ACADIA REALTY TRUST
Form 10-K
February 28, 2011

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2010

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 o NO x

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 x

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 x NO o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
YES o 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. x

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 o Accelerated Filer x Non-accelerated Filer o Smaller Reporting Company o

Indicate by checkmark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act)

YES o NO x

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of the last business day of the registrant s most recently completed second fiscal quarter was approximately $685.6 million, based on a price of $17.08 per share, the average sales price for the registrant s common shares of beneficial interest on the New York Stock Exchange on that date.

The number of shares of the registrant s common shares of beneficial interest outstanding on February 28, 2011 was 40,320,306.

DOCUMENTS INCORPORATED BY REFERENCE

Part III Portions of the registrant s definitive proxy statement relating to its 2011 Annual Meeting of Shareholders presently scheduled to be held May 10, 2011 to be filed pursuant to Regulation 14A.

TABLE OF CONTENTS

Form 10-K Report

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 other variations thereon or comparable terminology. Factors which c have a material adverse effect on our operations and future prospects include, but are not limited to those set forth under the headings Item 1A. Risk Factors and Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operation in this Form 10-K. These risks and uncertainties should be considered in evaluating any forward-looking statements contained or incorporated by reference herein.

PART I

ITEM 1. BUSINESS.

GENERAL

Acadia Realty Trust (the Trust) was formed on March 4, 1993 as a Maryland real estate investment trust (REIT). All references to Acadia, we us, our, and Company refer to the Trust and its consolidated subsidiaries. We are a fully integrated, 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 79 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 and, in total, comprise approximately eight 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, 2010, the Trust controlled 99% 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 generally represent entities or individuals which contributed their interests in certain assets or entities to the Operating Partnership in exchange for common or preferred units of limited partnership interest (Common OP Units or Preferred OP Units , respectively, and collectively, OP Units). Limited partners holding Common OP Units are generally entitled to exchange their units on a one-for-one basis for our common shares of beneficial interest (Common Shares). This structure is referred to as an umbrella partnership REIT or UPREIT .

BUSINESS OBJECTIVES AND STRATEGIES

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

- Own and operate a Core Portfolio (as defined in Item 2 of this Form 10-K) of community and neighborhood shopping centers and main street retail located in markets with strong demographics and generate internal growth within the Core Portfolio through aggressive redevelopment, re-anchoring and/or leasing activities.

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

- Generate external growth through an opportunistic yet disciplined acquisition program. We target 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. These transactions may include other types of commercial real estate besides those which we currently invest in through our Core Portfolio. These may also include joint ventures with private equity investors for the purpose of making investments in operating retailers with significant embedded value in their real estate assets.

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 also 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 discretionary opportunity funds in which we earn, in addition to a pro-rata return based on our equity interest and carried interest (Promote), fees and priority distributions for our services. To date, we have launched three opportunity funds (Opportunity Funds), Acadia Strategic Opportunity Fund, LP (Fund I), Acadia Strategic Opportunity Fund II, LLC (Fund II) and Acadia Strategic Opportunity Fund III, LLC (Fund III). Due to the level of our control, we consolidate these Opportunity Funds for financial reporting purposes.

<u>Fund I</u>

During September of 2001, we and four of our institutional shareholders formed Fund I, and during August of 2004 formed a limited liability company, Acadia Mervyn Investors I, LLC (Mervyns I), in which the investors, including the Operating Partnership, committed a total of $90.0 million for the purpose of acquiring real estate assets. The Operating Partnership is the general partner or managing member with a 22.2% interest. In addition to a pro-rata return on its invested equity, the Operating Partnership is entitled to a Promote based upon certain investment return thresholds. Cash flow was distributed pro-rata to the partners (including the Operating Partnership) until they earned a 9% cumulative return (Preferred Return) and of all capital contributions were returned.

4

Fund I investors have received a return of all of their capital invested in Fund I and Mervyns I and their Preferred Return. Accordingly, all cash flow is now distributed 20% to the Operating Partnership as a Promote and 80% to the partners (including the Operating Partnership). 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, legal and construction services. All such fees and priority distributions are reflected as a reduction in the noncontrolling interest share in income from Opportunity Funds in the Consolidated Financial Statements beginning on page F-1 of this Form 10-K.

As of December 31, 2010, there were 20 assets comprising approximately 0.9 million square feet remaining in Fund I in which the Operating Partnership s interest in cash flow and income is 37.8% as a result of the Promote.

Fund II

Following our success with Fund I, during June of 2004 we formed a second, larger Opportunity Fund, Fund II, and during August of 2004, formed Acadia Mervyn Investors II, LLC (Mervyns II), with the investors from Fund I as well as two additional institutional investors, whereby the investors, including the Operating Partnership, committed capital totaling $300.0 million. The Operating Partnership is the managing member with a 20% interest in Fund II and Mervyns II and can invest the committed equity on a discretionary basis within the parameters defined in the Fund II and Mervyns II operating agreements. The terms and structure of Fund II and Mervyns II are substantially the same as Fund I and Mervyns I with the exception that the Preferred Return is 8%. As of December 31, 2010, $265.2 million of Fund II s and Mervyns II s capital was invested and the balance of $34.8 million is expected to be utilized to complete development activities for existing Fund II investments.

Given the market conditions for commercial real estate at the time Fund II was formed, we channeled our acquisition efforts through Fund II in two opportunistic strategies described below the New York Urban/Infill Redevelopment Initiative and the Retailer Controlled Property Venture, which are more fully described below.

