributed to the partners until they have received a 10% cumulative return and a full return of all contributions. Thereafter, remaining cash flow is to be distributed 20% to Klaff (Klaff s Promote) and 80% to the partners (including Klaff). The Operating Partnership may also earn market-rate fees for property management, leasing and construction services on behalf of the RCP Venture. We seek to invest opportunistically in the RCP Venture primarily in the following four ways:

- Invest in operating retailers through private equity joint ventures
- Work with financially healthy retailers to create value from their surplus real estate
- Acquire properties, designation rights or other control of real estate or leases associated with retailers in bankruptcy

Complete sale leasebacks with retailers in need of capital

During 2004, we made our first RCP Venture investment with our participation in the acquisition of Mervyns. During 2006, we made additional investments with our participation in the acquisition of Albertsons, Cub, ShopKo and Marsh Supermarkets as further discussed in PROPERTY ACQUISITIONS in this Item 1 of Form 10-K.

New York Urban/Infill Redevelopment Initiative

In September of 2004, through Fund II, we launched our New York Urban Infill Redevelopment initiative. As retailers continue to recognize that many of the nation s urban markets are underserved from a retail standpoint, we are poised to capitalize on this trend by investing in redevelopment projects in dense urban areas where retail tenant demand has effectively surpassed the supply of available sites. During 2004, Fund II, together with an unaffiliated partner, P/A Associates, LLC (P/A), formed Acadia-P/A Holding Company, LLC (Acadia-P/A) for the purpose of acquiring, constructing, developing, owning, operating, leasing and managing certain retail real estate properties in the New York City metropolitan area. P/A agreed to invest 10% of required capital up to a maximum of $2.2 million and Fund II, the managing member, agreed to invest the balance to acquire assets in which Acadia-P/A agrees to invest. See Item 7 of Form 10K for further information on the Acadia P/A Joint Venture as detailed in Liquidity and Capital Resources . To date, Fund II has, in conjunction with P/A, invested in six projects and entered into an

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agreement on a seventh project, subject to certain approvals, as discussed further in PROPERTY ACQUISITIONS in this Item 1 of this Form 10-K.

Other Investments

We may also invest in preferred equity investments, mortgages, other real estate interests and other investments. The mortgages in which we invest in may be either first mortgages or mezzanine debt, where we believe the underlying value of the real estate collateral is in excess of its loan balance. As of December 31, 2006 our investments in first mortgages and mezzanine debt aggregated $38.3 million.

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 while ensuring access to sufficient capital to fund future growth. We intend to continue financing acquisitions and property redevelopment with sources of capital determined by management to be the most appropriate based on, among other factors, availability, 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 such as the issuance of Operating Partnership Units. We manage our interest rate risk primarily through the use of variable and fixed rate-debt as well as with LIBOR swap agreements as discussed further in Item 7A of this Form 10-K.

In December 2006, we issued $100.0 million of 3.75% unsecured Convertible Notes (the Notes). Interest on the Notes is payable semi-annually. The Notes have an initial conversion rate of 32.4002 of our Common Shares for each $1,000 principal amount, representing a conversion price of approximately $30.86 per Common Share, or a conversion premium of approximately 20.0%. The Notes are redeemable for cash up to their principal amount plus accrued interest and, at our option, cash, our Common Shares, or a combination thereof with respect to the remainder, if any, of the conversion value in excess of the principal amount. The Notes mature December 15, 2026, although the holders of the Notes may require the Company to repurchase their Notes, in whole or in part, on December 20, 2011, December 15, 2016, and December 15, 2021. After December 20, 2011, we have the right to redeem the Notes in whole or in part at any time. In January 2007, an option was exercised to issue an additional $15.0 million of these Notes. The $112.1 million in proceeds, net of related costs, were used to retire variable rate debt, provide for future Fund capital commitments and for general working capital purposes.

During January 2007, we filed a shelf registration on Form S-3 providing offerings for up to a total of $300.0 million of Common Shares, Preferred Shares and debt securities. To date, we have not issued any securities pursuant to this shelf registration.

Common and Preferred OP Unit Transactions

On January 27, 2004, we issued 4,000 Series B Preferred OP Units to Klaff in connection with the acquisition from Klaff of its rights to provide asset management, leasing, disposition, development and construction services for an existing portfolio of retail properties. These units have a stated value of $1,000 each and are entitled to a quarterly preferred distribution of the greater of (i) $13.00 (5.2% annually) per Preferred OP Unit or (ii) the quarterly distribution attributable to a Preferred OP Unit if such unit were converted into a Common OP Unit. The Preferred OP Units are convertible into Common OP Units based on the stated value of $1,000 divided by 12.82 at any time. Klaff may redeem them at par for either cash or Common OP Units (at our option) after the earlier of the third anniversary of their issuance, or the occurrence of certain events including a change in the control of our Company. Finally, after the fifth anniversary of the issuance, we may redeem the Preferred OP Units and convert them into Common OP Units at market value as of the redemption date.

Effective February 15, 2005, we acquired the balance of Klaff s rights to provide the above services as well as certain potential future revenue streams. The consideration for this acquisition was $4.0 million in the form of 250,000 restricted Common OP Units, valued at $16 per unit, which are convertible into our Common Shares on a one-for-one basis after a five year lock-up period. As part of this transaction we also assumed all operational and redevelopment responsibility for the Klaff Properties a year earlier than was contemplated in the January 2004 transaction.

In February 2007, Klaff converted 3,800 Series B Preferred OP Units into 296,412 Common OP Units and ultimately into Common Shares.

Common Share Transactions

During November 2004, we issued 1,890,000 Common Shares (the Offering) pursuant to shelf registration statements filed under the Securities Act of 1933, as amended, and previously declared effective by the Securities and Exchange Commission. The $28.3 million in proceeds from the Offering, which were net of related costs, were used to retire above-market, fixed-rate indebtedness as well as to invest in real estate assets. Yale University and its affiliates (Yale), and Kenneth F. Bernstein, our Chief Executive Officer, also sold 1,000,000, and 110,000 Common Shares, respectively, in connection with this transaction.

In March of 2004, a secondary public offering was completed for a total of 5,750,000 Common Shares. The selling shareholders, Yale and Ross Dworman, a former trustee and Chairman, sold 4,191,386 and 1,558,614 Common Shares, respectively. Yale was a major shareholder, owning, at one time, approximately one-third of all of our outstanding Common Shares. We did not sell any

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Common Shares in this transaction and did not receive any proceeds from this transaction.

Operating Strategy Experienced Management Team with Proven Track Record

Our senior management team has an average of nine years with us and our predecessors and 26 years in the real estate industry. Our management team successfully completed a major multi-year portfolio repositioning initiative culminating in 2002 that significantly improved the quality of our portfolio and tenant base. We believe our management team has demonstrated the ability to create value internally through anchor recycling, property redevelopment and strategic non-core dispositions. Our team has built several successful acquisition platforms including our New York Urban Infill Redevelopment Initiative and RCP Venture. We have also capitalized on our expertise in the acquisition, redevelopment, leasing and management of retail real estate by establishing joint ventures, such as Funds I and II, in which we earn, in addition to a return on our equity interest, fees and priority distributions for our services.

Operating functions such as leasing, property management, construction, finance and legal (collectively, the Operating Departments) are provided by our personnel, providing for fully integrated property management and development. By incorporating the Operating Departments in the acquisition process, acquisitions are appropriately priced giving effect to each asset s specific risks and returns. Also, because of the Operating Departments involvement with, and corresponding understanding of, the acquisition process, transition time is minimized and management can immediately execute on its strategic plan for each asset.

We typically hold our properties for long-term investment. As such, we continuously review the existing portfolio and implement programs to renovate and modernize targeted centers to enhance the property s market position. This in turn strengthens the competitive position of the leasing program to attract and retain quality tenants, increasing cash flow and consequently property value. We also periodically identify certain properties for disposition and redeploy the capital to existing centers or acquisitions with greater potential for capital appreciation. Our core portfolio consists primarily of neighborhood and community shopping centers, which are generally dominant centers in high barrier-to-entry markets. The anchors at these centers typically pay market or below-market rents and have low rent-to-sales ratios, which are, on average, less than 5%. Furthermore, supermarket and necessity-based retailers anchor the majority of our core portfolio. These attributes enable our properties to better withstand a weakening economy while also creating opportunities to increase rental income.

During 2006 and 2005 we sold six non-core properties and redeployed the capital to acquire five retail properties as further discussed in ASSET SALES and CAPITAL/ASSET RECYCLING in this Item 1 of Form 10-K.

PROPERTY ACQUISITIONS

RCP Venture

In June 2006, the RCP Venture made its second major investment with its participation in the acquisition of Albertsons. The total price paid by the investment consortium, which included Cerberus, Schottenstein and Kimco Realty, to Albertsons for the portfolio was $1.9 billion which was funded with $0.3 billion of equity and $1.6 billion of financing. Albertsons was the nation s 2nd largest grocery and drug chain which operated over 2,500 stores in 37 states. Albertsons divided its assets into three independent components and for a total price of $17.4 billion, sold 1,124 stores to Supervalu, 700 stores to CVS and 699 stores along with 26 Cub Food stores to the investment consortium. Supervalu and CVS are the investment consortium s strategic operating partners and, as such, are part of the purchasing group, but fund, own, and operate their respective portions of the portfolio independently. As with the Mervyns investment (see below), we anticipate investing in Albertsons add-on real estate opportunities. During the third quarter of 2006, additional investments of $1.0 million were made in, the Camellia Center and Newkirk portfolio. Camellia Center is an Albertsons-anchored center located in Sacramento, California and Newkirk is a portfolio of 50 properties currently leased to Albertsons. As of December 31, 2006, our total invested capital in Albertsons and add-on investments amounted to $23.1 million, of which the Operating Partnership s share was $4.6 million.

We also invested $1.1 million in Shopko, a regional multi-department retailer with 358 stores located throughout the Midwest, Mountain and Pacific Northwest and $0.7 million in Marsh, a regional supermarket chain operating 271 stores in central Indiana, Illinois and western Ohio. The Operating Partnership s share of these investments totaled $0.4 million.

In September 2004, we made our first RCP Venture investment with our participation in the acquisition of Mervyn s. Through affiliates of Fund I and Fund II, which were separately organized, newly formed limited liability companies on a non-recourse basis, we invested in the acquisition of Mervyn s through the RCP Venture, which, as part of an investment consortium of Sun Capital and Cerberus, acquired Mervyn s from Target Corporation. The total acquisition price was approximately $1.2 billion subject to debt of approximately $800.0 million. Our share of equity invested aggregated $24.6 million on a non-recourse basis and was divided equally between affiliates of Funds I and II. The Operating Partnership s share was $5.2 million.

As of the date of acquisition, Mervyn s was a 257-store discount retailer with a very strong West Coast concentration. During 2005, the consortium sold a portion of the portfolio as well as refinanced existing mortgage debt and distributed cash to the investors, of which a total of $42.7 million was distributed to us of which the Operating Partnership s share amounted to $10.2 million. In February of 2006, the consortium distributed additional cash of which a total of $1.4 million was distributed to us of which $0.4 million was the Operating Partnership s share.

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On February 26, 2007 we, through our RCP Venture, received a cash distribution totaling approximately $42.5 million from our ownership position in Albertsons. The Operating Partnership s share of this distribution amounted to approximately $8.5 million. The distribution resulted from cash proceeds obtained by Albertsons in connection with its disposition of certain operating stores and a refinancing of the remaining assets held in the entity.

New York Urban/Infill Redevelopment Initiative

The Center at Albee Square On February 23, 2007, Acadia-P/A and Paul Travis of Washington Square Partners (collectively, Acadia P/A Travis), entered into an agreement for the purchase of the leasehold interest in The Gallery at Fulton Street and adjacent parking garage in Downtown Brooklyn, NY for $120.0 million. The fee position in the property is owned by the City of New York and the agreement includes an option to purchase this fee position at a later date. Plans for the property include the demolition of the existing improvements and the development of a 1.6 million square foot mixed-use complex. This transaction is subject to approval by the Mayor of the City of New York. There are no assurances that the approval will be granted.

Liberty Avenue On December 20, 2005, Acadia-P/A acquired the remaining 40-year term of a leasehold interest in land located at Liberty Avenue and 98th Street in Queens (Ozone Park). Development of this project is substantially complete and includes approximately 30,000 square feet of retail anchored by a CVS drug store, which is open and operating. The project also includes a 95,000 square foot self-storage facility which is open and currently operated by Storage Post. Storage Post is a partner in the self-storage complex, and is anticipated to be a partner in future retail projects in New York City where self storage will be a potential component of the redevelopment. The total cost of the redevelopment is expected to be approximately $15 million.

216th Street On December 1, 2005, Acadia-P/A acquired a 65,000 square foot parking garage located at 10th Avenue and 216th Street in the Inwood section of Manhattan for $7.0 million. Construction is underway for a 60,000 square foot office building to relocate an agency of the City of New York, which is a current tenant at another of our Urban/Infill Redevelopment projects. Inclusive of acquisition costs, total costs for the project, which also includes a 100-space rooftop parking deck, are anticipated to be approximately $25 million.

161st Street - On August 5, 2005, Acadia-P/A purchased 244-268 161st Street located in the Bronx for $49.3 million, inclusive of closing costs. The ultimate redevelopment plan for the property, a 100% occupied, 10-story office building, is to reconfigure the property so that approximately 50% of the income from the building will eventually be derived from retail tenants. Additional redevelopment costs are anticipated to be approximately $16 million.

4650 Broadway - On April 6, 2005, Acadia-P/A acquired 4650 Broadway located in the Washington Heights/Inwood section of Manhattan. The property, a 140,000 square foot building, which is currently occupied by an agency of the City of New York and a commercial parking garage, was acquired for a purchase price of $25.0 million. Following the relocation of the office tenant to our 216th St. redevelopment during 2007 as discussed above, we plan to commence redevelopment of the site to include retail, commercial and residential components totaling over 285,000 square feet. Expected costs to complete the retail and commercial component of the project are estimated at $30.0 million before any potential sale of the residential air rights. In lieu of directly developing the potential residential portion of the project, the rights to this component may be sold while retaining ownership of the other portions of the project.

