ACADIA REALTY TRUST
Form 424B5
March 22, 2004

Click Here for Contents

Filed Pursuant to Rule 424(b)5
under Registration No. 333-31630
and Registration No. 333-87993

SUBJECT TO COMPLETION, DATED MARCH 19, 2004

PROSPECTUS SUPPLEMENT
(To Prospectus dated March 29, 2000
and Prospectus dated March 19, 2004)

5,000,000 Common Shares

We are Acadia Realty Trust, a Maryland real estate investment trust (“REIT”) formed in March 1993. We are a fully integrated, self-managed and self-administered equity REIT focused primarily on the ownership, acquisition, redevelopment and management of neighborhood and community shopping centers.

The selling shareholders named in this prospectus supplement are selling an aggregate of 5,000,000 of our common shares. We will not receive any proceeds from the sale of the shares by the selling shareholders. The selling shareholders have granted the underwriters an option to purchase up to 750,000 additional common shares to cover over-allotments.

Our common shares are listed on the New York Stock Exchange under the symbol “AKR”. The last reported sale price of our common shares on the New York Stock Exchange on March 18, 2004, was $15.00 per share.

Investing in our common shares involves risks. See “Risk Factors” beginning on page S-9 of this prospectus supplement.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectuses are truthful or complete. Any representation to the contrary is a criminal offense.

	Per Share	Total
Public Offering Price	$	$
Underwriting Discount	$	$
Proceeds to selling shareholders before expenses	$	$

The underwriters expect to deliver the common shares to purchasers on or about March , 2004.

Citigroup

RBC Capital Markets

________, 2004.

The information in this prospectus supplement is not complete and may be changed. Two registration statements relating to these securities have been filed with the Securities and Exchange Commission and have become effective. This prospectus supplement and the accompanying prospectuses are not an offer to sell these securities and are not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

You should rely only on the information contained in or incorporated by reference into this prospectus supplement and the accompanying prospectuses. We have not, and the underwriters have not, authorized anyone to provide you with different information. We are not, and the underwriters are not, making an offer of these securities in any state where the offer is not permitted. You should assume that the information contained in this prospectus supplement, the accompanying prospectuses and the documents incorporated by reference herein and therein is accurate only as of its respective date or on the date which is specified in those documents.

Prospectus Supplement

Prospectus Dated March 29, 2000

Prospectus Dated March 19, 2004

Back to Contents

ABOUT THIS PROSPECTUS SUPPLEMENT

This document has three parts. The first part is the prospectus supplement, which describes the specific terms of this offering and also adds to and updates information contained in the accompanying prospectuses and the documents incorporated by reference. The second and third parts are the accompanying prospectuses, which give more general information, some of which

may not apply to this offering.

All references to "we," "our" and "us" in this prospectus supplement means Acadia Realty Trust and all entities owned or controlled by us except where it is made clear that the term means only the parent company. The term "you" refers to a prospective investor.

To the extent that any subject matter is addressed in both this prospectus supplement and the accompanying prospectuses, the information contained in this prospectus supplement supersedes the information contained in the accompanying prospectuses.

CAUTIONARY STATEMENTS CONCERNING FORWARD-LOOKING INFORMATION

Certain information included or incorporated by reference in this prospectus supplement and the accompanying prospectuses may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, 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 these 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," "project," or the negative of these words or other simila or terms. Factors which could have a material adverse effect on our operations and future prospects include, but are not limited to:

- changes in economic conditions generally and the real estate market specifically;
- adverse developments with respect to our tenants;
- legislative/regulatory changes including changes to laws governing the taxation of REITs;
- availability of debt and equity capital, changes in interest rates and competition;
- supply and demand for properties in our current and proposed market areas;
- discoveries of new or pre-existing environmental liabilities or non-compliance with environmental laws;
- policies and guidelines applicable to REITs; and
- the other factors described under the heading "Risk Factors" beginning on page S-9 of this prospectus supplement and in our periodic reports filed with the SEC, particularly our Form 10-K for the year ended December 31, 2003.

These risks and uncertainties should be considered in evaluating any forward-looking statements contained or incorporated by reference in this prospectus supplement.

We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed or incorporated by reference in this prospectus supplement and the accompanying prospectuses may not occur and actual results could differ materially from those anticipated or implied in the forward-looking statements.