New York Urban/Infill Redevelopment Initiative

During September of 2004, through Fund II, we launched our New York Urban/Infill Redevelopment Initiative. We believe that retailers continue to recognize that many of the nation s urban markets are underserved from a retail standpoint, and we have capitalized on this situation 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 or mixed-use 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 agreed to invest. See Item 7 of this Form 10-K for further information on the Acadia-P/A Joint Venture as detailed in Liquidity and Capital Resources New York Urban/Infill Redevelopment Initiative. To date, Fund II has invested in nine projects, eight of which are in conjunction with P/A, as discussed further in PROPERTY ACQUISITIONS New York Urban/Infill Redevelopment Initiative below in this Item 1.

Retailer Controlled Property Venture (the RCP Venture)

During 2004, through Funds I and II or affiliates thereof, we entered into an association, known as the RCP Venture, with Klaff Realty, L.P. (Klaff) and Lubert-Adler Management, Inc. (Lubert-Adler) for the purpose of making investments in surplus or underutilized properties owned by retailers. The RCP Venture is neither a single entity nor a specific investment. Any member of this group has the option of participating, or not, in any individual investment and each individual investment has been made on a stand-alone basis through a separate limited liability company. These investments have been made through different investment vehicles with different affiliated and unaffiliated investors and different economics to us. The initial size of the RCP Venture was expected to be approximately $300.0 million in equity, of which our share would be $60.0 million. Based on the investment opportunities, the size of the RCP Venture could be and was expanded. Mervyns I and II and Fund II have invested a total of $62.2 million in the RCP Venture to date on a non-recourse basis. Investments under the RCP Venture are structured as separate joint ventures as there may be other investors participating in certain investments in addition to Klaff, Lubert-Adler and us. 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. Cash flow from any RCP Venture investment is distributed to the participants until they have received a 10% cumulative return on and a full return of all capital contributions. Thereafter, remaining cash flow is distributed 20% to Klaff (Klaff s Promote) and 80% to the partners (including Klaff). As the participants have received a return of all of their capital invested and their unpaid cumulative return, all cash flow is now distributed 20% to Klaff as Klaff s Promote and then 80% to the partners. The Operating Partnership may also earn market-rate fees for property management, leasing and construction services on behalf of the RCP Venture. While we are primarily a passive partner in the investments made through the RCP Venture, historically we have provided our services in reviewing potential acquisitions and operating and redevelopment assistance in areas where we have both a presence and expertise. We continue to seek to invest opportunistically with the RCP Venture primarily in any of the following four ways:

Invest in operating retailers to control their real estate 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

Our RCP Venture investments are further discussed in PROPERTY ACQUISITIONS RCP Venture below in this Item 1.

Fund III

Following the success of Fund I and the full commitment of Fund II, Fund III was formed during 2007, with fourteen institutional investors, including a majority of the investors from Fund I and Fund II, whereby the investors, including the Operating Partnership, committed capital totaling $502.5 million. The Operating Partnership s share of the committed capital is $100.0 million and it is the sole managing member with a 19.9% interest in Fund III and can invest the committed equity on a discretionary basis within the parameters defined in the Fund III operating agreement. The terms and structure of Fund III are substantially the same as Fund I and Fund II with the exception that the Preferred Return is 6%. As of December 31, 2010, $96.5 million of Fund III s capital was invested. To date, Fund III has invested in 15 projects as discussed further in PROPERTY ACQUISITIONS below in this Item 1.

Notes Receivable, Preferred Equity and Other Real Estate Related Investments

We may also invest in notes receivable, preferred equity investments, other real estate interests and other investments. As of December 31, 2010, our notes receivable investments aggregated $89.2 million, and were collateralized by either the properties (either first or second mortgage liens) or the borrower s ownership interest in the properties. In addition, certain notes receivable are personally guaranteed by principals of the borrowers. Interest rates on our notes receivable, mezzanine loan investments and preferred equity investment, ranged from 10% to 24% with maturities that range from demand notes to January 2017.

Capital Strategy Balance Sheet Focus and Access to Capital

Our primary capital objective is to maintain a strong and flexible balance sheet through conservative financial practices, including moderate leverage levels, 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 in the current capital markets, pricing and other commercial and financial terms. The sources of capital may include the issuance of public equity, unsecured debt, mortgage and construction loans, and other capital alternatives including the issuance of OP Units. We manage our interest rate risk primarily through the use of fixed rate debt and, where we use variable rate debt, we use certain derivative instruments, including London Interbank Offered Rate (LIBOR) swap agreements and interest rate caps as discussed further in Item 7A of this Form 10-K.

During April 2009, we issued 5.75 million Common Shares and generated net proceeds of approximately $65.0 million. The proceeds were primarily used to purchase a portion of our outstanding convertible notes payable as discussed below and pay down existing lines of credit.

During December of 2006 and January of 2007, we issued $115.0 million of 3.75% unsecured Convertible Notes (the Notes). See Note 9 to our Consolidated Financial Statements, which begin on page F-1 of this Form 10-K for a discussion of the terms and conditions of the Notes. The $112.1 million in proceeds, net of related costs, were used to retire variable rate debt, provide for future Opportunity Fund capital commitments and for general working capital purposes. Through December 31, 2010, we purchased $65.2 million in principal amount of the Notes, all at an average discount of approximately 19%.

Operating Strategy Experienced Management Team with Proven Track Record

Our senior management team has decades of experience in the real estate industry. We believe our management team has demonstrated the ability to create value through anchor recycling, property redevelopment and strategic non-core dispositions. We have capitalized on our expertise in the acquisition, redevelopment, leasing and management of retail real estate by establishing joint ventures, such as the Opportunity Funds, in which we earn, in addition to a return on our equity interest and Promote, fees and priority distributions. In connection with these joint ventures we have launched several successful acquisition platforms including our New York Urban/Infill Redevelopment Initiative and RCP Venture.