Pelham Manor On October 1, 2004, Acadia-P/A entered into a 95-year, inclusive of extension options, ground lease to redevelop a 16-acre site in Pelham Manor, Westchester County, New York. We have commenced demolition of the existing industrial and warehouse buildings, and will be replacing them with a multi-anchor community retail center at a total estimated cost of $40 million.

Fordham Road On September 29, 2004, Acadia-P/A purchased 400 East Fordham Road, Bronx, New York. Sears, a former tenant that operated on four levels at this property, has signed a new lease to occupy only the concourse level after redevelopment. We have commenced redevelopment at this site which is expected to include four levels of retail and office space totaling 276,000 square feet when completed. The total cost of the project, including the acquisition cost of $30 million, is expected to be $115 million.

In addition to the above New York Urban/Infill projects, through Fund II we also acquired the following:

During November 2005, we acquired a ground lease interest in a 112,000 square foot building occupied by Neiman Marcus. The property is located at Oakbrook Center, a super-regional Class A mall located in the Chicago Metro area.

The ground lease was acquired for $6.9 million, including closing and other acquisition costs.

During July 2005, we acquired for $1.0 million, a 50% equity interest from its partner in the RCP Venture in the entity which has a leasehold interest in a former Levitz Furniture store located in Rockville, Maryland.

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Fund I

To date, through Fund I we have purchased a total of 35 assets totaling approximately 3.0 million square feet. During January 2006, we recapitalized the Brandywine Portfolio, representing two assets totaling approximately 1.0 million square feet, through a merger of interests with GDC as discussed further in BUSINESS OBJECTIVES AND STRATEGIES in this Item 1 of Form 10-K. Following the recapitalization of the Brandywine Portfolio, there are 33 assets comprising 2.0 million square feet remaining in Fund I, (in which the Operating Partnership s interest in cash flow and income has increased from 22.2% to 37.8% as a result of the Promote) as follows:

Shopping Center	Location	Year acquired	GLA
New York Region			
New York			
Tarrytown Center	Westchester	2004	35,291
Mid-Atlantic Region			
South Carolina			
Hitchcock Plaza	Aiken	2004	232,383
Pine Log Plaza	Aiken	2004	35,064
Virginia			
Haygood Shopping Center	Virginia Beach	2004	178,335
Midwest Region			
Ohio			
Amherst Marketplace	Cleveland	2002	79,945
Granville Centre	Columbus	2002	134,997
Sheffield Crossing	Cleveland	2002	112,534
Michigan			
Sterling Heights Shopping Center	Detroit	2004	154,835
Various Regions			
Kroger/Safeway Portfolio	Various	2003	1,018,100
Total			1,981,484

In November 2006, we acquired the remaining 50% interest from its unaffiliated partner in the Tarrytown Center for $3.5 million.

During February 2006, we finalized an agreement with its unaffiliated partner in the Hitchcock and Pine Log Plazas whereby we converted our common equity interest in the properties to a preferred equity position with a 15% preferred return payable currently and a 20% profit interest after all invested capital and preferred returns are paid. In connection with this agreement, our partner assumed all operational, redevelopment and leasing responsibilities

Other Investments

In March of 2005, we invested $20 million in a preferred equity position (Preferred Equity) in Levitz SL, L.L.C. (Levitz SL), the owner of fee and leasehold interests in 30 locations (the Levitz Properties), totaling 2.5 million square feet, of which the majority are currently leased to Levitz Furniture Stores. In October 2005, Levitz Furniture filed for bankruptcy under Chapter 11. Klaff is a managing member of Levitz SL. The Preferred Equity investment received a return of 10%, plus a minimum return of capital of $2.0 million per annum. During March 2006, the rate of return was reset to the six-month LIBOR plus 644 basis points or 11.5%.

On June 1, 2006, we converted the Preferred Equity Investment to a first mortgage loan and advanced additional proceeds bringing the total outstanding amount to $31.3 million. The loan has a maturity date of May 31, 2008 and bears interest at a rate of 10.5%. The loan was secured by fee and leasehold mortgages as well as a pledge of the entities owning 19 of the above remaining locations totaling 1.8 million square feet. During the third quarter of 2006, Levitz SL sold one of the Levitz Properties located in Northridge, California and used $20.4 million of the proceeds to pay down the loan. As of December 31, 2006, the loan balance amounted to $10.9 million. Although Levitz Furniture is currently operating under Chapter 11 bankruptcy protection, we believe the underlying value of the real estate is sufficient to recover the principal and interest due under the mortgage.

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ASSET SALES AND CAPITAL/ASSET RECYCLING

We periodically identify certain properties for disposition and redeploy the capital to existing centers or acquisitions with greater potential for capital appreciation. Since January 1, 2004, we have sold the following assets:

Shopping Center	Location	Date sold	GLA	Sales price (dollars in thousands)
Soundview Marketplace	Long Island, New York	December 2006	183,815	$ 24,000
Bradford Towne Centre	Northeast Pennsylvania	November 2006	257,123	16,000
Greenridge Plaza	Northeast Pennsylvania	November 2006	191,767	10,600
Pittston Plaza	Northeast Pennsylvania	November 2006	79,498	6,000
Luzerne Street Shopping Center	Northeast Pennsylvania	November 2006	58,035	3,600
Berlin Shopping Center	Central New Jersey	July 2005	188,688	4,000
East End Centre	Northeast Pennsylvania	November 2004	305,858	12,400
Total			1,264,784	$ 76,600

Proceeds from these sales in part have been used to fund the following acquisitions:

In September 2006, we purchased 2914 Third Avenue in the Bronx, New York for $18.5 million. The 41,305 square foot property is 100% leased and is located in a densely populated, high barrier-to-entry, infill area.

In June 2006, we purchased 8400 and 8625 Germantown Road in Philadelphia, Pennsylvania for $16.0 million. Tenants at these Main Street locations include Borders bookstore, Talbot s and Limited Express.

During January 2006, we closed on a 20,000 square foot retail building in the Lincoln Park district in Chicago. The property was acquired from an affiliate of Klaff for $9.9 million. Tenants include Starbucks, Nine West, Vitamin Shoppe and Cold Stone Creamery.

Also during January 2006, we acquired a 60% interest in the A&P Shopping Plaza located in Boonton, New Jersey. The property, which is 100% occupied and located in northeastern New Jersey, is a 63,000 square foot shopping center anchored by a 49,000 square foot A&P Supermarket. The remaining 40% interest is owned by a principal of P/A. The interest was acquired for $3.2 million.

During July 2005 we purchased 4343 Amboy Road located in Staten Island, New York for $16.6 million in cash and $0.2 million in Common OP Units. The property, a 60,000 square foot neighborhood shopping center, is anchored by a Waldbaum s supermarket and a Duane Reade drug store, and is subject to a 23-year ground lease.

PROPERTY REDEVELOPMENT AND EXPANSION

Our redevelopment program focuses on selecting well-located neighborhood and community shopping centers and creating significant value through re-tenanting and property redevelopment.

During 2006, we commenced the redevelopment and re-tenanting of the Bloomfield Town Square, located in Bloomfield Hills, Michigan. A former out-parcel building was demolished and replaced with a 17,500 square foot building now occupied by Drexel Heritage and Panera Bread. The new tenants opened and commenced paying rent during the third and fourth quarters of 2006, respectively, and are paying a combined base rent at a 127% increase over that of the former tenant. In addition, the Company has leased approximately 26,000 square feet to Circuit City, which is anticipated to open and commence paying rent in the fourth quarter of 2007 at a 79% increase over that of the former tenants. Total costs for this project are expected to be $3.3 million.

During 2004, we completed the redevelopment of the New Loudon Center, located in Latham, New York. A new anchor, The Bon Ton Department Store, opened for business during the fourth quarter of 2003 as part of the redevelopment of this shopping center. Occupying 66,000 square feet formerly occupied by an Ames department store, Bon Ton is paying base rent at a 15% increase over that of Ames. During 2004, Marshall s, an existing tenant at the center, expanded its current 26,000 square foot store to 37,000 square feet. We also installed a new 49,000 square foot Raymour and Flanigan Furniture store at this center during 2004. This community shopping center is now 100% occupied. Costs incurred for this project totaled $0.4 million.

We also completed the redevelopment and re-anchoring of the Town Line Plaza, located in Rocky Hill, Connecticut during 2004. The former building, occupied by GU Markets, was demolished and replaced with a 66,000 square foot Super Stop & Shop. The new supermarket anchor is paying gross rent at a 33% increase over that of the former tenant with no interruption in rent payments. Costs for this project totaled $1.7 million.

COMPETITION

There are numerous entities that compete with us in seeking properties for acquisition and tenants who will lease space in our properties. Our competitors include other REIT s, 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), services provided, and the design and condition of the improvements.

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FINANCIAL INFORMATION ABOUT MARKET SEGMENTS

We have two reportable segments: retail properties and multi-family properties. The accounting policies of the segments are the same as those described in the notes to the consolidated financial statements appearing in Item 8 of this Annual Report on Form 10-K. We evaluate property performance primarily based on net operating income before depreciation, amortization and certain non-recurring items. The reportable segments are managed separately due to the differing nature of the leases and property operations associated with retail versus residential tenants. We do not have any foreign operations. See Note 3 to our consolidated financial statements included in Item 8 of this Annual Report on Form 10-K for certain information regarding each of our segments.

CORPORATE HEADQUARTERS AND EMPLOYEES

Our executive offices are located at 1311 Mamaroneck Avenue, Suite 260, White Plains, New York 10605, and our telephone number is (914) 288-8100. We have 130 employees, of which 105 are located at our executive office, six at the Pennsylvania regional office and the remaining property management personnel are located on-site at our properties.

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 free of charge 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 free of charge upon request.

CODE OF ETHICS AND WHISTLEBLOWER POLICIES

The Board of Trustees adopted a Code of Ethics for Senior Financial Officers that applies to our Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer, Controller, Director of Financial Reporting, Director of Taxation and Assistant Controllers. The Board also 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.

ITEM 1A. RISK FACTORS:

If any of the following risks actually occur, our business, results of operations and financial condition would likely suffer. This section includes or refers to certain forward-looking statements. Refer to the explanation of the qualifications and limitations on such forward-looking statements discussed in the beginning of this Form 10-K.

We rely on revenues derived from major tenants.

We derive significant revenues from certain anchor tenants that occupy space in more than one center. We could be adversely affected in the event of the bankruptcy or insolvency of, or a downturn in the business of, any of our major tenants, or in the event that any such tenant does not renew its leases as they expire or renews at lower rental rates. Vacated anchor space not only would reduce rental revenues if not re-tenanted at the same rental rates but also could adversely affect the entire shopping center because of the loss of the departed anchor tenant s customer drawing power. Loss of customer drawing power also can 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, or the departure of an anchor tenant that owns its own property. In addition, in the event that certain major tenants cease to occupy a property, such an action may result in a significant number of other tenants having the 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.

Tenants may seek the protection of the bankruptcy laws, which could result in the rejection and termination of their leases and thereby cause a reduction in the cash flow available for distribution by us. Such reduction could be material if a major tenant files bankruptcy. See the risk factor titled, The bankruptcy of, or a downturn in the business of, any of our major tenants may adversely affect our cash flows and property values below.

Limited control over joint venture investments.

Our joint venture investments may involve risks not otherwise present for investments made solely by us, including the possibility that our joint venture partner might have different interests or goals than we do. Other risks of joint venture investments include impasse on decisions, such as a sale, because neither we nor a joint venture partner would have full control over the joint venture. Also, there is no limitation under our organizational documents as to the amount of funds that may be invested in joint ventures.

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 among other risks, human capital issues, adequate supply of product and material, and merchandising issues.

During 2006 and 2005, our joint ventures provided Promote income. There can be no assurance that the joint ventures will continue to operate profitably and thus provide additional Promote income in the future.

Under the terms of our Fund II joint venture, we are required to first offer to Fund II all of our opportunities to acquire retail shopping centers. Only if (i) our joint venture partner elects not to approve Fund II s pursuit of an acquisition opportunity; (ii) the ownership of the acquisition opportunity by Fund II would create a material conflict of interest for us; (iii) we require the acquisition opportunity for a like-kind exchange; or (iv) the consideration payable for the acquisition opportunity is our Common Shares, OP Units or other securities, may we pursue the opportunity directly. As a result, we may not be able to make attractive acquisitions directly and may only receive a minority interest in such acquisitions through Fund II.

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 gain attributable to the difference 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, there can be no assurance that the Operating Partnership will not acquire properties in the future subject to material restrictions designed to minimize the adverse tax consequences to the limited partners who contribute such properties. Such restrictions could result in significantly reduced flexibility to manage our assets.

There are risks relating to investments in real estate.

Real property investments are subject to varying degrees of risk. 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 for real estate in an area), the quality and philosophy of management, competition from other available space, the ability of the owner to provide adequate maintenance and insurance and to control variable operating costs. Shopping centers, in particular, may be affected by changing perceptions of retailers or shoppers regarding the safety, convenience and attractiveness of the shopping center and by the overall climate for the retail industry generally. 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 a significant number of our tenants were unable to meet their obligations, or if we were unable to lease on economically favorable terms a significant amount of space in our properties. In the event of default by a tenant, we may experience delays in enforcing, and 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 when circumstances cause a reduction in income from the investment.

The bankruptcy of, or a downturn in the business of, any of our major tenants may adversely affect our cash flows 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 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 the center.

Certain of our tenants have experienced financial difficulties and have filed for bankruptcy under Chapter 11 of the United States Bankruptcy Code (Chapter 11 Bankruptcy). Pursuant to bankruptcy law, tenants have the right to reject their leases. In the event the 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 plan of reorganization and the availability of funds to pay its creditors.