Back to Contents

PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights information contained elsewhere in this prospectus supplement, the accompanying prospectuses, and the documents incorporated by reference herein and therein. Because this is a summary, it may not contain all of the information that is important to you. Before making a decision to invest in our common shares, you should read this entire prospectus supplement and the accompanying prospectuses carefully, especially Risk Factors beginning on page S-9 of this prospectus supplement, as well as the documents incorporated by reference in this prospectus supplement and the accompanying prospectuses including, in particular, our Form 10-K for the year ended December 31, 2003. Unless otherwise indicated, (i) all financial and property information is presented as of and for the year ended December 31, 2003 and (ii) we assume the underwriters over-allotment option to purchase up to an additional 750,000 common shares is not exercised.

Our Company

We are Acadia Realty Trust, a Maryland real estate investment trust (REIT) formed in March 1993. We are a fully integrated, self-managed and self-administered equity REIT focused primarily on the ownership, acquisition, redevelopment and management of neighborhood and community shopping centers, owned either directly or through joint ventures. As of the date of this prospectus supplement, we operate 62 properties which we own or have an ownership interest in, consisting of 58 neighborhood and community shopping centers, one enclosed mall, one mixed-use property (retail/residential) and two multifamily properties, totaling approximately 9 million square feet. Substantially all of our properties are located in the Northeast, Mid-Atlantic and Midwest United States.

Portfolio Summary

The following table summarizes our retail properties by region as of December 31, 2003:

					Percentage of Total Represented by Region	
Region(1)	**GLA (2)**	**Occupied % (3)**	**Annualized Base Rent (3)**	**Annualized Base Rent per Leased Square Foot**	**GLA**	**Annualized Base Rent**
	(GLA and rent in thousands)					
Wholly-Owned Portfolio:						
New York Region	1,706	88%	$ 19,116	$ 12.77	33%	45%
New England	958	98%	9,106	10.78	19%	22%
Midwest	706	92%	7,001	10.80	14%	16%
Mid-Atlantic	1,783	80%	7,447	6.28	34%	17%
TotalWeighted Average Wholly-Owned Portfolio	5,153	88%	$ 42,670	$ 10.22	100%	100%
Joint Venture Portfolio:						
Midwest (4)	324	93%	$ 3,193	$ 10.56	24%	17%
Mid-Atlantic (4,5)	702	99%	10,272	14.72	52%	54%
New York Region (6)	311	99%	5,524	17.99	24%	29%

Total Weighted Average Joint Venture Portfolio	1,337	98%	$ 18,989	$ 14.53	100%	100%

(1) Table does not include our partial interest in 25 anchor-only leases with Kroger and Safeway supermarkets, as the majority of these properties are free-standing and are all triple-net leases.
(2) GLA (Gross Leasable Area) includes 251 square feet which represents two anchor locations that are owned by the anchor tenants. Since we do not own these two locations, we do not collect base rent and, as such, no rent is reflected in the table.
(3) Does not include space which is currently leased, but for which rent payment has not yet commenced.
(4) We have a 22% interest in Acadia Strategic Opportunity Fund (AKR Fund I), the owner of these properties.
(5) Does not include 240 square feet of space in Phase II of the Brandywine Town Center.
(6) We have a 49% interest in each of two partnerships which own the Crossroads Shopping Center.

Back to Contents

All of our assets are held by, and all of our operations are conducted through, Acadia Realty Limited Partnership, a Delaware limited partnership, its majority-owned subsidiaries and the joint ventures in which it has an interest. We refer to Acadia Realty Limited Partnership and its majority-owned subsidiaries as the “Operating Partnership” throughout this prospectus supplement. As of the date of this prospectus supplement, we are the sole general partner of the Operating Partnership and own a 96% interest in the Operating Partnership. As the general partner, we are entitled to share, in proportion to our percentage interest, in the cash distributions and profits and losses of the Operating Partnership.

Our principal executive offices are located at 1311 Mamaroneck Avenue, Suite 260, White Plains, NY 10605, and our telephone number is (914) 288-8100.