Operating functions such as leasing, property management, construction, finance and legal (collectively, the Operating Departments) are generally 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 Core Portfolio 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 supply constrained markets and are principally anchored by supermarkets and necessity-based retailers. We believe these attributes enable our properties to better withstand the current post recessionary period.

During 2010, 2009 and 2008 we sold two non-core properties and redeployed capital to acquire one retail property as further discussed in ASSET SALES AND CAPITAL/ASSET RECYCLING below in this Item 1.

PROPERTY ACQUISITIONS

RCP Venture

Mervyns Department Stores

In September 2004, we made our first RCP Venture investment. Through Mervyns I and Mervyns II, we invested in a consortium to acquire Mervyns consisting of 262 stores (REALCO) and its retail operation (OPCO) from Target Corporation. Our share of this investment was $23.2 million. Subsequent to the initial acquisition of Mervyns, we made additional investments of $2.9 million. To date, REALCO has disposed of a significant portion of the portfolio. In addition, during November 2007, we sold our interest in, and as a result, have no further investment in OPCO. Through December 31, 2010, we have received distributions from this investment totaling $46.0 million.

Through December 31, 2010, we, through Mervyns I and Mervyns II, made additional investments in locations that are separate from these original investments (Add-On Investments) in Mervyns totaling $6.5 million and have received distributions totaling $1.7 million.

Albertson s

During June of 2006, the RCP Venture made its second investment as part of an investment consortium, acquiring Albertson s and Cub Foods, of which our share was $20.7 million. Through December 31, 2010, we have received distributions from this investment totaling $77.1 million, including $11.4 million received in 2010.

Through December 31, 2010, we, through Mervyns II, made Add-On Investments in Albertson s totaling $2.4 million and received distributions totaling $1.2 million.

Other RCP Investments

Through December 31, 2010, we, through Fund II, made investments of $1.1 million in Shopko, $0.7 million in Marsh, and $2.0 million in Add-On Investments in Marsh. As of December 31, 2010, we have received distributions totaling $1.7 million from our Shopko investment and $2.6 million from our Marsh and Marsh Add-On Investments.

During July of 2007, the RCP Venture acquired a portfolio of 87 retail properties from Rex Stores Corporation (Rex), in which we invested through Mervyns II. Our share of this investment was $2.7 million. As of December 31, 2010, we have received distributions from Rex totaling $0.8 million.

The following table summarizes the RCP Venture investments from inception through December 31, 2010, and the Operating Partnership s share of this activity:

(dollars in millions)

					Operating Partnership Share	
Investor	**Investment**	**Year acquired**	**Invested Capital**	**Distributions**	**Invested Capital**	**Distributions**
Mervyns I and Mervyns II	Mervyns	2004	$ 26.1	$ 46.0	$ 4.9	$ 11.3
Mervyns I and Mervyns II	Mervyns Add-On Investments	2005/2008	6.5	1.7	1.1	0.3
Mervyns II	Albertson s	2006	20.7	77.1	4.2	15.4
Mervyns II	Albertson s Add-On Investments	2006/2007	2.4	1.2	0.4	0.2
Fund II	Shopko	2006	1.1	1.7	0.2	0.3
Fund II	Marsh	2006	2.7	2.6	0.5	0.5

Mervyns II	Rex	2007	2.7	0.8	0.5	0.2
Total			$ 62.2	$ 131.1	$ 11.8	$ 28.2

New York Urban/Infill Redevelopment Initiative

As of December 31, 2010, we had ten New York Urban/Infill Redevelopment Initiative projects. Construction is substantially complete at seven of the projects, one is under construction and two are in the design phase as follows:

Construction Substantially Complete

Fordham Place During September of 2004, Acadia-P/A purchased 400 East Fordham Road, Bronx, New York. Construction of a 119,000 square foot retail component and 157,000 square foot office tower are complete. The retail component is 100% occupied and the office component is 30% occupied. Acadia-P/A s total cost of the project was approximately $134.0 million.

Pelham Manor Shopping Plaza During October of 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 demolished the existing industrial and warehouse buildings, and completed construction of a 229,000 square foot community retail center and a 90,000 square foot self-storage facility at a total cost of approximately $64.0 million. Home Depot was originally slated to anchor the project, but announced its decision to curtail plans for expansion. As part of our lease termination agreement with Home Depot, we purchased the building that Home Depot had constructed on the site for $10.0 million, representing approximately half of their cost of construction. The retail center is currently 91% leased and anchored by a BJ s Wholesale Club.

216th Street During December of 2005, Acadia-P/A acquired a parking garage located at 10th Avenue and 216th Street in the Inwood section of Manhattan. During 2007, we completed the construction of a 60,000 square foot office building and we relocated an agency of the City of New York (NYC), which was a tenant at another of our New York Urban/Infill Redevelopment Initiative projects, to this location. Acadia-P/A s total cost for the project, which also includes a 100-space rooftop parking deck, was approximately $28.0 million.

Liberty Avenue During December of 2005, Acadia-P/A acquired the remaining 40-year term of a leasehold interest in land located at Liberty Avenue and 98th Street in Ozone Park (Queens), New York. Construction of approximately 30,000 square feet of retail anchored by a CVS drug store and a 98,500 square foot self-storage facility is complete and Acadia-P/A s total cost of the redevelopment was approximately $15.0 million.

161st Street During August of 2005, Acadia-P/A purchased 244-268 161st Street located in the Bronx, New York for $49.3 million. The redevelopment plan for this currently 83% occupied, 10-story office building, is to recapture and convert street level office space into retail. Additional redevelopment costs to Acadia-P/A are anticipated to be approximately $17.4 million.