Since January 1, 2003, there have been two significant tenant bankruptcies within our portfolio:

On May 30, 2003, The Penn Traffic Company (Penn Traffic) filed for protection under Chapter 11 Bankruptcy. Penn Traffic operated in one location in our wholly-owned portfolio in 52,000 square feet. Rental revenues from this tenant at this location were $0.3 million, $0.4 million and $0.5 million for the years ended December 31, 2006, 2005 and 2004, respectively. As of November 3, 2006 we sold this property. Penn Traffic also operated in a location occupying 55,000 square feet at a property in which we, through Fund I, hold a 22.2% ownership interest. Penn Traffic rejected the lease at this location on February 20, 2004. Our pro-rata share of rental revenues from the tenant at this location was $0.02 million for the year ended December 31, 2004.

On January 14, 2004, KB Toys (KB) filed for protection under Chapter 11 Bankruptcy. KB operated in five locations in our wholly-owned portfolio totaling approximately 41,000 square feet. Rental revenues from KB at these locations aggregated $0.3 million, $ 0.3 million and $0.8 million for the years ended December 31, 2006, 2005 and 2004, respectively. KB rejected the lease at three of these locations and continues to operate in two of our wholly-owned locations but has neither assumed nor rejected these two leases. KB also operated in a location occupying 20,000 square feet at a property in which we hold a 22.2% ownership interest. KB rejected the lease at this location during 2004 and our pro-rata share of rental revenues at this location were $0.04 million for the year ended December 31, 2004.

We could be adversely affected by poor market conditions where properties are geographically concentrated.

Our performance depends on the economic conditions in markets in which our properties are concentrated. We have significant exposure to the New York region, from which we derive 33% of the annual base rents within our wholly-owned portfolio. Our operating results could be adversely affected if market conditions, such as an oversupply of space or a reduction in demand for real estate, in this area become more competitive relative to other geographic areas.

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 will be limited. 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. We could change our investment, disposition and financing policies without a vote of our shareholders.

Market interest rates could have an adverse effect on our share price.

One of the factors that may influence the trading price of our Common Shares is the annual dividend rate on our Common Shares as a percentage of its market price. An increase in market interest rates may lead purchasers of our Common Shares to seek a higher annual dividend rate, which could adversely affect the market price of our Common

Shares and our ability to raise additional equity in the public markets.

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We could become highly leveraged, resulting in increased risk of default on our obligations and in an increase in debt service requirements which could adversely affect our financial condition and results of operations and our ability to pay distributions.

We have incurred, and expect to continue to incur, indebtedness in furtherance of our activities. Neither our Declaration of Trust nor 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 risk of default on our obligations and in an increase in debt service requirements which could adversely affect our financial condition and results of operations and our ability to make distributions.

Our loan agreements contain customary representations, covenants and events of default. Certain loan agreements require us to comply with certain affirmative and negative covenants, including the maintenance of certain debt service coverage and leverage ratios.

Interest expense on our variable debt as of December 31, 2006 would increase by $0.9 million annually for a 100 basis point increase in interest rates. 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.

We enter into interest-rate hedging transactions, including interest rate swaps and cap agreements, with counterparties. There can be no guarantee that the financial condition of these counterparties will enable them to fulfill their obligations under these agreements.

We may not be able to renew current leases and 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 rent receipts. 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 Annual Report on Form 10-K for additional information as to the scheduled lease expirations in our portfolio.

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, would reduce our revenues and 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, as of the date of this prospectus supplement, we are 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 or results of operations.

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 REIT s, financial institutions, insurance companies, pension funds, private companies and individuals. This competition may result in a higher cost for properties that we wish to purchase. In addition, retailers at our properties face increasing competition from outlet malls, discount shopping clubs, internet commerce, direct mail and telemarketing, which could (i) reduce rents payable to us; (ii) reduce our ability to attract and retain tenants at our properties; and (iii) lead to increased vacancy rates at our properties.

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

We have pursued extensive growth opportunities. This expansion has placed 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 its 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 and to finance such acquisitions. In addition, 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 acquired properties or otherwise be able to maintain our historic rate of growth.

Our inability to carry out our growth strategy could adversely affect our financial condition and results of operations.

Our earnings growth strategy is based on the acquisition and development of additional properties, including acquisitions through co-investment programs such as joint ventures. In the context of our business plan, development generally means an expansion or renovation of an existing property. 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, 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. Redevelopment is subject to numerous risks, including risks of construction delays, cost overruns or force majeure that may increase project costs, new project commencement risks such as the receipt of zoning, occupancy and other required governmental approvals and permits, and the incurrence of development costs in connection with projects that are not pursued to completion.

A component of our growth strategy is through private-equity type investments made through our RCP Venture. These include investments in operating retailers. The inability of the retailers to operate profitably would have an adverse impact on income realized from these investments.

Our board of trustees may change our investment policy without shareholder approval.

Our board of trustees will determine our investment and financing policies, 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, our shareholders control over changes in our strategies and policies is limited to the election of trustees, and changes made by our board of trustees may not serve the interests of all of our shareholders and could adversely affect our financial condition or results of operations, including our ability to distribute cash to shareholders or qualify as a REIT.

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 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 are 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 REIT s are more complex than those applicable to corporations. The determination of various factual matters and circumstances not entirely within our control may affect our ability to continue to qualify as a REIT. In addition, no assurance can be given that legislation, regulations, administrative interpretations or court decisions will not significantly change the requirements for qualification as a REIT or the federal income tax consequences of such qualification. If we do not qualify as a REIT, we would not be allowed a deduction for distributions to shareholders in computing our net taxable income. In addition, our income would be subject to tax at the regular corporate rates. We also 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 the shareholders, to revoke the REIT election or to otherwise take action that would result in disqualification.

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 that 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 reduce exposure to federal income and nondeductible excise taxes. Differences in timing between the receipt of income and the payment of expenses in determining our income and the effect of required debt amortization payments 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.

Uninsured losses or a loss in excess of insured limits could adversely affect our financial condition.

We carry comprehensive liability, fire, extended coverage and rent loss insurance on most of 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 generally do not maintain rent loss 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 would adversely affect our financial condition.

Limits on ownership of our capital shares.

For the Company to qualify as a REIT for federal income tax purposes, among other requirements, not more than 50% of the value of our capital shares may be owned, directly or indirectly, by five or fewer individuals (as defined in the Internal Revenue Code to include certain entities) during the last half of each taxable year after 1993, and such capital shares 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 capital shares and ownership limits that are intended to assist us in satisfying these limitations. These restrictions and limits may not be adequate in all cases, however, to prevent the transfer of our capital shares in violation of the ownership limitations. The ownership limit discussed above may have the effect of delaying, deferring or preventing someone from taking control of us.

Actual or constructive ownership of our capital shares 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 lesser of (i) the price stipulated in the challenged transaction; and (ii) 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.

Adverse 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 failing to continue to qualify as a REIT. At any time, the federal income tax laws governing REIT s or the administrative interpretations of those laws may be amended. Any of those new laws or interpretations may take effect retroactively and could adversely affect us or our shareholders. Recently enacted legislation reduces tax rates applicable to certain corporate dividends paid to most domestic noncorporate shareholders. REIT dividends generally are not eligible for reduced rates because a REIT s income generally is not subject to corporate level tax. As a result, investment in non-REIT corporations may be viewed as relatively more attractive than investment in REIT s by domestic noncorporate investors. This could adversely affect the market price of the Company s shares.

Concentration of ownership by certain investors.

Six shareholders own 5% or more individually, and 42.7% in the aggregate, of our Common Shares. A significant concentration of ownership may allow an investor 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.

Our Board of Trustees is authorized by our Declaration of Trust to establish and issue one or more series of preferred shares without shareholder approval. We have not established any series of preferred shares. However, the establishment and issuance of a series of preferred shares could make more difficult a change of control of us that could be in the best interest of the shareholders.

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In addition, we have entered into an employment agreement with our Chief Executive Officer and severance agreements are in place with our senior vice presidents 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), those 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 our best interest.

The loss of a key executive officer could have an adverse effect on us.

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 results of operations. Although we have entered into an employment agreement with Mr. Kenneth F. Bernstein, the loss of his services could have an adverse effect on our operations.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES:

SHOPPING CENTER PROPERTIES

The discussion and tables in this Item 2 include properties held through consolidated and unconsolidated joint ventures in which we own a partial interest (Consolidated Joint Venture Portfolio and Unconsolidated Joint Venture Portfolio , respectively). Except where noted, it does not include our partial interest in 25 anchor-only leases with Kroger and Safeway supermarkets. These are detailed separately within this Item 2 as the majority of these properties are free-standing and all are triple-net leases.

As of December 31, 2006, we owned and operated 47 shopping centers as part of our wholly-owned portfolio and Consolidated and Unconsolidated Joint Venture Portfolios, which included a mixed-use property (retail and residential), and twelve properties under redevelopment. Our shopping centers, which total approximately 8.4 million square feet of gross leaseable area (GLA), are located in 14 states and are generally well-established, anchored community and neighborhood shopping centers. The operating properties are diverse in size, ranging from approximately 15,000 to 815,000 square feet with an average size of 116,000 square feet. As of December 31, 2006, our wholly-owned portfolio and the Consolidated and Unconsolidated Joint Venture Portfolios (excluding properties under redevelopment) were 94.0% and 95.1% occupied, respectively. Our shopping centers are typically anchored by supermarkets or value-oriented retail.

We had approximately 656 leases as of December 31, 2006. A majority of our rental revenues were from national tenants. A majority of the income from the properties consists of rent received under long-term leases. Most of these leases provide for the payment of fixed minimum rent monthly in advance and for the payment by tenants of a pro-rata share of the real estate taxes, insurance, utilities and common area maintenance of the shopping centers. Minimum rents and expense reimbursements accounted for approximately 82% of our total revenues for the year ended December 31, 2006.

As of December 31, 2006, approximately 43% of our existing leases also provided for the payment of percentage rents either in addition to, or in place of, minimum rents. These arrangements generally provide for payment to us of a certain percentage of a tenant s gross sales in excess of a stipulated annual amount. Percentage rents accounted for approximately 1% of the total 2006 revenues of the Company.

Seven of our shopping center 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 at seven locations and are responsible for all costs and expenses associated with the building and improvements at all seven locations.

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No individual property contributed in excess of 10% of our total revenues for the years ended December 31, 2006, 2005 and 2004. Reference is made to our consolidated financial statements in Item 8 of this Annual Report on form 10-K for information on the mortgage debt pertaining to our properties. The following sets forth more specific information with respect to each of our shopping centers at December 31, 2006:

WHOLLY-OWNED PROPERTIES

Shopping Center	Location	Year Constructed (C) Acquired(A)	Ownership Interest	GLA	Occupancy (1)% 12/31/06	Anchor Tenants Current Lease Expiration/ Lease Option Expiration
NEW YORK REGION						
Connecticut						
239 Greenwich Avenue	Greenwich	1998(A)	Fee	16,834(3)	100%	Restoration Hardware 2015/2025 Coach 2016/2021
New York						
Village Commons Shopping Center	Smithtown	1998(A)	Fee	87,169	86%	Daffy s 2008/2028
Branch Shopping Plaza	Smithtown	1998(A)	LI (4)	125,751	100%	Waldbaum s 2013/2028 CVS 2010/
Pacesetter Park Shopping Center	Pomona	1999(A)	Fee	96,698	98%	Stop & Shop 2020/2040
Amboy Road	Staten Island	2005(A)	LI (4)	60,090	98%	Waldbaum s 2028/ Duane Reade 2008/2018
Bartow Avenue	Bronx	2005(C)	Fee	14,694	51%	Sleepy s 2009/2014
2914 Third Avenue	Bronx	2006(A)	Fee	43,500	100%	Dr. J s 2021/
New Jersey						
Elmwood Park Shopping Center	Elmwood Park	1998(A)	Fee	149,085	100%	Pathmark 2017/2052 Walgreen s 2022/2062
Boonton Shopping Center	Boonton	2006(A)	Fee	62,908	98%	A&P 2024
NEW ENGLAND REGION						
Connecticut						
Town Line Plaza	Rocky Hill	1998(A)	Fee	206,356(2)	100%	Stop & Shop 2023/2063 Wal-Mart(2)
Massachusetts						
Methuen Shopping Center	Methuen	1998(A)	LI/Fee (4)	130,021	97%	DeMoulas Market 2015/2020 Wal-Mart 2011/2051
Crescent Plaza	Brockton	1984(A)	Fee	218,141	99%	Shaw s 2012/2042 Home Depot 2021/2056

New York						
New Loudon Center	Latham	1982(A)	Fee	255,826	100%	Price Chopper 2015/2035 Marshall s 2014/2029 Bon Ton 2014/2034 Raymour and Flanigan 2019/2034
Rhode Island						
Walnut Hill Plaza	Woonsocket	1998(A)	Fee	285,418	98%	Shaw s 2013/2043 Sears 2008/2033
Vermont						
The Gateway Shopping Center	South Burlington	1999(A)	Fee	101,784	96%	Shaw s 2024/2053