Competitive Strengths
We believe that our key competitive strengths include the following:

Solid Core Portfolio With Embedded Internal Growth — Our portfolio consists primarily of well-established neighborhood and community shopping centers, which are typically anchored by necessity-based or value-oriented retailers. A majority of our properties are located in the Northeast and Mid-Atlantic markets, which we believe have high barriers to entry. At December 31, 2003, our consolidated portfolio was 88% occupied, which reflects the redevelopment status of three properties, as well as vacancies related to two of our four former Ames locations that remain to be re-tenanted. Upon re-tenanting of these two locations, the occupancy of our portfolio is expected to increase from 88% to 91%, assuming no other portfolio changes. In addition, we believe our portfolio contains a significant number of leases that have in-place rents below the current prevailing market rent and thus, provide the opportunity to increase the rents to market upon lease expiration. For the year ended December 31, 2003, new and renewal leases representing approximately 585,000 square feet were executed at a 10% increase over the former base rents.

Strong Diversified Tenant Base — Our portfolio contains over 500 leases, with no individual tenant contributing more than 5% of our portfolio’s total annualized base rent or occupying more than 10% of our portfolio’s total leased GLA. Approximately 87% of our revenue was received from well-known national or regional tenants. Approximately 92% of our revenue consisted of minimum rents and expense reimbursements received under long-term leases. In addition, during 2003, we renewed 81% of our expiring leases.

Opportunistic External Growth Platform — Our acquisition program is executed primarily through our existing acquisition joint venture, AKR Fund I in which we own a 22% interest. From the inception of AKR Fund I in 2001 through December 31, 2003, we have contributed $10.5 million to AKR Fund I which principally represents our share of the acquisition costs of three portfolios, one of which was acquired in 2002 and the balance in January 2003. For the year ended December 31, 2003, AKR Fund I provided us with incremental FFO of $4.1 million, including asset management fees of $1.1 million and property management and leasing fees of $0.6 million. We are entitled to receive a pro rata share of distributions from AKR Fund I plus a promote, as well as asset management, property management, leasing and construction fees. Due to the promoted equity structure and fees, combined with our small market capitalization, we believe that our modest investment in AKR Fund I has had a positive impact on our earnings.

In addition, in January 2004, we entered into a venture with Klaff Realty and Lubert-Adler, for the purpose of making investments in surplus or underutilized properties owned by retailers, providing us with a second strategic acquisition platform. To date, this venture has made no investments. See “Recent Developments,” below.

Strong and Flexible Balance Sheet — Maintaining a strong balance sheet provides us with the financial flexibility to fund future growth opportunities. As of December 31, 2003, our debt plus preferred OP Units to total market capitalization ratio was 35.0% and our fixed charge coverage ratio was 3.0x. In addition, we manage our exposure to variable rate debt through the use of interest rate hedges, resulting in 82% of our debt being at fixed interest rates through its term. Our dividend FFO payout ratio was 61.4% for the year ended December 31, 2003. While maintaining a conservative payout ratio, we have increased our annual dividend from $0.48 in 2001 to an annualized dividend of $0.64 for the quarter ended December 31, 2003, representing an increase of 33%.

Back to Contents

Experienced Management Team with Proven Track Record Our senior management team has an average of 6 years with our Company and its predecessors and 23 years in the real estate industry. During 2002, we successfully completed a multi-year portfolio repositioning initiative that significantly improved the quality of our portfolio and tenant base. We sold 28 non-core assets in connection with this initiative comprising approximately 4.6 million square feet of retail properties and 800 multifamily units, for total consideration of approximately $186 million. The proceeds from these transactions were used to paydown our existing debt and provide the capital required for our investment in AKR Fund I. We believe our management team has demonstrated the ability to create value internally through anchor recycling, property redevelopment and strategic non-core dispositions, and externally through the creation of opportunistic acquisition vehicles.

Business Objectives and Fundamentals
Our primary business objective is to acquire, lease and manage commercial retail properties that will generate cash for distributions to our shareholders while also creating the potential for capital appreciation to enhance investor returns.

We focus on the following fundamentals to achieve our objectives:

- Own and operate a portfolio of community and neighborhood shopping centers anchored by necessity-based and value-oriented retailers and located in markets with strong demographics.

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

- 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.

Operating and Growth Strategies
Currently, our acquisition program is executed primarily through AKR Fund I, which we and four institutional investors formed in September 2001 and a new venture (the KLA Venture) with Klaff Realty, L.P. and Lubert-Adler Management, Inc., which was established in January 2004 to invest in surplus or underutilized properties owned or controlled by retailers, as further discussed under Recent Developments.