Atlantic Avenue During May of 2007, we, through Fund II and in partnership with Post Management, LLC (Storage Post), acquired a property on Atlantic Avenue in Brooklyn, New York. Storage Post is our unaffiliated partner in our self-storage portfolio (see below) and at two of our other New York Urban/Infill Redevelopment Initiative projects with a self-storage component. During 2009, we completed construction of the 110,000 square feet, six-story storage facility and commenced operations. The total cost of the project was approximately $22.0 million.

Canarsie During October of 2007, Acadia-P/A acquired a 530,000 square foot warehouse building in Canarsie, Brooklyn for approximately $21.0 million. The development included the construction of a 279,000 square foot mixed-use project consisting of retail and office. The total cost of the redevelopment, including acquisition costs, was approximately $90.0 million. We had executed a lease with Home Depot to anchor the project. However, during 2008, Home Depot terminated their lease and paid us a fee of $24.5 million. Construction was substantially complete in November 2010 and the property is 85% leased. The project is anchored by BJ s Wholesale Club and the New York City Police Department.

Under Construction

CityPoint During June of 2007, Acadia-P/A and an unaffiliated joint venture partner, California Urban Investment Partners, LLC (CUIP) purchased the leasehold interests in The Gallery at Fulton Street in downtown Brooklyn for approximately $115.0 million, with an option to purchase the fee position, which is owned by the City of New York, at a later date. On June 30, 2010, Acadia-P/A acquired all of CUIP s interest in CityPoint for a total consideration of $9.2 million and the assumption of CUIP s share of debt of $19.6 million. The development will proceed in three phases. Construction has commenced on Phase 1, a four-story retail building of approximately 50,000 square feet. Phase 2 will consist of approximately 500,000 square feet of additional retail. Phase 2 is also expected to contain an affordable and market-rate residential component. Phase 3 is anticipated to be a stand-alone mixed use, but primarily residential building, of approximately 700,000 square feet.

In Design

Sherman Plaza During April of 2005, Acadia-P/A acquired 4650 Broadway located in the Washington Heights/Inwood section of Manhattan. The property, which was occupied by NYC and a commercial parking garage, was acquired for a purchase price of

$25.0 million. During 2007 we relocated NYC to Acadia-P/A s 21st Street redevelopment as discussed above and closed the parking garage. We are currently reviewing various alternatives to redevelop the site to include retail and office components.

Sheepshead Bay During November of 2007, Fund III acquired a property in Sheepshead Bay, Brooklyn for approximately $20.0 million. The project is currently in the design phase and we have demolished one of two buildings on the existing site and expect to develop a multi-level community shopping center.

Self-Storage Portfolio

On February 29, 2008, Fund III, in conjunction with Storage Post, acquired a portfolio of eleven self-storage properties from Storage Post s existing institutional investors for approximately $174.0 million. In addition, we, through Fund II, developed three self-storage properties as discussed above. The fourteen self-storage property portfolio, located throughout New York and New Jersey, totals approximately 1,127,000 net rentable square feet, and is operating at various stages of stabilization.

Other Investments

In addition to the RCP Venture, the New York Urban/Infill and Self-Storage Portfolio investments as discussed above, through Fund III, we have also acquired the following:

During February 2011, Fund III, in a joint venture with an unaffiliated partner, acquired a 64,600 square foot single tenant retail property located in Silver Springs, Maryland, for approximately $9.8 million.

During February 2011, Fund III, in a joint venture with an unaffiliated partner, acquired a three property portfolio (the Portfolio) for an aggregate purchase price of $51.9 million with $20.6 million of in-place mortgage financing assumed at closing. The Portfolio consists of three street-retail properties, aggregating 61,000 square feet, and is located in South Miami Beach, Florida.

During December 2010, Fund III, in a joint venture with an unaffiliated partner, purchased the White City Shopping Center for $56.0 million. The operating property is a 255,000 square foot shopping center located in Shrewsbury, MA.

During June 2010, Fund III, in a joint venture with an unaffiliated partner, invested in an entity formed for the purpose of providing management services to owners of self-storage properties, including the 14 locations currently owned through Fund II and Fund III. To date, Fund III has invested $2.1 million in this entity.

During January 2009, we purchased Cortlandt Towne Center for $78.0 million. The operating property is a 641,000 square foot shopping center located in Westchester County, New York.

During November 2007, we acquired 125 Main Street, Westport, Connecticut for approximately $17.0 million. Redevelopment efforts have commenced, at an estimated cost of $8.4 million, with the execution of a lease with Gap Inc. to anchor the property. Gap is anticipated to open in the second half of 2011.

Core Portfolio

See Item 2. PROPERTIES for the definition of our Core Portfolio.

During April of 2008, the Operating Partnership acquired a 20,000 square foot single tenant retail property located on 17th Street near 5th Avenue in Manhattan, New York for $9.7 million.

During March of 2007, the Operating Partnership purchased a 52,000 square foot single-tenant building located at 1545 East Service Road in Staten Island, New York for $17.0 million and a 10,000 square foot retail commercial condominium at 200 West 54th Street located in Manhattan, New York for $36.4 million.

Notes Receivable, Preferred Equity and Other Real Estate Related Investments

During December 2009, the Operating Partnership made a loan for $8.6 million which bears interest at 14.5% and matures on June 30, 2011.

During June 2008, the Operating Partnership made a $40.0 million preferred equity investment in a portfolio of 18 properties located primarily in Georgetown, Washington D.C. The portfolio consists of 306,000 square feet of principally retail space. During September 2010, this investment was fully liquidated. The Operating Partnership received $40.0 million of invested capital along with $9.4 million of accrued preferred return. The Operating Partnership has an additional Georgetown loan receivable of $8.0 million, collateralized by a 5 property portfolio.

During July 2008, the Operating Partnership made a $34.0 million mezzanine loan, which is collateralized by an interest in a mixed-use retail and residential development at 72nd Street and Broadway on the Upper West Side of Manhattan.