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Shopping Center	Location	Year Constructed (C) Acquired(A)	Ownership Interest	GLA	Occupancy (1)% 12/31/06	Anchor Tenants Current Lease Expiration/ Lease Option Expiration
MIDWEST REGION						
Illinois						
Hobson West Plaza	Naperville	1998(A)	Fee	98,902	99%	Bobak s Market & Restaurant 2007/2032
Clark Diversey	Chicago	2006(A)	Fee	19,265	100%	Papyrus 2010/2015 Starbucks 2010/2015 Nine West 2009/ The Vitamin Shoppe 2014/2024
Indiana						
Merrillville Plaza	Merrillville	1998(A)	Fee	235,678	96%	TJ Maxx 2009/2014 JC Penney 2008/2018 Office Max 2008/2028
Michigan						
Bloomfield Town Square	Bloomfield Hills	1998(A)	Fee	232,366	87%	TJ Maxx 2009/ Marshalls 2011/2026 Home Goods 2010/2025
Ohio						
Mad River Station	Dayton	1999(A)	Fee	155,838(6)	79%	Babies R Us 2010/2020 Office Depot 2010/
MID-ATLANTIC REGION						
New Jersey						
Marketplace of Absecon	Absecon	1998(A)	Fee	105,097	95%	Acme 2015/2055 Eckerd Drug 2020/2040
Ledgewood Mall	Ledgewood	1983(A)	Fee	518,950	88%	Wal-Mart 2019/2049 Macy s 2010/2025 The Sport s Authority 2007/2037 Circuit City 2020/2040 Marshalls 2014/2034
Pennsylvania						
Abington Towne Center	Abington	1998(A)	Fee	216,355(5)	98%	TJ Maxx 2010/2020 Target (6)
Blackman Plaza	Wilkes-Barre	1968(C)	Fee	125,264	93%	Kmart 2009/2049
Mark Plaza	Edwardsville	1968(C)	LI/Fee (4)	216,401	97%	Redner s Markets 2018/2028 Kmart 2009/2049
Plaza 422	Lebanon	1972(C)	Fee	154,878	69%	Home Depot 2028/2058

Route 6 Mall	Honesdale	1994(C)	Fee	175,505	99%	Kmart 2020/2070
Chestnut Hill	Philadelphia	2006(A)	Fee	40,570	100%	Borders 2010/- Limited Express 2009/--
	Wholly-owned portfolio			4,149,344	94%	

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PROPERTIES HELD IN CONSOLIDATED JOINT VENTURES

Shopping Center	Location	Year Constructed (C) Acquired(A)	Ownership Interest	GLA	Occupancy (1)% 12/31/06	Anchor Tenants Current Lease Expiration/ Lease Option Expiration
NEW YORK REGION						
New York						
Tarrytown Shopping Center	Tarrytown	2004(A)	JV (9)	35,291	85%	Walgreen s 2080/--
MIDWEST REGION						
Illinois						
Oakbrook	Oakbrook	2005(A)	JV (4) (10)	112,000	100%	Neiman Marcus 2011/2029
Ohio						
Amherst Marketplace	Cleveland	2002(A)	JV (9)	79,945	100%	Giant Eagle 2021/2041 Riser Foods Company/Pharmacy 2012/2027
Granville Centre	Columbus	2002(A)	JV (9)	134,997	43%	Lifestyle Family Fitness 2017/2027
Sheffield Crossing	Cleveland	2002(A)	JV (9)	112,534	94%	Giant Eagle 2022/2042 Revco Drug 2012/2027
VARIOUS REGIONS						
Kroger/Safeway Portfolio	Various	2003(A)	JV (9)	1,018,100	100%	25 Kroger/Safeway Supermarkets 2009/2049
JV REDEVELOPMENTS						
New York						
400 E. Fordham Road	Bronx	2004(A)	JV (10)	117,355	100%	Sears 2021/2031
Pelham Manor Shopping Plaza	Westchester	2004(A)	JV (4)(10)	398,775	29%	
161st Street	Bronx	2005(A)	JV (10)	223,611	100%	City of New York 2027/2032
Sherman Avenue	New York	2005(A)	JV (10)	134,773	100%	
Liberty Avenue	New York	2005(A)	JV (4) (10)	(12)	(12)	
216th Street	New York	2005(A)	JV (10)	(12)	(12)	
		Consolidated Joint Venture		2,367,381	89%	

Portfolio

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PROPERTIES HELD IN UNCONSOLIDATED JOINT VENTURES

Shopping Center	Location	Year Constructed (C) Acquired(A)	Ownership Interest	GLA	Occupancy (1)% 12/31/06	Anchor Tenants Current Lease Expiration/ Lease Option Expiration
NEW YORK REGION						
New York						
Crossroads Shopping Center	White Plains	1998(A)	JV (7)	310,644	98%	Waldbaum s 2007/2032
						Kmart 2012/2022
						B. Dalton 2012/2017
						Modell s 2009/2019
MID-ATLANTIC REGION						
Delaware						
Brandywine Town Center	Wilmington	2003(A)	JV (11)	815,215	98%	Drexel Heritage 2016/2026
						Michaels 2011/2006
						Old Navy (The Gap) 2011/2016
						Petsmart 2017/2042
						Thomasville Furniture 2011/2021
						Access Group 2015/2025
						Bed, Bath & Beyond 2014/2029
						Dick s Sporting Goods 2013/2028
						Lowe s Home Centers 2018/2048
						Regal Cinemas 2017/2037
						Target 2018/2068
						Transunion Settlement 2013/2018
						The Bombay Company 2015/2025
						Lane Home Furnishings 2015/2030
						MJM Designer 2015/2035
Market Square Shopping Center	Wilmington	2003(A)	JV (11)	102,562	79%	Trader Joe s 2013/2028
						TJ Maxx 2006/2016
JV REDEVELOPMENTS						
Michigan						
Sterling Heights Shopping Center	Detroit	2004(A)	JV (9)	154,835	64%	Burlington Coat Factory 2024/--
Delaware						

Naamans Road	Wilmington	2006(C)	JV (11)	19,932	45%	Tweeters 2026/2046
South Carolina						
Hitchcock Plaza	Aiken	2004(A)	JV (9)	232,383	78%	Bed, Bath & Beyond 2008/2017 Club Fitness 2004/2014 Old Navy 2006/2021 Stein Mart 2006/2016 Ross Dress for Less 2006/2017 TJ Maxx 2006/2016
Pine Log Plaza	Aiken	2004(A)	JV (9)	35,064	82%	
Virginia						
Haygood Shopping Center	Virginia Beach	2004(A)	JV (9)	178,335	75%	Eckerd Drug 2009/-- Farm Fresh 2026/--
		Unconsolidated Joint Venture Portfolio		1,848,970	81%	

Notes:

(1) Does not include space leased for which rent has not yet commenced.

(2) Includes a 92,500 square foot Wal-Mart which is not owned us.

(3) In addition to the 16,834 square feet of retail GLA, this property also has 21 apartments comprising 14,434 square feet.

(4) We are a ground lessee under a long-term ground lease.

(5) Includes a 157,616 square foot Target Store that is not owned by the Company.

(6) The GLA for this property includes 28,205 square feet of office space.

(7) We have a 49% investment in this property.

(8) Does not include 50,000 square feet of new space in Phase II of the Brandywine Town Center, which will be paid for on an Earn-out basis only if, and when, it is leased.

(9) We have invested in this asset through Fund I.

(10) We have invested in this asset through Fund II.

(11) We have invested in this asset with Ginsburg Development Corp. (GDC).

(12) Under redevelopment.

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MAJOR TENANTS

No individual retail tenant accounted for more than 5.4% of minimum rents for the year ended December 31, 2006 or 8.8% of total leased GLA as of December 31, 2006. The following table sets forth certain information for the 20 largest retail tenants based upon minimum rents in place as of December 31, 2006. The table includes leases related to our partial interest in 25 anchor-only leases with Kroger and Safeway supermarkets. The amounts below include our pro-rata share of GLA and annualized base rent for our partial ownership interest in properties (GLA and rent in thousands):

				Percentage of Total Represented by Retail Tenant	
Retail Tenant	**Number of Stores in Portfolio**	**Total GLA**	**Annualized Base Rent (1)**	**Total Portfolio GLA (2)**	**Annualized Base Rent (2)**
Albertsons (Shaw s, Acme)	4	221	$ 3,013	4.2%	5.4%
A&P (Waldbaum s)	4	168	2,813	3.3%	5.0%
T.J. Maxx (T.J. Maxx, Marshalls, A.J. Wrights)	9	266	2,018	5.1%	3.6%
Sears (Sears, Kmart)	6	459	1,686	8.8%	3.0%
Wal-Mart	2	210	1,515	4.0%	2.7%
Ahold (Stop & Shop)	2	118	1,289	2.3%	2.3%
Home Depot	2	211	1,010	4.1%	1.8%
Pathmark	1	48	956	0.9%	1.7%
Price Chopper	1	77	804	1.5%	1.5%
Restoration Hardware	1	9	697	0.2%	1.2%
Kroger (3)	12	156	1,137	3.0%	2.0%
Safeway (4)	13	132	1,134	2.5%	2.0%
Federated (Macy s)	1	73	651	1.4%	1.2%
Sleepy s	5	36	621	0.7%	1.1%
JC Penney	1	50	495	1.0%	0.9%
CVS	4	33	527	0.6%	1.0%
Limited Brands Express	1	13	510	0.3%	0.9%
Payless Shoesource	9	28	509	0.5%	0.9%
Borders Books	1	19	482	0.4%	0.9%
Circuit City	1	33	450	0.6%	0.8%
Total	80	2,360	$ 22,317	45.4%	39.9%

Notes:

(1) Base rents do not include percentage rents (except where noted), additional rents for property expense reimbursements,

and contractual rent escalations due after December 31, 2006.

(2) Represents total GLA and annualized base rent for our retail properties including our pro-rata share of Joint Venture Properties.

(3) Kroger has sub-leased four of these locations to supermarket tenants, two locations to a non-supermarket tenant and ceased operations at one other location. Kroger is obligated to pay rent through the full term of these leases which expire in 2009.

(4) Safeway has sub-leased seven of these locations to supermarket tenants, one location to a non-supermarket tenant and ceased operations at one other location. Safeway is obligated to pay rent through the full term of all these leases which expire in 2009.

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LEASE EXPIRATIONS

The following table shows scheduled lease expirations for retail tenants in place as of December 31, 2006, assuming that none of the tenants exercise renewal options. Leases related to our joint venture properties are shown separately below before our pro-rata share of annual base rent and GLA (GLA and rent in thousands):

Wholly-Owned Portfolio:

		Annualized Base Rent (1)		GLA	
Leases maturing in	Number of Leases	Current Annual Rent	Percentage of Total	Square Feet	Percentage of Total
2007	75	4,082	9%	360	10%
2008	55	4,720	11%	321	9%
2009	66	4,934	11%	500	14%
2010	56	5,530	13%	484	13%
2011	38	2,675	6%	166	5%
2012	9	1,591	4%	166	5%
2013	13	2,206	5%	151	4%
2014	17	1,926	4%	216	6%
2015	14	3,362	8%	190	5%
2016	11	1,348	3%	65	2%
Thereafter	29	11,676	26%	1,024	27%
Total	383	$ 44,050	100%	3,643	100%

Consolidated and Unconsolidated Joint Venture Portfolios:

		Annualized Base Rent (1)		GLA	
Leases maturing in	Number of Leases	Current Annual Rent	Percentage of Total	Square Feet	Percentage of Total
2007	109	4,152	9%	396	11%
2008	25	3,110	7%	198	5%
2009	44	10,182	23%	1,150	32%
2010	11	767	2%	47	1%
2011	20	7,538	17%	422	12%
2012	6	697	2%	53	1%
2013	7	2,067	5%	117	3%
2014	13	2,270	5%	124	3%
2015	10	3,218	7%	166	5%
2016	3	514	1%	66	2%
Thereafter	25	9,844	22%	892	25%
Total	273	$ 44,359	100%	3,631	100%

Note:

(1) Base rents do not include percentage rents, additional rents for property expense reimbursements, nor contractual rent escalations due after December 31, 2006.

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GEOGRAPHIC CONCENTRATIONS

The following table summarizes our retail properties by region as of December 31, 2006. (GLA and rent in thousands):

Region	GLA (1)	Occupied % (2)	Annualized Base Rent (2)	Annualized Base Rent per Leased Square Foot	Percentage of Total Represented by Region GLA	Percentage of Total Represented by Region Annualized Base Rent
Wholly-Owned Portfolio:						
New York Region	657	96%	$ 14,512	$ 22.92	16%	33%
New England	1,197	98%	10,091	9.33	29%	23%
Midwest	742	90%	8,554	12.81	18%	19%
Mid-Atlantic	1,553	91%	10,892	8.64	37%	25%
Total Wholly-Owned Portfolio	4,149	94%	$ 44,049	$ 12.09	100%	100%
Consolidated and Unconsolidated Joint Venture Portfolios:						
Operating Properties						
Midwest (3)	439	81%	$ 3,481	$ 9.78	26%	14%
Mid-Atlantic (4)	918	96%	13,707	15.58	54%	57%
New York Region (5)	346	96%	6,923	20.79	20%	29%
Total Operating Properties	1,703	92%	24,111	15.37	100%	100%
Redevelopment Properties:						
Midwest (6)	155	64%	608	6.13	11%	5%
Mid-Atlantic (7)	466	76%	3,272	9.27	31%	27%
New York Region (8)	874	68%	8,355	14.10	58%	68%
Total Redevelopment Properties	1,495	70%	12,235	11.71	100%	100%
Total Joint Venture Portfolio	3,198	82%	$ 36,346	$ 13.91	100%	100%

Notes:

(1) Property GLA includes a total of 255,000

square feet which is not owned us. This square footage has been excluded for calculating annualized base rent per square foot.

(2) The above occupancy and rent amounts do not include space which is currently leased, but for which rent payment has not yet commenced.

(3) We have a 37.78% interest in Fund I which owns three properties and a 20% interest in Fund II which owns one property.

(4) Does not include 50,000 square feet of new space in Phase II of the Brandywine Town Center, which will be paid for by us on an earn-out basis only if, and when it is leased.

(5) We have a 49% interest in two partnerships which, together, own the

Crossroads Shopping Center and a 38% interest in Fund I which owns 100% of the Tarrytown Shopping Center.

(6) We have a 37.78% interest in Fund I which has a 50% interest in a property.

(7) We have a 22.22% interest in one property and a 38% interest in Fund I which has interests ranging from 20% to 50% in three properties.

(8) We have a 20% interest in Fund II which has a 96% interest in four properties.

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KROGER/SAFEWAY PORTFOLIO

In January of 2003, Fund I formed a joint venture (the Kroger/Safeway JV) with an affiliate of real estate developer and investor AmCap Incorporated (AmCap) for the purpose of acquiring a portfolio of twenty-five supermarket leases for $48.9 million inclusive of the closing and other related acquisition costs. The portfolio, which aggregates approximately 1.0 million square feet, consists of 25 anchor-only leases with Kroger (12 leases) and Safeway supermarkets (13 leases). The majority of the properties are free-standing and all are triple-net leases. The Kroger/Safeway JV acquired the portfolio subject to long-term ground leases with terms, including renewal options, averaging in excess of 80 years, which are master leased to a non-affiliated entity. The rental options for the supermarket leases at the end of their primary lease term in approximately three years (Primary Term) are at an average of $5.13 per square foot. Although there is no obligation for the Kroger/Safeway JV to pay ground rent during the Primary Term, to the extent it exercises an option to renew a ground lease for a property at the end of the Primary Term, it will be obligated to pay an average ground rent of $1.55 per square foot.

The following table sets forth more specific information with respect to the 25 supermarket leases:

Location	Tenant	Gross leasable area (GLA)	Current rent	Rent upon initial option commencement	Lease expiration year/ Last option expiration year
Great Bend, KS	Kroger Co. (1)	48,000	$ 3.33	$ 2.40	2009/2049
Cincinnati, OH	Kroger Co.	32,200	7.49	5.36	2009/2049
Conroe, TX	Kroger Co. (2)	75,000	6.44	4.60	2009/2049
Harahan, LA	Kroger Co. (2)	60,000	6.41	4.61	2009/2049
Indianapolis, IN	Kroger Co.	34,000	5.42	3.87	2009/2049
Irving, TX	Kroger Co.	43,900	6.05	4.32	2009/2049
Pratt, KS	Kroger Co. (1)	38,000	5.26	3.78	2009/2049
Roanoke, VA	Kroger Co.	36,700	12.06	8.62	2009/2049
Shreveport, LA	Kroger Co.	45,000	9.74	6.96	2009/2049
Wichita, KS	Kroger Co. (1)	50,000	10.40	7.48	2009/2049
Wichita, KS	Kroger Co. (1)	40,000	9.70	6.97	2009/2049
Atlanta, TX	Safeway (3)	31,000	6.79	3.98	2009/2049
Batesville, AR	Safeway (1)	29,000	9.74	5.72	2009/2049
Benton, AR	Safeway (1)	33,500	8.02	4.71	2009/2049
Carthage, TX		27,700	7.01	4.12	2009/2049

	Safeway				
	(1)				
	Safeway	36,000	11.22	6.58	2009/2049
Little Rock, AR	(1)				
Longview, WA	Safeway	48,700	7.64	4.48	2009/2049
	Safeway	30,200	7.08	4.15	2009/2049
Mustang, OK	(1)				
	Safeway	36,300	10.12	5.94	2009/2049
Roswell, NM	(2)				
	Safeway	38,600	10.17	5.97	2009/2049
Ruidoso, NM	(1)				
San Ramon, CA	Safeway	54,000	8.46	4.96	2009/2049
Springerville, AZ	Safeway	30,500	8.24	4.83	2009/2049
Tucson, AZ	Safeway	41,800	7.98	4.68	2009/2049
	Safeway	30,000	8.45	4.96	2009/2049
Tulsa, OK	(1)				
	Kroger	48,000	6.37	4.55	2009/2049
Cary, NC	Co. (3)				
	Total	1,018,100			

Notes:

(1) The tenant is obligated to pay rent pursuant to the lease and has sub-leased this location to a supermarket sub-tenant.

(2) The tenant is obligated to pay rent pursuant to the lease and has sub-leased this location to a non-supermarket sub-tenant.

(3) The tenant is currently not operating at this location although they continue to pay rent in accordance with the lease.

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MULTI-FAMILY PROPERTIES

We own two multi-family properties located in the Mid-Atlantic and Midwest regions. As of December 31, 2006, the properties had an average occupancy rate of 90%. The following sets forth more specific information with respect to each of our multi-family properties at December 31, 2006:

Multi-Family Property	Location	Year Acquired	Ownership Interest	Units	% Occupied
Missouri (1)					
Gate House, Holiday House, Tiger Village and Colony Apartments	Columbia	1998	Fee	874	92%
North Carolina					
Village Apartments	Winston Salem	1998	Fee	600	86%
Totals				1,474	90%

Notes:

(1) We own four contiguous residential complexes in Columbia, Missouri which, although owned in two separate entities, are managed as a single property and therefore reflected as such

ITEM 3. LEGAL PROCEEDINGS:

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

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS:

No matter was submitted to a vote of security holders through the solicitation of proxies or otherwise during the fourth quarter of 2006.

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PART II

ITEM 5. MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCK MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

(a) Market Information

The following table shows, for the period indicated, the high and low sales price for the Common Shares as reported on the New York Stock Exchange, and cash dividends paid during the two years ended December 31, 2006 and 2005:

Quarter Ended	High	Low	Dividend Per Share
2006			
March 31, 2006	$24.21	$19.79	$0.1850
June 30, 2006	23.94	19.51	0.1850
September 30, 2006	26.70	22.70	0.1850
December 31, 2006	27.13	23.81	0.2000
2005			
March 31, 2005	$16.76	$15.40	$0.1725
June 30, 2005	18.68	15.25	0.1725
September 30, 2005	20.13	17.38	0.1725
December 31, 2005	20.79	16.51	0.1850

At March 1, 2007, there were 348 holders of record of the Company s Common Shares.

(b) Dividends

We have determined that for 2006, 100% of the total dividends distributed to shareholders represented ordinary income. There was no unrecaptured section 1250 gain or nontaxable return of capital in 2006. Our cash flow is affected by a number of factors, including the revenues received from rental properties, our operating expenses, the interest expense on our borrowings, the ability of lessees to meet their obligations to us and unanticipated capital expenditures. Future dividends paid by us will be at the discretion of the Trustees and will depend on our actual cash flows, our financial condition, capital requirements, the annual distribution requirements under the REIT provisions of the Code and such other factors as the Trustees deem relevant.

(c) Issuer purchases of equity securities

We have an existing share repurchase program that authorizes management, at its discretion, to repurchase up to $20.0 million of our outstanding Common Shares. Through March 1, 2007, we had repurchased 2.1 million Common Shares at a total cost of $11.7 million. All of these Common Shares have been subsequently reissued. The program may be discontinued or extended at any time and there is no assurance that we will purchase the full amount authorized. There were no Common Shares repurchased by us during the fiscal year ended December 31, 2006.

(d) Securities authorized for issuance under equity compensation plans

The following table provides information related to our 1999 Share Incentive Plan (the 1999 Plan), 2003 Share Incentive Plan (the 2003 Plan) and the 2006 Share Incentive Plan (the 2006 Plan) as of December 31, 2006:

	Equity Compensation Plan Information		
	(a)	(b)	(c)
	Number of securities to be issued upon exercise	Weighted-average exercise price of	Number of securities remaining available for future issuance under

	of outstanding options, warrants and rights	outstanding options, warrants and rights	equity compensation plans (excluding securities reflected in column) (a)
Equity compensation plans approved by security holders	550,372	$ 10.01	729,097(1)
Equity compensation plans not approved by security holders			
Total	550,372	$ 10.01	729,097(1)

Notes:

(1) The 1999, 2003 and 2006 Plans authorize the issuance of options equal to up to a total of 12% of the total Common Shares outstanding from time to time on a fully diluted basis. The 2006 Plan authorizes the issuance of a maximum number of 500,000 Common Shares. However, not more than 4,000,000 of the Common Shares in the aggregate may be issued pursuant to the exercise of options and no participant may receive more than 5,000,000 Common Shares during the term of the 1999 and 2003 Plans. No participant may

receive more than 500,000 Common Shares during the term of the 2006 Plan.

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Remaining Common Shares available is as follows:

Outstanding Common Shares as of December 31, 2006	31,772,952
Outstanding OP Units as of December 31, 2006	642,272
Total Outstanding Common Shares and OP Units	32,415,224
12% of Common Shares pursuant to the 1999 and 2003 Plans	3,889,827
Common Shares pursuant to the 2006 Plan	500,000
Total Common Shares available under equity compensations plans	4,389,827
Less: Issuance of Restricted Shares Granted	(880,408)
Issuance of Options Granted	(2,780,322)
Number of Common Shares remaining available	729,097

(e) Share Price Performance Graph

The following graph compares the cumulative total shareholder return for our Common Shares for the period commencing December 31, 2001 through December 31, 2006 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, 2001, and assuming reinvestment of such dividends. The shareholder return as set forth in the table below is not necessarily indicative of future performance.

Comparison of 5 Year Cumulative Total Return among Acadia Realty Trust, the Russell 2000, the NAREIT and the SNL:

	Period Ending					
Index	**12/31/01**	**12/31/02**	**12/31/03**	**12/31/04**	**12/31/05**	**12/31/06**
Acadia Realty Trust	100.00	125.41	224.19	305.64	391.01	503.39
Russell 2000	100.00	79.52	117.09	138.55	144.86	171.47
NAREIT All Equity REIT Index	100.00	103.82	142.37	187.33	210.12	283.78
SNL Shopping Center REITS Index	100.00	115.58	163.87	222.64	242.95	327.02

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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 Form 10-K.

	Years ended December 31, (dollars in thousands, except per share amounts)				
	2006	**2005**	**2004**	**2003**	**2002**
OPERATING DATA:					
Revenues	$ 102,693	$ 100,806	$ 87,082	$ 82,791	$ 57,803
Operating expenses	46,101	41,642	36,135	34,530	26,677
Interest expense	22,451	18,804	16,687	15,573	8,679
Depreciation and amortization	26,637	25,905	22,781	23,672	12,441
Gain in sale of land			932	1,187	1,530
Equity in earnings of unconsolidated partnerships	2,559	21,280	513	985	542
Minority interest	5,223	(13,952)	(1,466)	(4,899)	(1,686)
Income tax benefit (expense)	508	(2,140)			
Income from continuing operations	15,794	19,643	11,458	6,289	10,392
Income from discontinued operations	23,219	983	8,127	1,564	9,007
Net income	$ 39,013	$ 20,626	$ 19,585	$ 7,853	$ 19,399
Basic earnings per share:					
Income from continuing operations	$ 0.49	$ 0.62	$ 0.39	$ 0.24	$ 0.41
Income from discontinued operations	0.71	0.03	0.28	0.06	0.36
Basic earnings per share	$ 1.20	$ 0.65	$ 0.67	$ 0.30	$ 0.77
Diluted earnings per share:					
Income from continuing operations	$ 0.48	$ 0.61	$ 0.38	$ 0.23	$ 0.41
Income from discontinued operations	0.70	0.03	0.27	0.06	0.35
Diluted earnings per share	$ 1.18	$ 0.64	$ 0.65	$ 0.29	$ 0.76
Weighted average number of Common Shares outstanding					
- basic	32,502	31,949	29,341	26,640	25,321
- diluted	33,153	32,214	29,912	27,232	25,806
Cash dividends declared per Common Share	$ 0.755	$ 0.7025	$ 0.6525	$ 0.595	$ 0.52
BALANCE SHEET DATA:					
Real estate before accumulated depreciation	$ 677,238	$ 709,906	$ 599,558	$ 541,892	$ 375,149
Total assets	851,692	841,591	636,731	556,278	442,034
Total mortgage indebtedness	347,402	386,600	271,571	277,817	173,074
Total convertible notes payable	100,000	24,400			
	8,673	9,204	6,893	7,875	22,745

Minority interest in Operating Partnership					
Minority interests in partially-owned affiliates	105,064	137,086	75,244	37,681	12,611
Total equity	241,119	220,576	216,924	169,734	161,323
OTHER:					
Funds from Operations (1)	$ 39,953	$ 35,842	$ 30,004	$ 27,664	$ 30,162
Cash flows provided by (used in):					
Operating activities	39,627	50,239	33,885	31,031	29,422
Investing activities	(58,890)	(135,470)	(72,860)	(76,552)	31,855
Financing activities	68,359	159,425	40,050	15,454	(50,215)

Notes:

(1) The Company considers funds from operations (FFO) as defined by the National Association of Real Estate Investment Trusts (NAREIT) to be an appropriate supplemental disclosure of operating performance for an equity REIT due to its widespread acceptance and use within the REIT and analyst communities. FFO is presented to assist investors in analyzing the performance of the Company. It is helpful as it excludes various items included in net income that are not indicative of the operating performance,

such as gains (losses) from sales of depreciated property and depreciation and amortization. However, the Company s method of calculating FFO may be different from methods used by other REITs and, accordingly, may not be comparable to such other REIT s. FFO does not represent cash generated from operations as defined by generally accepted accounting principles (GAAP) and is not indicative of cash available to fund all cash needs, including distributions. It should not be considered as an alternative to net income for the purpose of evaluating the Company s performance or to cash flows as a measure of liquidity. Consistent with the NAREIT definition, the Company defines FFO as net income (computed in accordance with GAAP), excluding gains (losses) from sales of depreciated property, plus depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. See Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Reconciliation of Net Income to Funds from Operations for the reconciliation of net income to FFO.

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

OVERVIEW

We currently operate 74 properties, which we own or have an ownership interest in, consisting of 72 neighborhood and community shopping centers and two multi-family properties, which are located primarily in the Northeast, Mid-Atlantic and Midwestern regions of the United States. We receive income primarily from the rental revenue from tenants at our properties, including 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 portfolio of community and neighborhood shopping centers and mixed-use properties with a retail component located in markets with strong demographics.

Generate internal growth within the portfolio through aggressive redevelopment, re-anchoring and leasing activities.

Generate external growth through an opportunistic yet disciplined acquisition program. The emphasis is on targeting transactions with high inherent opportunity for the creation of additional value through redevelopment and leasing and/or transactions requiring creative capital structuring to facilitate the transactions.

Partner 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.