During September 2008, Fund III made a $10.0 million first mortgage loan, which is collateralized by land located on Long Island, New York.

The following table sets forth our notes receivable investments as of December 31, 2010:

Notes Receivable (dollars in thousands)					Weighted Averages				
								Underlying third-party first mortgage loan	
Investment	Principal	Accrued interest	Total	Stated Interest rate	Effective interest rate [1]	Maturity date	Extension options (years)	Amount	Maturity dates
Georgetown - 5 property portfolio	$ 8,000	$ 675	$ 8,675	9.75%	10.23%	11/2011	1 year	$ 9,596	2012 through 2020
72nd Street	46,715	6,137	52,852	13.00%	20.85%	7/2011	1 year	170,727	2011 w/ 1 year extension
First mortgage and other notes	18,854	463	19,317	11.93%	12.48%	2011		n/a	n/a
Mezzanine notes	15,633	330	15,963	14.14%	15.43%	2012		272,289	2011 through 2019
Total notes receivable	$ 89,202	$ 7,605	$ 96,807	12.68%	17.18%				

Note:
[1] The effective rate includes points and exit fees

ASSET SALES AND CAPITAL/ASSET RECYCLING

Core Portfolio

We periodically identify certain core properties for disposition and redeploy the capital to existing centers or acquisitions with greater potential for capital appreciation. Since January of 2008, we have sold the following Core Portfolio assets:

Property	Location	Date sold	Gross leasable area	Sales price (dollars in thousands)
Blackman Plaza	Wilkes-Barre, Pennsylvania	November 2009	125,264	$ 2,500
Village Apartments	Winston-Salem, North Carolina	April 2008	599,106	23,300
Total			724,370	$ 25,800

Proceeds from these sales in part have been used to fund the Core Portfolio acquisitions as discussed in PROPERTY ACQUISITIONS above.

Monetization of Fund I

Given that Fund I was established as a finite life entity, we are currently engaged in the multi-year process of monetizing the Fund s investments. As of December 31, 2010 there were 20 assets comprising 0.9 million square feet remaining in Fund I as summarized by region below:

Shopping Center	Location	Year acquired	GLA
New York Region			
New York			
Tarrytown Centre	Tarrytown	2004	35,291
Midwest Region			
Ohio			
Granville Centre	Columbus	2002	134,997
Various Regions			
Kroger/Safeway Portfolio	Various (18 properties)	2003	709,400
Total			879,688

During March 2010, Fund I sold the Sterling Heights Shopping Center for $2.3 million. The proceeds from the sale along with Fund I s recourse obligation of $0.6 million were used to fully liquidate the outstanding loan obligation.

During February 2009, The Kroger Co. purchased the fee at six locations in Fund I s Kroger/Safeway Portfolio for $14.6 million, resulting in a $5.6 million gain. The Operating Partnership s share of the gain was $1.6 million.

During April 2008, Fund I sold Haygood Shopping Center located in Virginia Beach, Virginia, for $24.9 million, resulting in a $6.8 million gain. The Operating Partnership s share of the gain was $1.3 million.

ENVIRONMENTAL LAWS

For information relating to environmental laws that may have an impact on our business, please see Item 1A. Risk Factors - Possible liability relating to environmental matters.

COMPETITION

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

FINANCIAL INFORMATION ABOUT MARKET SEGMENTS

We have five reportable segments: Core Portfolio, Opportunity Funds, Self-Storage Portfolio, Notes Receivable and Other. Notes Receivable consists of the Company s notes receivable and related interest income, Other primarily consists of management fees and interest income. The accounting policies of the segments are the same as those described in the summary of significant accounting policies set forth in Note 1 to our Consolidated Financial Statements, which begin on page F-1 of this Form 10-K. We evaluate property performance primarily based on net operating income before depreciation, amortization and certain nonrecurring items. Investments in our Core Portfolio are typically held long-term. Given the contemplated finite life of our Opportunity Funds, these investments are typically held for shorter terms. Fees earned by us as general partner/member of the Opportunity Funds are eliminated in our Consolidated Financial Statements. See Note 3 to our Consolidated Financial Statements, which begin on page F-1 of this Form 10-K for information regarding, among other things, revenues from external customers, a measure of profit and loss and total assets with respect to 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. As of December 31, 2010, we had 116 employees, of which 92 were located at our executive office and 24 were located at regional property management offices. None of our employees are covered by collective bargaining agreements. Management believes that its relationship with employees is good.

COMPANY WEBSITE

All of our filings with the Securities and Exchange Commission, including our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, are available 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. If you wish to receive a copy of the Form 10-K, you may contact Robert Masters, Corporate Secretary, at Acadia Realty Trust, 1311 Mamaroneck Avenue, Suite 260, White Plains, NY 10605. You may also call (914) 288-8100 to request a copy of the Form 10-K. Information included or referred to on our website is not incorporated by reference in or otherwise a part of this Form 10-K.

CODE OF ETHICS AND WHISTLEBLOWER POLICIES

The Board of Trustees adopted a Code of Ethics for Senior Financial Officers that applies to our Chief Executive Officer, Senior Vice President-Chief Financial Officer, Senior Vice President-Chief Accounting Officer, Vice President-Controller, Vice President- Financial Reporting, Vice President 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. We intend to disclose future amendments to, or waivers from, our Code of Ethics for Senior Financial Officers in the Investor Information section of our website within four business days following the date of such amendment or waiver.

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 (going dark) as would the departure of a shadow 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 (co-tenancy). See Item 2. Properties Major Tenants for quantified information with respect to the percentage of our minimum rents received from major tenants.

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.