RESULTS OF OPERATIONS

Comparison of the year ended December 31, 2006 (2006) to the year ended December 31, 2005 (2005)

The Brandywine Portfolio operations were consolidated as part of Fund I for the year ended December 31, 2005. Subsequent to the recapitalization and conversion of interests from Fund I to GDC in January 2006, the Brandywine Portfolio is accounted for under the equity method of accounting for the year ended December 31, 2006. In the following tables, we have excluded the Brandywine Portfolio operations for the year ended December 31, 2005 for purposes of comparability with the year ended December 31, 2006.

(dollars in millions)	2006	2005 As Reported	Brandywine Portfolio	2005 Adjusted	Change from 2005 Adjusted $	%
Revenues Minimum rents	$ 69.7	$ 75.4	$ (14.0)	$ 61.4	$ 8.3	13%
Percentage rents	1.2	1.3	(0.6)	0.7	0.5	71%
Expense reimbursements	15.0	14.9	(2.2)	12.7	2.3	18%
Other property income	1.2	2.3	(0.2)	2.1	(0.9)	(43)%
Management fee income	5.6	3.6	0.5	4.1	1.5	37%
Interest income	8.3	3.3		3.3	5.0	152%
Other	1.7				1.7	100%
Total revenues	$ 102.7	$ 100.8	$ (16.5)	$ 84.3	$ 18.4	22%

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The increase in minimum rents was attributable to additional rents following our acquisition of Chestnut Hill, Clark Diversey, A&P Shopping Plaza, 2914 Third Avenue and Boonton Shopping Center (60% owned) as well as Fund II acquisitions of Sherman Avenue and 161st Street in New York and a leasehold interest in Chicago (2005/2006 Acquisitions).

Expense reimbursements for both common area maintenance (CAM) and real estate taxes increased in 2006. CAM expense reimbursement increased $0.4 million as a result of higher tenant reimbursements following the 2005/2006 Acquisitions, offset by a decrease in tenant reimbursements as a result of lower snow removal costs in 2006. Real estate tax reimbursements increased $1.8 million, primarily as a result of the 2005/2006 Acquisitions, as well as general increases in real estate taxes across the portfolio.

The decrease in other property income was the result of receipt of a bankruptcy claim settlement against a former tenant in 2005.

Management fee income increased primarily as a result of fees earned in connection with the acquisition of the Klaff management contract rights in February 2005 and additional management fees earned from our investments in unconsolidated affiliates.

The increase in interest income was attributable to interest income on our advances and notes receivable originated in 2005 and 2006, as well as higher balances in interest earning assets in 2006.

Other income increased as a result of a $1.1 million reimbursement of the Company s share of certain fees incurred by the institutional investors of Fund I for the Brandywine Portfolio, as well as $0.5 million related to termination of an interest rate swap in 2006.

(dollars in millions)	2006	2005 As Reported	Brandywine Portfolio	2005 Adjusted	Change from 2005 Adjusted $	Change from 2005 Adjusted %
Operating Expenses Property operating	$ 15.7	$ 16.1	$ (3.4)	$ 12.7	$ 3.0	24%
Real estate taxes	10.6	9.4	(0.8)	8.6	2.0	23%
General and administrative	19.8	16.2		16.2	3.6	22%
Depreciation and amortization	26.6	25.9	(2.6)	23.3	3.3	14%
Total operating expenses	$ 72.7	$ 67.6	$ (6.8)	$ 60.8	$ 11.9	20%

The increase in property operating expenses was primarily the result of the recovery of approximately $0.5 million related to the settlement of our insurance claim in connection with the flood damage incurred at the Mark Plaza in 2005, increased property operating expenses related to the 2005/2006 Acquisitions and higher bad debt expense in 2006. These increases were offset by lower snow removal costs during 2006.

The increase in real estate taxes was due to general increases in real estate taxes experienced across the portfolio, as well as increased real estate tax expense related to the 2005/2006 Acquisitions.

The increase in general and administrative expense was primarily attributable to increased compensation expense of $2.7 million, including stock-based compensation of $0.9 million, and $0.9 million of other overhead expenses following the expansion of our infrastructure related to increased investment in development-intensive projects in Fund assets and asset management services.

Depreciation expense increased $1.4 million in 2006. This was principally a result of increased depreciation expense related to the 2005/2006 Acquisitions. Amortization expense increased $1.9 million, which was primarily the combination of an increase in amortization related to the 2005/2006 Acquisitions, specifically, amortization of tenant installation costs of $1.0 million, amortization of leasehold interest of $0.5 million and amortization of loan costs of $0.2 million. In addition, amortization expense increased $0.2 million related to the write off of certain Klaff management contracts following the disposition of these assets in 2006.

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(dollars in millions)	2006	2005 As Reported	Brandywine Portfolio	2005 Adjusted	Change from 2005 Adjusted $	%
Other:						
Equity in earnings of unconsolidated affiliates	$ 2.6	$ 21.3	$ 0.9	$ 22.2	$(19.6)	(88)%
Interest expense	(22.5)	(18.8)	3.7	(15.1)	(7.4)	(49)%
Minority interest	5.2	(14.0)	5.1	(8.9)	14.1	158%
Income taxes	0.5	(2.1)		(2.1)	2.6	124%
Income from discontinued operations	23.2	1.0		1.0	22.2	(2220)%

Equity in earnings of unconsolidated affiliates decreased during 2006 primarily as a result of the gains recognized from the sale of Mervyns assets in 2005.

Interest expense increased $7.4 million as a result of higher average outstanding borrowings in 2006.

Minority interest variance is attributable to the minority partner s share of gains from the sale of Mervyns assets in 2005.

The variance in income tax expense relates to taxes at the taxable REIT subsidiary (TRS) level on our share of gains from the sale of Mervyns locations during 2005.

Income from discontinued operations represents activity related to properties sold in 2006 and 2005.

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

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

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

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

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

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

SL in 2005.

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

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

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

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

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

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

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

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

The gain on sale of land in 2004 was related to a prior year sale of a contract to purchase land to the Target Corporation. We received additional sales proceeds of $0.9 million which were being held in escrow pending the completion of certain site work by the buyer. Of these proceeds, $0.5 million were distributed to our joint venture partner in the sale and are a component of minority interest in the accompanying financial statements.

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

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

RECONCILIATION OF NET INCOME TO FUNDS FROM OPERATIONS

	For the Years Ended December 31,				
	2006	**2005**	**2004**	**2003**	**2002**
Net income	$ 39,013	$ 20,626	$ 19,585	$ 7,853	$ 19,399
Depreciation of real estate and amortization of leasing costs:					
Consolidated affiliates, net of minority interests share	20,206	16,676	16,026	18,421	15,335

Unconsolidated affiliates	1,806	746	714	643	632
Income attributable to minority interest in operating partnership (1)	803	416	375	747	2,928
Gain on sale of properties	(21,875)	(2,622)	(6,696)		(8,132)
Funds from operations	$ 39,953	$ 35,842	$ 30,004	$ 27,664	$ 30,162

Notes:

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

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LIQUIDITY AND CAPITAL RESOURCES
USES OF LIQUIDITY
Our principal uses of liquidity are expected to be for distributions to our shareholders and OP unit holders, debt service and loan repayments, and property investment which include the funding of our joint venture commitments, acquisition, redevelopment, expansion and re-tenanting activities.
Distributions
In order to qualify as a REIT for Federal income tax purposes, we must currently distribute at least 90% of our taxable income to our shareholders. For the first three quarters during 2006, we paid a quarterly dividend of $0.185 per Common Share and Common OP Unit. In December of 2006, our Board of Trustees approved and declared an 8.1% increase in our quarterly dividend to $0.20 per Common Share and Common OP Unit for the fourth quarter of 2006, which was paid January 16, 2007.
Acadia Strategic Opportunity Fund, LP (Fund I)
In September 2001, the Operating Partnership committed $20.0 million to a newly formed joint venture with four of our institutional shareholders, who committed $70.0 million, for the purpose of acquiring a total of approximately $300.0 million of community and neighborhood shopping centers on a leveraged basis.
On January 4, 2006, we recapitalized a one million square foot retail portfolio located in Wilmington, Delaware (Brandywine Portfolio) through a merger of interests with affiliates of GDC Properties (GDC). The Brandywine Portfolio was recapitalized through a cash out merger of the 77.8% interest, which was previously held by the institutional investors in Fund I (the Investors) to affiliates of GDC at a valuation of $164.0 million. The Operating Partnership, through a subsidiary, retained our existing 22.2% interest and continue to operate the Brandywine Portfolio and earn fees for such services. At the closing, the Investors, excluding the Operating Partnership, received a return of all their capital invested in Fund I and preferred return, thus triggering the Operating Partnership s Promote distribution in all future Fund I distributions and increasing the Operating Partnership s interest in cash flow and income from 22.2% to 37.8% as a result of the Promote. In June 2006, the Investors received $36.0 million of additional proceeds from this transaction following the replacement of bridge financing provided by them with permanent mortgage financing
As of December 31, 2006, we have a total of 32 properties totaling 2.0 million square feet as further discussed in PROPERTY ACQUISITIONS in Item 1 of this Form 10-K.
Acadia Strategic Opportunity Fund II, LLC (Fund II)
On June 15, 2004, we closed our second acquisition fund, Fund II, which includes all of the investors from Fund I as well as two additional institutional investors. With $300.0 million of committed discretionary capital, Fund II expects to be able to acquire up to $900.0 million of real estate assets on a leveraged basis. The Operating Partnership is the managing member with a 20% interest in the joint venture. The terms and structure of Fund II are substantially the same as Fund I with the exceptions that the preferred return is 8%. As of December 31, 2006, $122.6 million has been contributed to Fund II, of which the Operating Partnership s share is $24.5 million.
Fund II has invested in the RCP Venture and the New York Urban/Infill Redevelopment initiatives and other investments as further discussed in PROPERTY ACQUISITIONS in Item 1 of Form 10-K .
New York Urban/ Infill Redevelopment Initiative
In September 2004, we, through Fund II, launched our New York Urban Infill Redevelopment initiative. As retailers continue to recognize that many of the nation s urban markets are underserved from a retail standpoint, Fund II s intent is to capitalize on this trend by investing in redevelopment projects in dense urban areas where retail tenant demand has effectively surpassed the supply of available sites. During 2004, Fund II, together with an unaffiliated partner, P/A, formed Acadia-P/A for the purpose of acquiring, constructing, developing, owning, operating, leasing and managing certain retail real estate properties in the New York City metropolitan area. P/A has agreed to invest 10% of required capital up to a maximum of $2.2 million and Fund II, the managing member, has agreed to invest the balance to acquire assets in which Acadia-P/A agrees to invest. Operating cash flow is generally to be distributed pro-rata to Fund II and P/A until each has received a 10% cumulative return and then 60% to Fund II and 40% to P/A. Distributions of net refinancing and net sales proceeds, as defined, follow the distribution of operating cash flow except that unpaid original capital is returned before the 60%/40% split between Fund II and P/A, respectively. Upon

the liquidation of the last property investment of Acadia-P/A, to the extent that Fund II has not received an 18% internal rate of return (IRR) on all of its capital contributions, P/A is obligated to return a portion of its previous distributions, as defined, until Fund II has received an 18% IRR. To date, Fund II has, in conjunction with P/A, invested in seven projects through Fund II as follows:

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				Redevelopment (dollars in millions)		
Property	**Location**	**Year acquired**	**Purchase price**	**Anticipated additional costs**	**Estimated completion**	**Square feet upon completion**
Liberty Avenue (1)	Queens	2005	$	$ 15.0	1st half 2007	125,000
216th Street	Manhattan	2005	7.0	18.0	2nd half 2007	60,000
Pelham Manor Shopping Center (1)	Westchester	2004		40.0	2nd half 2008	320,000
161st Street	Bronx	2005	49.0	16.0	2nd half 2008	232,000
400 East Fordham Road	Bronx	2004	30.0	85.0	1st half 2009	276,000
Canarsie Plaza (2)	Brooklyn	2007		60.0	1st half 2009	323,000
4650 Broadway	Manhattan	2005	25.0	30.0	2nd half 2009	175,000
Total			$ 111.0	$ 264.0		1,511,000

Notes:

(1) Fund II acquired a leasehold interest at this property.

(2) Closing is anticipated in 2007, although such closing cannot be assured.

Other Investments

During 2005 and 2006, we made the following other investments as further discussed in PROPERTY ACQUISITIONS in Item 1 of this Form 10-K:

(i) $16.8 million in Amboy Road
(ii) $4.0 million for Klaff s management rights
(iii) $9.8 million for Clark/Diversey
(iv) $3.2 million for Boonton Shopping Center
(v) $16.0 million for Chestnut Hill and
(vi) $18.5 million for 2914 Third Avenue.

Property Development, Redevelopment and Expansion

Our redevelopment program focuses on selecting well-located neighborhood and community shopping centers and creating significant value through re-tenanting and property redevelopment.

During 2006, the Company commenced the redevelopment and re-tenanting of the Bloomfield Town Square, located in Bloomfield Hills, Michigan. A former outparcel building, occupied by Chrysler Dodge, was demolished and replaced with a 17,500 square foot building occupied by Drexel Heritage and Panera Bread. The new tenants opened and commenced paying rent during the third and fourth quarters of 2006, and are paying base rent at a 127% increase over that of Chrysler Dodge. In addition, the Company has re-tenanted approximately 26,000 square feet to Circuit City which is anticipated to open and commence paying rent in the fourth quarter of 2007 at a 79% increase over that of the former tenants. Total costs for this project are anticipated to be $3.3 million.

Additionally, for the year ending December 31, 2007, we currently estimate that capital outlays of approximately $4.8 million to $6.5 million will be required for tenant improvements, related renovations and other property improvements.

Share Repurchase

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

SOURCES OF LIQUIDITY

We intend on using Fund II as the primary vehicle for our future acquisitions, including investments in the RCP Venture and New York Urban/Infill Redevelopment initiative. Sources of capital for funding property acquisitions, redevelopment, expansion and re-tenanting, as well as future repurchases of Common Shares are expected to be obtained primarily from issuance of public equity or debt instruments, cash on hand, additional debt financings, unrelated member capital contributions and future sales of existing properties. As of December 31, 2006, we had a total of approximately $162.2 million of additional capacity under existing debt facilities, cash and cash equivalents on hand of $139.6 million, and eight properties that are unencumbered and available as potential collateral for future borrowings. In addition, on February 26, 2007, we through our RCP Venture, received a cash distribution totaling approximately $42.5 million from our ownership position in Albertsons. The Operating Partnership s share of this distribution amounted to approximately $8.5 million and is subject to income tax considerations. The distribution resulted from cash proceeds obtained by Albertsons in connection with its disposition of certain operating stores and a refinancing of the remaining assets held in the entity. We anticipate that cash flow from operating activities will continue to provide adequate capital for all of our debt service payments, recurring capital expenditures and REIT distribution requirements.

Issuance of Convertible Notes

In December 2006, we issued $100.0 million of 3.75% Convertible Notes. These Notes were issued at par and are due in 2026. In January 2007, an option was exercised to issue an additional $15.0 million of Convertible Notes. The $112.1 million in proceeds, net of related costs, were used to retire variable rate debt, fund capital commitments and general company purposes.

Issuance of Equity

During January 2007, we filed a shelf registration on Form S-3 providing offerings for up to a total of $300.0 million of Common Shares, Preferred Shares and debt securities. To date, we have not issued any securities pursuant to this shelf registration.

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

Financing and Debt

At December 31, 2006, mortgage and convertible notes payable aggregated $445.2 million, net of unamortized premium of $2.2 million, and were collateralized by 52 properties and related tenant leases. Interest rates on our outstanding indebtedness ranged from 3.75% to 8.5% with maturities that ranged from July 2007 to November 2032. Taking into consideration $16.0 million of notional principal under variable to fixed-rate swap agreements currently in effect, $351.0 million of the portfolio, or 79%, was fixed at a 5.2% weighted average interest rate and $94.2 million, or 21% was floating at a 6.7% weighted average interest rate. There is $54.9 million of debt maturing in 2007 at weighted average interest rates of 6.3%. We intend to refinance the indebtedness or select other alternatives based on market conditions at that time.

Reference is made to Note 6 and Note 7 in the Notes to Consolidated Financial Statements that begin on page F-9 of this Form 10-K for a summary of the financing and refinancing transactions since December 31, 2005.

Asset Sales

Asset sales are an additional source of liquidity for us. During the fourth quarter of 2006, we sold the Soundview Marketplace, Bradford Towne Center, Greenridge Plaza, Luzerne Street Shopping Center and Pittston Plaza. During 2005 and 2004, we sold the Berlin Shopping Center and East End Centre. These sales are discussed in ASSET SALES AND CAPITAL/ASSET RECYCLING in Item 1 of this Form 10-K.

CONTRACTUAL OBLIGATIONS AND OTHER COMMITMENTS

At December 31, 2006, maturities on our mortgage notes ranged from July 2007 to November 2032. In addition, we have non-cancelable ground leases at seven of our shopping centers. We lease space for its White Plains corporate office for a term expiring in 2010. The following table summarizes our debt maturities and obligations under non-cancelable operating leases of December 31, 2006:

		Payments due by period			
(amounts in millions)	**Total**	**Less than 1 year**	**1 to 3 years**	**3 to 5 years**	**More than 5 years**
Contractual obligation					
Future debt maturities	$ 445.2	$ 60.0	$ 57.1	$ 154.3	$ 173.8
Interest obligations on debt	137.6	24.0	37.9	32.8	42.9
Operating lease obligations	120.8	3.6	7.6	8.6	101.0

Total	$ 703.6	$ 87.6	$ 102.6	$ 195.7	$ 317.7

OFF BALANCE SHEET ARRANGEMENTS

We have investments in the following joint ventures for the purpose of investing in operating properties. We account for these investments using the equity method of accounting as we have a non-controlling interest. As such, our financial statements reflect our share of income from but not the assets and liabilities of these joint ventures.

We own a 49% interest in two partnerships which own the Crossroads Shopping Center (Crossroads). Our pro rata share of Crossroads mortgage debt as of December 31, 2006 was $31.4 million. This fixed-rate debt bears interest at 5.4% and matures in December 2014.

We own a 22.2% investment in various entities which own the Brandywine Portfolio. Our pro-rata share of Brandywine debt as of December 31, 2006, was $36.9 million with a fixed interest rate of 5.99%. These loans mature on July 1, 2016.

We have 50% interests in two Fund I investments of which our pro-rata share of mortgage debt (net of the Fund I minority interest share) as of December 31, 2006, was $2.6 million with a weighted average interest rate of 6.97%. Both of these loans mature during August 2010.

In addition, we have arranged for the provision of five separate letters of credit in connection with certain leases and investments. As of December 31, 2006, there was no balance outstanding under any of the letters of credit. If the letters of credit were fully drawn, the combined maximum amount of exposure would be approximately $3.1 million.

HISTORICAL CASH FLOW

The following discussion of historical cash flow compares our cash flow for the year ended December 31, 2006 with our cash flow for the year ended December 31, 2005.

Cash and cash equivalents were $139.6 million and $90.5 million at December 31, 2006 and 2005, respectively. The increase of $49.1 million was a result of the following increases and decreases in cash flows:

	Years Ended December 31,		
(amounts in millions)	**2006**	**2005**	**Variance**
Net cash provided by operating activities	$ 39.6	$ 50.2	$ (10.6)
Net cash used in investing activities	(58.9)	(135.5)	76.6
Net cash provided by financing activities	68.4	159.4	(91.0)
Totals	$ 49.1	$ 74.1	$ (25.0)

The variance in net cash provided by operating activities resulted from a decrease of $22.0 million in operating income before non-cash expenses in 2006, which was primarily due to $20.9 million of distributions of operating income from unconsolidated affiliates as a result of the distributions from Mervyns in 2005, as well as those factors discussed within Item 2, Management s Discussion and Analysis of Financial Condition and Results of Operations. In addition, a net increase of $11.4 million resulted from changes in operating assets and liabilities, primarily rents receivable, prepaid expenses and other assets.

The decrease in net cash used in investing activities was primarily the result of a $44.1 million decrease in cash used for real estate acquisitions, development and tenant installations, $34.5 million of additional proceeds from the sale of properties in 2006, a net decrease of $28.1 million related to the 2005 Levitz preferred equity investment (Note 4) and the 2006 Levitz note receivable (Note 4) activity and $5.6 million of additional return of capital from unconsolidated affiliates in 2006. These net decreases were offset by $26.2 million of additional investments in unconsolidated partnerships, primarily the Albertsons investment in 2006 and $8.1 million of additional notes issued in 2006.

The decrease in net cash provided by financing activities resulted primarily from $148.2 million of additional cash used for the net repayment of debt in 2006 and $36.1 million of additional distributions to partners and members in 2006, primarily relating to the Mervyns investment. These net decreases were partially offset by $100.0 million of proceeds from the Convertible Debt issuance in 2006.

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CRITICAL ACCOUNTING POLICIES

Management s discussion and analysis of financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. We base our estimates on historical experience and assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. We believe the following critical accounting policies affect the significant judgments and estimates used by us in the preparation of our consolidated financial statements.

Valuation of Property Held for Use and Sale

On a quarterly basis, we review the carrying value of both properties held for use and for sale. We record impairment losses and reduce the carrying value of properties when indicators of impairment are present and the expected undiscounted cash flows related to those properties are less than their carrying amounts. In cases where we do not expect to recover our carrying costs on properties held for use, we reduce our carrying cost to fair value. For properties held for sale, we reduce our carrying value to the fair value less costs to sell. For the year ended December 31, 2006, no impairment loss was recognized. For the year ended December 31, 2005, an impairment loss of $0.8 million was recognized related to a property that was sold in July of 2005. Management does not believe that the value of any properties in its portfolio was impaired as of December 31, 2006 or 2005.

Bad Debts

We maintain an allowance for doubtful accounts for estimated losses resulting from the inability of tenants to make payments on arrearages in billed rents, as well as the likelihood that tenants will not have the ability to make payment on unbilled rents including estimated expense recoveries and straight-line rent. As of December 31, 2006, we had recorded an allowance for doubtful accounts of $3.3 million. If the financial condition of our tenants were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

INFLATION

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

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

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

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ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

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

Currently, we manage our exposure to fluctuations in interest rates primarily through the use of fixed-rate debt and interest rate swap agreements. As of December 31, 2006, we had total mortgage debt of $445.2 million of which $351.0 million, or 79%, was fixed-rate, inclusive of interest rate swaps, and $94.2 million, or 21%, was variable-rate based upon LIBOR plus certain spreads. As of December 31, 2006, we were a party to two interest rate swap transactions to hedge our exposure to changes in interest rates with respect to $16.0 million of LIBOR-based variable-rate debt. We also have one forward-starting interest rate swap which commences during 2007 and matures in 2012 that will hedge our exposure to changes in interest rates with respect to $8.4 million of refinanced LIBOR-based variable rate debt with the matching maturities.

The following table sets forth information as of December 31, 2006 concerning our long-term debt obligations, including principal cash flows by scheduled maturity and weighted average interest rates of maturing amounts (amounts in millions):

Consolidated mortgage debt:

Year	Scheduled amortization	Maturities	Total	Weighted average interest rate
2007	$ 5.2	$ 54.9	$ 60.1	6.3%
2008	9.1	34.9	44.0	6.7%
2009	10.6	2.5	13.1	7.0%
2010	3.5	14.7	18.2	7.6%
2011	21.3	114.8	136.1	4.2%
Thereafter	24.8	148.9	173.7	5.7%
	$ 74.5	$ 370.7	$ 445.2	

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

Year	Scheduled amortization	Maturities	Total	Weighted average interest rate
2007	$ 0.4	$	$ 0.4	n/a
2008	0.4		0.4	n/a
2009	0.5		0.5	n/a
2010	0.5	2.5	3.0	7.0%
2011	0.5		0.5	n/a
Thereafter	1.7	64.3	66.0	5.7%
	$ 4.0	$ 66.8	$ 70.8	

Of our total consolidated and our pro-rata share of unconsolidated outstanding debt, $54.9 million and $34.9 million will become due in 2007 and 2008, respectively. As we intend on refinancing some or all of such debt at the then-existing market interest rates which may be greater than the current interest rate, our interest expense would increase by approximately $0.9 million annually if the interest rate on the refinanced debt increased by 100 basis points. Interest expense on our variable debt of $94.2 million as of December 31, 2006 would increase $0.9 million if LIBOR increased by 100 basis points. We may seek additional variable-rate financing if and when pricing and other commercial and financial terms warrant. As such, we would consider hedging against the interest rate risk related to such additional variable-rate debt through interest rate swaps and protection agreements, or other means.

Based on our outstanding debt balances as of December 31, 2006, the fair value of our total outstanding debt would decrease by approximately $16.4 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 $17.7 million.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The financial statements beginning on page F-1 are incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE:

None.

ITEM 9A. CONTROLS AND PROCEDURES.

(i) Disclosure Controls and Procedures

We conducted an evaluation, under the supervision and with the participation of management including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2006.

(ii) Internal Control Over Financial Reporting

(a) Management s Annual Report on Internal Control Over Financial Reporting

Management of Acadia Realty Trust is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in the Securities Exchange Act of 1934 Rule 13a-15(f). Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2006 as required by the Securities Exchange Act of 1934 Rule 13a-15(c). In making this assessment, we used the criteria set forth in the framework in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in *Internal Control Integrated Framework,* our management concluded that our internal control over financial reporting was effective as of December 31, 2006.

BDO Seidman, LLP, an independent registered public accounting firm that audited our Financial Statements included in this Annual Report, has issued an attestation report on our management s assessment of the effectiveness of our internal control over financial reporting as of December 31, 2006 which appears in this item 9A.

Acadia Realty Trust
White Plains, New York
March 1, 2007

(b) Attestation report of the independent registered public accounting firm

The Shareholders and Trustees of
Acadia Realty Trust

We have audited management s assessment, included in the accompanying Management s Report on Internal Control Over Financial Reporting, that Acadia Realty Trust and subsidiaries maintained effective internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Acadia Realty Trust and subsidiaries management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management s assessment and an opinion on the effectiveness of the company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management s assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management s assessment that Acadia Realty Trust and subsidiaries maintained effective internal control over financial reporting as of December 31, 2006, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, Acadia Realty Trust maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006, based on the COSO criteria**.**

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Acadia Realty Trust and subsidiaries as of December 31, 2006 and 2005 and the related consolidated statements of income, shareholders equity, and cash flows for the years then ended December 31, 2006 and 2005 and our report dated March 1, 2007 expressed an unqualified opinion thereon.

/s/ BDO Seidman, LLP

New York, New York
March 1, 2007

(c) Changes in internal control over financial reporting.

There was no change in our internal control over financial reporting during our fourth fiscal quarter ended December 31, 2006 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION.

None

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PART III

ITEM 10. DIRECTORS; EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

This item is incorporated by reference from the definitive proxy statement for the 2007 Annual Meeting of Shareholders presently scheduled to be held May 15, 2007, to be filed pursuant to Regulation 14A.

ITEM 11. EXECUTIVE COMPENSATION.

This item is incorporated by reference from the definitive proxy statement for the 2007 Annual Meeting of Shareholders presently scheduled to be held May 15, 2007, to be filed pursuant to Regulation 14A.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

This item is incorporated by reference from the definitive proxy statement for the 2007 Annual Meeting of Shareholders presently scheduled to be held May 15, 2007, to be filed pursuant to Regulation 14A.