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

Our operations and performance depend on general economic conditions, including the health of the consumer. The U.S. economy recently experienced a financial downturn, with a decline in consumer spending, credit tightening and high unemployment. This economic downturn has had, and may continue to have, an adverse affect on the businesses of many of our tenants. We and the Opportunity Funds may experience higher vacancy rates as well as delays in re-leasing vacant space.

The current downturn has had, and may continue to have, an unprecedented impact on the global credit markets. While we currently believe we have adequate sources of liquidity, there can be no assurance that we will be able to obtain mortgage loans to purchase additional properties, obtain financing to complete current redevelopment projects, or successfully refinance our properties as loans become due. To the extent that the availability of credit is limited, it would also adversely impact our notes receivable as counterparties may not be able to obtain the financing required to repay the loans upon maturity.

The bankruptcy of, or a downturn in the business of, any of our major tenants or a significant number of our smaller tenants may adversely affect our 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 a shopping 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, 2010, there has been one significant tenant bankruptcy within our portfolio:

On December 12, 2010, the Great Atlantic & Pacific Tea Company, Inc. (A&P) filed for protection under Chapter 11 Bankruptcy. A&P operates in four locations in our Core Portfolio, totaling approximately 198,000 square feet. Rental revenues from A&P at these locations totaled $3.5 million, $3.4 million, and $3.3 million for the years ended December 31, 2010, 2009 and 2008, respectively. In addition, A&P operates in one Fund III location, totaling approximately 65,000 square feet. Rental revenues from A&P at this location totaled $1.0 million for each of the years ended December 31, 2010 and 2009. A&P has availed itself of the statutory maximum time to assume or reject these leases which is July 10, 2011. With respect to two of these leases, A&P has received a bankruptcy court order to close the two locations on or around April 15, 2011 and to exit the locations on or around April 30, 2011.

There are risks relating to investments in real estate.

Real property investments are subject to multiple risks. Real estate values are affected by a number of factors, including: changes in the general economic climate, local conditions (such as an oversupply of space or a reduction in demand 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. 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 rent our vacant space to viable tenants on economically favorable terms. 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 even though there may be a reduction in income from the investment.

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

Equity investments in real estate are relatively illiquid and, therefore, our ability to change our portfolio promptly in response to changed conditions is limited. 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.

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 to support 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.

Interest expense on our variable rate debt as of December 31, 2010 would increase by $4.4 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, primarily through interest rate swaps but can use 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 future financial condition of these counterparties will enable them to fulfill their obligations under these agreements.

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

There are numerous commercial developers, real estate companies, financial institutions and other investors with greater financial resources than we have that compete with us in seeking properties for acquisition and tenants who will lease space in our properties. Our competitors include other REITs, financial institutions, insurance companies, pension funds, private companies and individuals. This competition may result in a higher cost for properties that we wish to pay. 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 leading to increased vacancy rates at our properties.

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 greater New York region, from which we derive 38% of the annual base rents within our Core 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 occurs.

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 are pursuing extensive growth opportunities. This expansion places significant demands on our operational, administrative and financial resources. The continued growth of our real estate portfolio can be expected to continue to place a significant strain on our resources. Our future performance will depend in part on our ability to successfully attract and retain qualified management personnel to manage the growth and operations of our business. In addition, the acquired properties may fail to operate at expected levels due to the numerous factors that may affect the value of real estate. There can be no assurance that we will have sufficient resources to identify and manage the properties.

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 our Opportunity Funds. In the context of our business plan, redevelopment 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

14

or uncontrollable events that may increase project costs, new project commencement risks such as the receipt of zoning, occupancy and other required governmental approvals and permits, and incurring development costs in connection with projects that are not pursued to completion.

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. 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.

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.

Exclusivity obligation to our Opportunity Funds.

Under the terms of our Fund III joint venture, which is similar to the terms of Fund I and Fund II, we are required to first offer to Fund III all of our opportunities to acquire retail shopping centers with limited exceptions. We may only pursue opportunities to acquire retail shopping centers directly if (i) the ownership of the acquisition opportunity by Fund III would create a material conflict of interest for us; (ii) we require the acquisition opportunity for a like-kind exchange; or (iii) the consideration payable for the acquisition opportunity is our Common Shares, OP Units or other securities. 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 III.

Risks of joint ventures.

Partnership or joint venture investments may involve risks not otherwise present for investments made solely by us, including the possibility that our partner or co-venturer might become bankrupt, and that our partner or co-venturer may take action contrary to our instructions, requests, policies or objectives, including our policy with respect to maintaining our qualification as a REIT. 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.

Any disputes that may arise between joint venture partners and us may result in litigation or arbitration that would increase our expenses and prevent our officers and/or directors from focusing their time and effort on our business. Consequently, actions by or disputes with joint venture partners might result in subjecting properties owned by the joint venture to additional risk. In addition, we may in certain circumstances be liable for the actions of our third-party joint venture partners.

During 2010, 2009 and 2008, our Fund I and Mervyns I 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.

These factors could limit the return that we receive from such investments or cause our cash flows to be lower than our estimates. In addition, a partner or co-venturer may not have access to sufficient capital to satisfy its funding obligations to the joint venture.

Market factors 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. A decline in our share price, as a result of this or other market factors, could unfavorably impact our ability to raise additional equity in the public markets.

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. We have obtained key-man life insurance for Mr. Bernstein. In addition, we have entered into an employment agreement with Mr. Bernstein; however, it could be terminated by Mr. Bernstein. We have not entered into employment agreements with other key executive level employees.

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

Our Board of Trustees may determine to change 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, the results of decisions made by our Board of Trustees and implemented by management may or 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.

Distribution requirements imposed by law limit our operating flexibility.