The information under Item 5 under the heading (d) Securities authorized for issuance under equity compensation plans is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE:

This item is incorporated by reference from the definitive proxy statement for the 2007 Annual Meeting of Shareholders presently scheduled to be held May 15, 2007, to be filed pursuant to Regulation 14A.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

This item is incorporated by reference from the definitive proxy statement for the 2007 Annual Meeting of Shareholders presently scheduled to be held May 15, 2007, to be filed pursuant to Regulation 14A.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

1. *Financial Statements*: See Index to Financial Statements at page F-1 below.
2. *Financial Statement Schedule*: See Schedule III Real Estate and Accumulated Depreciation at page F-41 below.
3. *Exhibits*:

Exhibit No.	Description
3.1	Declaration of Trust of the Company, as amended (1)
3.2	Fourth Amendment to Declaration of Trust (4)
3.3	Amended and Restated By-Laws of the Company (22)
4.1	Voting Trust Agreement between the Company and Yale University dated February 27, 2002 (14)
10.1	1999 Share Option Plan (8) (20)
10.2	2003 Share Option Plan (16) (20)
10.3	Form of Share Award Agreement (17) (21)
10.4	Form of Registration Rights Agreement and Lock-Up Agreement (18)
10.5	Registration Rights and Lock-Up Agreement (RD Capital Transaction) (11)
10.6	Registration Rights and Lock-Up Agreement (Pacesetter Transaction) (11)
10.7	Contribution and Share Purchase Agreement dated as of April 15, 1998 among Mark Centers Trust, Mark Centers Limited Partnership, the Contributing Owners and Contributing Entities named therein, RD Properties, L.P. VI, RD Properties, L.P. VIA and RD Properties, L.P. VIB (9)
10.8	Agreement of Contribution among Acadia Realty Limited Partnership, Acadia Realty Trust and Klaff Realty, LP and Klaff Realty, Limited (18)
10.9	Employment agreement between the Company and Kenneth F. Bernstein dated October 1998 (6) (21)
10.11	Amendment to employment agreement between the Company and Kenneth F. Bernstein dated January 19, 2007 (26) (21)
10.12	First Amendment to Employment Agreement between the Company and Kenneth Bernstein dated as of January 1, 2001 (12) (21)
10.14	Letter of employment offer between the Company and Michael Nelsen, Sr. Vice President and Chief Financial Officer dated February 19, 2003 (15) (21)
10.15	Severance Agreement between the Company and Joel Braun, Sr. Vice President, dated April 6, 2001 (13) (21)
10.16	Severance Agreement between the Company and Joseph Hogan, Sr. Vice President, dated April 6, 2001 (13) (21)
10.17	Severance Agreement between the Company and Joseph Napolitano, Sr. Vice President dated April 6, 2001 (18) (21)

10.18	Severance Agreement between the Company and Robert Masters, Sr. Vice President and General Counsel dated January 2001 (18) (21)
10.19	Severance Agreement between the Company and Michael Nelsen, Sr. Vice President and Chief Financial Officer dated February 19, 2003 (15) (21)
10.20	Secured Promissory Note between RD Absecon Associates, L.P. and Fleet Bank, N.A. dated February 8, 2000 (7)
10.21	Promissory Note between 239 Greenwich Associates, L.P. and Greenwich Capital Financial Products, Inc. dated May 30, 2003 (18)
10.22	Open-End Mortgage, Assignment of Leases and Rents, and Security Agreement between 239 Greenwich Associates, L.P. and Greenwich Capital Financial Products, Inc. dated May 30, 2003 (18)
10.23	Promissory Note between Merrillville Realty, L.P. and Sun America Life Insurance Company dated July 7, 1999 (7)
10.24	Secured Promissory Note between Acadia Town Line, LLC and Fleet Bank, N.A. dated March 21, 1999 (7)
10.25	Promissory Note between RD Village Associates Limited Partnership and Sun America Life Insurance Company Dated September 21, 1999 (7)
10.26	First Amendment to Severance Agreements between the Company and Joel Braun Executive Vice President and Chief Investment Officer, Michael Nelsen, Senior Vice President and Chief Financial Officer, Robert Masters, Senior Vice President, General Counsel, Chief Compliance Officer and Secretary and Joseph Hogan, Senior Vice President and Director of Construction dated January 19, 2007 (21) (26)
10.33	Term Loan Agreement between Acadia Realty L.P. and The Dime Savings Bank of New York, dated March 30, 2000 (10)
10.34	Mortgage Agreement between Acadia Realty L.P. and The Dime Savings Bank of New York, dated March 30, 2000 (10)
10.35	Promissory Note between RD Whitegate Associates, L.P. and Bank of America, N.A. dated December 22, 2000 (10)
10.36	Promissory Note between RD Columbia Associates, L.P. and Bank of America, N.A. dated December 22, 2000 (10)
10.44	Prospectus Supplement Regarding Options Issued under the Acadia Realty Trust 1999 Share Incentive Plan and 2003 Share Incentive Plan (19) (21)
10.45	Acadia Realty Trust 1999 Share Incentive Plan and 2003 Share Incentive Plan Deferral and Distribution Election Form (19) (21)
10.46	Amended, Restated And Consolidated Promissory Note between Acadia New Loudon, LLC and Greenwich Capital Financial Products, Inc. dated August 13, 2004 (19)

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Exhibit No.	Description
10.47	Amended, Restated And Consolidated Mortgage, Assignment Of Leases And Rents And Security Agreement between Acadia New Loudon, LLC and Greenwich Capital Financial Products, Inc. dated August 13, 2004 (19)
10.51	Mortgage, Assignment of Leases and Rents and Security Agreement between Acadia Crescent Plaza, LLC and Greenwich Capital Financial Products, Inc. dated August 31, 2005 (22)
10.52	Mortgage, Assignment of Leases and Rents and Security Agreement between Pacesetter/Ramapo Associates and Greenwich Capital Financial Products, Inc. dated October 17, 2005 (22)
10.53	Loan Agreement between RD Elmwood Associates, L.P. and Bear Stearns Commercial Finance Mortgage, Inc. dated December 9, 2005 (22)
10.54	Mortgage and Security Agreement between RD Elmwood Associates, L.P. and Bear Stearns Commercial Finance Mortgage, Inc. dated December 9, 2005 (22)
10.55	Agreement and Plan Of Merger Dated as of December 22, 2005 by and among Acadia Realty Acquisition I, LLC, Ara Btc LLC, ARA MS LLC, ARA BS LLC, ARA BC LLC and ARA BH LLC, Acadia Investors, Inc., AII BTC LLC, AII MS LLC, AII BS LLC, AII BC LLC And AII BH LLC, Samuel Ginsburg 2000 Trust Agreement #1, Martin Ginsburg 2000 Trust Agreement #1, Martin Ginsburg, Samuel Ginsburg and Adam Ginsburg, and GDC SMG, LLC, GDC Beechwood, LLC, Aspen Cove Apartments, LLC and SMG Celebration, LLC (23)
10.56	Amended and Restated Loan Agreement between Acadia Realty Limited Partnership, as lender, and Levitz SL Woodbridge, L.L.C., Levitz SL St. Paul, L.L.C., Levitz SL La Puente, L.L.C., Levitz SL Oxnard, L.L.C., Levitz SL Willowbrook, L.L.C., Levitz SL Northridge, L.L.C., Levitz SL San Leandro, L.L.C., Levitz SL Sacramento, L.L.C., HL Brea, L.L.C., HL Deptford, L.L.C., HL Hayward, L.L.C., HL San Jose, L.L.C., HL Scottsdale, L.L.C., HL Torrance, L.L.C., HL Irvine 1, L.L.C., HL West Covina, L.L.C., HL Glendale, L.L.C. and HL Northridge, L.L.C., each a Delaware limited liability company, Levitz SL Langhorne, L.P. and HL Fairless Hills, L.P., each a Delaware limited partnership (each, together with its permitted successors and assigns, a *Borrower* , and collectively, together with their respective permitted successors and assigns, *Borrowers*), dated June 1, 2006 (24)
10.57	Consent and Assumption Agreement between Thor Chestnut Hill, LP, Thor Chestnut Hill II, LP, Acadia Chestnut, LLC, Acadia Realty Limited Partnership and Wells Fargo Bank, N.A. dated June 9, 2006, original Mortgage and Security Agreement between Thor Chestnut Hill, LP and Thor Chestnut Hill II, LP and Column Financial, Inc. dated June 5, 2003 and original Assignment of Leases and Rents from Thor Chestnut Hill, LP and Thor Chestnut Hill II, LP to Column Financial, Inc. dated June 2003. (24)
10.58	Loan Agreement and Promissory Note between RD Woonsocket Associates, L.P. and Merrill Lynch Mortgage Lending, Inc. dated September 8, 2006 (25)
10.59	Amended and Restated Revolving Loan Agreement dated as of December 19, 2006 by and among RD Abington Associates LP, Acadia Town Line, LLC, RD Methuen Associates LP, RD Absecon Associates, LP, RD Bloomfield Associates, LP, RD Hobson Associates, LP, and RD Village Associates LP, and Bank of America, N.A. and the First Amendment to Amended and Restated

	Revolving Loan Agreement dated February, 2007. (26)
10.60	Loan Agreement between Bank of America, N.A. and RD Branch Associates, LP dated December 19, 2006. (26)
21	List of Subsidiaries of Acadia Realty Trust (27)
23.1	Consent of Registered Public Accounting Firm to Form S-3 and Form S-8 (27)
23.2	Consent of former Registered Public Accounting Firm to Form S-3 and Form S-8 (27)
31.1	Certification of Chief Executive Officer pursuant to rule 13a 14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (26)
31.2	Certification of Chief Financial Officer pursuant to rule 13a 14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (26)
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (26)
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (26)
99.1	Amended and Restated Agreement of Limited Partnership of the Operating Partnership (11)
99.2	First and Second Amendments to the Amended and Restated Agreement of Limited Partnership of the Operating Partnership (11)
99.3	Third Amendment to Amended and Restated Agreement of Limited Partnership of the Operating Partnership (18)
99.4	Fourth Amendment to Amended and Restated Agreement of Limited Partnership of the Operating Partnership (18)
99.5	Certificate of Designation of Series A Preferred Operating Partnership Units of Limited Partnership Interest of Acadia Realty Limited Partnership (2)
99.6	Certificate of Designation of Series B Preferred Operating Partnership Units of Limited Partnership Interest of Acadia Realty Limited Partnership (18)

Notes:

(1) Incorporated by reference to the copy thereof filed as an Exhibit to the Company s Annual Report on Form 10-K filed for the fiscal Year ended December 31, 1994

(2) Incorporated by reference to the copy thereof filed as an Exhibit to Company s Quarterly Report on Form 10-Q filed for the quarter ended June 30, 1997

(3) Incorporated by reference to the copy thereof filed as an Exhibit to Company s Quarterly Report on Form 10-Q filed for the quarter ended September 30, 1998

(4) Incorporated by reference to the copy thereof filed as an Exhibit to

Company s Quarterly Report on Form 10-Q filed for the quarter ended September 30, 1998

(5) Incorporated by reference to the copy thereof filed as an Exhibit to the Company s Registration Statement on Form S-11 (File No.33-60008)

(6) Incorporated by reference to the copy thereof filed as an Exhibit to the Company s Annual Report on Form10-K filed for the fiscal year ended December 31, 1998

(7) Incorporated by reference to the copy thereof filed as an Exhibit to the Company s Annual Report on Form10-K filed for the fiscal year ended December 31, 1999

(8) Incorporated by reference to the copy thereof

filed as an Exhibit to the Company s Registration Statement on Form S-8 filed September 28, 1999

(9) Incorporated by reference to the copy thereof filed as an Exhibit to the Company s Form 8-K filed on April 20, 1998

(10) Incorporated by reference to the copy thereof filed as an Exhibit to the Company s Form 10-K filed for the fiscal year ended December 31, 2000

(11) Incorporated by reference to the copy thereof filed as an Exhibit to the Company s Registration Statement on Form S-3 filed on March 3, 2000

(12) Incorporated by reference to the copy thereof filed as an Exhibit to Company s Quarterly Report on Form 10-Q filed for

the quarter ended September 30, 2001

(13) Incorporated by reference to the copy thereof filed as an Exhibit to the Company s Annual Report on Form 10-K filed for the fiscal year ended December 31, 2001

(14) Incorporated by reference to the copy thereof filed as an Exhibit to Yale University s Schedule 13D filed on September 25, 2002

(15) Incorporated by reference to the copy thereof filed as an Exhibit to the Company s Annual Report on Form 10-K filed for the fiscal year ended December 31, 2002

(16) Incorporated by reference to the copy thereof filed as an Exhibit to the Company s Definitive Proxy

Statement on Schedule 14A filed April 29, 2003.

(17) Incorporated by reference to the copy thereof filed as an Exhibit to the Company s Current Report on Form 8-K filed on July 2, 2003

(18) Incorporated by reference to the copy thereof filed as an Exhibit to the Company s Annual Report on Form 10-K filed for the fiscal year ended December 31, 2003

(19) Incorporated by reference to the copy thereof filed as an Exhibit to the Company s Annual Report on Form 10-K filed for the fiscal year ended December 31, 2004.

(20) Incorporated by reference to the copy thereof filed as an Exhibit to the Company s Annual Report

on Form 10-K filed for the fiscal year ended December 31, 2004.

(21) Management contract or compensatory plan or arrangement.

(22) Incorporated by reference to the copy thereof filed as an Exhibit to the Company s Annual Report on Form 10-K filed for the fiscal year ended December 31, 2005.

(23) Incorporated by reference to the copy thereof filed as an Exhibit to the Company s Current Report on Form 8-K filed on January 4, 2006

(24) Incorporated by reference to the copy thereof filed as an Exhibit to Company s Quarterly Report on Form 10-Q filed for the quarter ended June 30, 2006

(25) Incorporated by reference to the copy thereof filed as an Exhibit to Company s Quarterly Report on Form 10-Q filed for the quarter ended September 30, 2006

(26) Incorporated by reference to the copy thereof filed as an Exhibit to the Company s Current Report on Form 8-K filed on January 19, 2007

(27) Filed herewith.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereto duly authorized.

ACADIA REALTY TRUST