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

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

We believe that we have consistently met the requirements for qualification as a REIT for federal income tax purposes beginning with our taxable year ended December 31, 1993, and we intend to continue to meet these requirements in the future. However, qualification as a REIT involves the application of highly technical and complex provisions of the Internal Revenue Code, for which there 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 REITs differ significantly from those applicable to other corporations. The determination of various factual matters and circumstances not entirely within our control can potentially affect our ability to continue to qualify as a REIT. In addition, no assurance can be given that future legislation, regulations, administrative interpretations or court decisions will not significantly change the requirements for qualification as a REIT or adversely affect the federal income tax consequences of such qualification. Under current law, if we fail to qualify as a REIT, we would not be allowed a deduction for dividends paid to shareholders in computing our net taxable income. In addition, our income would be subject to tax at the regular corporate rates. 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 our shareholders, to revoke the REIT election or to otherwise take action that would result in disqualification.

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.

Concentration of ownership by certain investors.

Six institutional shareholders own 5% or more individually, and 53.8% in the aggregate, of our Common Shares. A significant concentration of ownership may allow an investor or a group of investors to exert a greater influence over our management and affairs and may have the effect of delaying, deferring or preventing a change in control of us.

Restrictions on a potential change of control.

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.

In addition, we have entered into an employment agreement with our Chief Executive Officer and severance agreements are in place with our executives which provide that, upon the occurrence of a change in control of us and either the termination of their employment without cause (as defined) or their resignation for good reason (as defined), 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.

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 a company s failing to continue to qualify as a REIT. At any time, the federal income tax laws governing REITs or the administrative interpretations of those laws may be amended or modified. Any new laws or interpretations may take effect retroactively and could adversely affect us or our shareholders. Reduced tax rates applicable to certain corporate dividends paid to most domestic noncorporate shareholders are not generally available to REIT shareholders since a REITs 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 REITs by domestic noncorporate investors. This could adversely affect the market price of the Company s shares.

Our development and construction activities could affect our operating results.

We intend to continue the selective development and construction of retail properties. As opportunities arise, we expect to delay construction until sufficient pre-leasing is reached and financing is in place. Our development and construction activities include risks that:

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

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

Redevelopments and acquisitions may fail to perform as expected.

Our investment strategy includes the redevelopment and acquisition of shopping centers in supply contained markets in densely populated areas with high average household incomes and significant barriers to entry. The redevelopment and acquisition of properties entails risks that include the following, any of which could adversely affect our results of operations and our ability to meet our obligations:

- the property may fail to achieve the returns we have projected, either temporarily or for extended periods;

we may not be able to identify suitable properties to acquire or may be unable to complete the acquisition of the properties we identify;

we may not be able to integrate an acquisition into our existing operations successfully;

- properties we redevelop or acquire may fail to achieve the occupancy or rental rates we project, within the time frames we project, at the time we make the decision to invest, which may result in the properties failure to achieve the returns we projected;
- our pre-acquisition evaluation of the physical condition of each new investment may not detect certain defects or identify necessary repairs until after the property is acquired, which could significantly increase our total acquisition costs or decrease cash flow from the property; and
- our investigation of a property or building prior to our acquisition, and any representations we may receive from the seller of such building or property, may fail to reveal various liabilities, which could reduce the cash flow from the property or increase our acquisition cost.

Climate change and catastrophic risk from natural perils.

Some of our current properties could be subject to potential natural or other disasters. We may acquire properties that are located in areas which are subject to natural disasters. Any properties located in coastal regions would therefore be affected by any future increases in sea levels or in the frequency or severity of hurricanes and tropical storms, whether such increases are caused by global climate changes or other factors.

Climate change is a long-term change in the statistical distribution of weather patterns over periods of time that range from decades to millions of years. It may be a change in the average weather conditions or a change in the distribution of weather events with respect to an average, for example, greater or fewer extreme weather events. Climate change may be limited to a specific region, or may occur across the whole Earth.

There may be significant physical effects of climate change that have the potential to have a material effect on our business and operations. These effects can impact our personnel, physical assets, tenants and overall operations.

Physical impacts of climate change may include:

- Increased storm intensity and severity of weather (e.g., floods or hurricanes);
- Sea level rise; and
- Extreme temperatures.

As a result of these physical impacts from climate-related events, we may be vulnerable to the following:

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

Possible liability relating to environmental matters.

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

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

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

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

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

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

We carry comprehensive general liability, fire, extended coverage, loss of rent insurance, and environmental liability 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 loss of rent insurance. In addition, there are certain types of losses, such as losses resulting from wars, terrorism or acts of God that generally are not insured because they are either uninsurable or not economically insurable. Should an uninsured loss or a loss in excess of insured limits occur, we could lose capital invested in a property, as well as the anticipated future revenues from a property, while remaining obligated for any mortgage indebtedness or other financial obligations related to the property. Any loss of these types would adversely affect our financial condition.

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

Future terrorist attacks or civil unrest, such as the attacks that occurred in New York, Pennsylvania and Washington, D.C. on September 11, 2001, and other acts of terrorism or war, could harm the demand for, and the value of, our properties. Terrorist attacks could directly impact the value of our properties through damage, destruction, loss or increased security costs, and the availability of insurance for such acts may be limited or may be subject to substantial cost increases. To the extent that our tenants are impacted by future attacks, their ability to continue to honor obligations under their existing leases could be adversely affected. A decrease in retail demand could make it difficult for us to renew or re-lease our properties at lease rates equal to or above historical rates. These acts might erode business and consumer confidence and spending, and might result in increased volatility in national and international financial markets and economies. Any one of these events might decrease demand for real estate, decrease or delay the occupancy of our properties, and limit our access to capital or increase our cost of raising capital.

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

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

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

SHOPPING CENTER PROPERTIES

The discussion and tables in this Item 2 include properties held through our Core Portfolio and our Opportunity Funds. We define our Core Portfolio as those properties either 100% owned by, or partially owned through joint venture interests by, the Operating Partnership, or subsidiaries thereof, not including those properties owned through our Opportunity Funds. The discussion of the Opportunity Funds does not include our investment in a portfolio of self-storage properties, which are detailed separately within this Item 2.

As of December 31, 2010, excluding two properties under redevelopment, there are 32 operating properties in our Core Portfolio totaling approximately 4.8 million square feet of gross leasable area (GLA). The Core Portfolio properties are located in 12 states and are generally well-established community and neighborhood shopping centers anchored by supermarkets or value-oriented retail. The properties are diverse in size, ranging from approximately 10,000 to 875,000 square feet and as of December 31, 2010, were, in total, 92% occupied.

As of December 31, 2010, we owned and operated 27 properties totaling 2.5 million square feet of GLA in our Opportunity Funds, excluding five properties under redevelopment. In addition to shopping centers, the Opportunity Funds have invested in mixed-use properties, which generally include retail activities and self-storage properties. The Opportunity Fund properties are located in 13 states and as of December 31, 2010, were, in total, 87% occupied.

Within our Core Portfolio and Opportunity Funds, we had approximately 550 leases as of December 31, 2010. 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. These leases generally 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 85% of our total revenues for the year ended December 31, 2010.

Certain of our 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 less than 1% of the total 2010 revenues of the Company.

Four of our Core Portfolio properties and 21 of our Opportunity Fund properties are subject to long-term ground leases in which a third party owns and has leased the underlying land to us. We pay rent for the use of the land and are responsible for all costs and expenses associated with the building and improvements at all 25 locations.

No individual property contributed in excess of 10% of our total revenues for the years ended December 31, 2010, 2009 or 2008. Reference is made to Note 8 to our Consolidated Financial Statements, which begin on page F-1 of this 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, 2010:

Shopping Center	Location	Year Constructed (C) Acquired (A)	Ownership Interest	GLA	Occupancy % 12/31/10 (1)	Annual Base Rent	Annual Base Rent PSF	Anchor Tenants Current Lease Expiration/ Lease Option Expiration
Core Portfolio								
New York								
Connecticut								
239 Greenwich Avenue	Greenwich	1998 (A)	Fee/JV	16,834(2)	100%	$ 1,554,663	$ 92.35	Restoration Hardware 2014/2024 Coach 2016/2021
New Jersey								
Elmwood Park Shopping Center	Elmwood Park	1998 (A)	Fee	149,491	92%	3,397,955	24.75	A&P 2017/2052 Walgreen s 2022/2062
A&P Shopping Plaza	Boonton	2006 (A)	Fee/JV	62,908	90%	1,166,305	20.58	A&P 2024/2054
New York								
Village Commons Shopping Center	Smithtown	1998 (A)	Fee	87,330	75%	2,065,110	31.60	
Branch Shopping Plaza	Smithtown	1998 (A)	LI (3)	125,712	99%	2,681,144	21.46	A&P 2013/2028 CVS 2020/
Amboy Road	Staten Island	2005 (A)	LI (3)	60,090	100%	1,605,791	26.72	King Kullen 2028/2043 Duane Reade 2013/2018
Bartow Avenue	Bronx	2005 (C)	Fee	14,676	89%	439,249	33.43	
Pacesetter Park Shopping Center	Pomona	1999 (A)	Fee	96,380	91%	1,108,621	12.67	Stop & Shop 2020/2040
West Shore Expressway	Staten Island	2007 (A)	Fee	55,000	100%	1,265,000	23.00	LA Fitness 2021/2036
West 54th Street	Manhattan	2007 (A)	Fee	9,693	100%	2,564,844	264.61	Stage Deli 2013/ Barnes & Noble
East 17th Street	Manhattan	2008 (A)	Fee	19,622	100%	625,000	31.85	2013/2018
Crossroads Shopping Center	White Plains	1998 (A)	Fee/JV (4)	309,487	94%	6,093,005	21.00	A&P 2012/2032 Kmart 2012/2032 B. Dalton 2012/2022 Modell s 2014/2019 Pier 1 2012/ Home Goods 2018/2033
Total New York Region				1,007,223	93%	$ 24,566,687	$ 26.24	

Shopping Center	Location	Year Constructed (C) Acquired (A)	Ownership Interest	GLA	Occupancy % 12/31/10 (1)	Annual Base Rent	Annual Base Rent PSF	Anchor Tenants Current Lease Expiration/ Lease Option Expiration
Core Portfolio, continued								
New England								
Connecticut								
Town Line Plaza	Rocky Hill	1998 (A)	Fee	206,346(5)	98%	$ 1,632,831	$ 15.55	Stop & Shop 2024/2064 Wal-Mart(5)
Massachusetts								
Methuen Shopping Center	Methuen	1998 (A)	Fee	130,021	100%	958,689	7.37	Demoulas Market 2015/ Wal-Mart 2012/2052
Crescent Plaza	Brockton	1984 (A)	Fee	218,141	91%	1,585,619	8.02	Supervalu 2012/2042 Home Depot 2021/2056
New York								
New Loudon Center	Latham	1982 (A)	Fee	255,673	74%	1,535,346	8.06	Price Chopper 2015/2035 Marshall s 2014/2029 Raymour and Flanigan 2019/2034 AC Moore 2014/2024
Rhode Island								
Walnut Hill Plaza	Woonsocket	1998 (A)	Fee	284,717	94%	2,354,928	8.84	Supervalu 2013/2028 Sears 2013/2033 CVS 2011/2014
Vermont								
The Gateway Shopping Center	South Burlington	1999 (A)	Fee	101,784	92%	1,798,042	19.16	Supervalu 2024/2053