Through AKR Fund I, we focus on acquiring assets that have superior in-fill locations, limited competition due to high barriers to entry, leases with below market rents and the potential for significant value creation through re-tenanting, timely capital improvements and property redevelopment. We consider both single assets and portfolios in our acquisition program. Although we currently operate properties in the Northeast, Mid-Atlantic and Midwest regions, and therefore focus on potential acquisitions within these geographic areas, we would consider portfolio acquisitions outside our current geographic footprint.

The outside investors have committed $70 million to AKR Fund I and we committed an additional $20 million of capital. We receive standard property management, construction and leasing fees with respect to properties acquired by AKR Fund I. In addition, we are entitled to an asset management fee equal to 1.5% of the capital committed as well as a promote of 20% after the return of all investor capital with a 9% preferred annual return. As of the date of this prospectus supplement, AKR Fund I has invested in approximately $163 million of properties and we and the outside investors have contributed equity capital to AKR Fund I in the amount of $10.5 million and $36.6 million, respectively.

Through the KLA Venture, we will seek to invest opportunistically in any of the following three ways:

- Working with financially healthy retailers to create value from their surplus real estate.

- Acquiring properties, designation rights or other control of real estate or leases associated with retailers in bankruptcy.

Back to Contents

- Completing sale-leasebacks with retailers in need of capital.

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 our 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.

Financing Strategy

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 cash on hand, bank and other institutional borrowing, the sale of properties and issuance of equity securities. We continually focus on maintaining a strong balance sheet when considering the sourcing of capital. We manage our interest rate risk primarily through the use of fixed rate debt and LIBOR swap agreements, resulting in 85% of our debt (including our pro rata share of joint venture debt) being at fixed interest rates through its term.

Recent Developments

Corporate Governance Initiatives — Board Restructuring

On March 18, 2004, we announced the next phase of our corporate governance initiatives. In connection with the transition to a more independent board, we announced that the following four individuals would not stand for re-election at the next annual meeting of our shareholders:

- Martin Edelman of the law firm Paul Hastings Janofsky and Walker, our outside general counsel;
- Gregory White of Prima Advisors, who is a member of the board of trustees of a competing retail REIT;
- Marvin Levine of the law firm Wachtel & Masyr, which actively represents us in transactions; and
- Lawrence Longua, an original member of Mark Center Trust's board of trustees who is currently with Newmark & Company.

We also announced that Ross Dworman, our former Chairman and Chief Executive Officer, has resigned as a trustee. In connection with his resignation, he is selling 1,400,000 common shares and an additional 158,614 shares if the underwriters' overallotment option is exercised.

At the next annual meeting of shareholders on May 6, 2004, four of the our current independent trustees will stand for re-election: Lee Wielansky, Douglas Crocker II, Alan Forman and Lorrence Kellar. Our only management trustee, Kenneth F. Bernstein, our President and Chief Executive Officer, will also stand for re-election. In addition, our Nominating/Corporate Governance Committee intends to select two new independent candidates to stand for election, bringing the size of our board to seven members. Assuming all expected trustees are elected to the board by shareholders, six of the seven board members will be independent under New York Stock Exchange requirements.

Acquisition of Mortgage Loan

On March 11, 2004, AKR Fund I, in conjunction with our long-time investment partner, Hendon Properties ("Hendon"), purchased a $9.6 million first mortgage loan from New York Life Insurance Company for $5.5 million. The loan is secured by a 235,000 square foot shopping center in Aiken, South Carolina and is currently in default. AKR Fund I and Hendon have acquired the loan with the intention of pursuing ownership of the property securing the debt. AKR Fund I has provided 90% of the equity capital and Hendon provided the remaining 10% of the equity capital used to acquire the loan. Hendon is entitled to receive profit participation in excess of its proportionate equity interest. The property is currently anchored by a Kroger supermarket and is only 56% occupied due to the vacancy of a former Kmart store.

Back to Contents

Declaration of Dividends

On February 26, 2004, our board of trustees declared a quarterly dividend of $0.16 per share payable April 15, 2004 to shareholders of record on March 31, 2004. The common shares offered hereby are expected to be delivered on March , 2004. Accordingly, purchasers of common shares in this offering are expected to receive the dividend payable on April 15, 2004.

New Acquisition Venture

On January 27, 2004, we entered into a new venture with Klaff Realty, L.P. (Klaff) and Klaffs long-time capital partner Lubert-Adler Management, Inc. (Lubert-Adler) for the purpose of making investments in surplus or underutilized properties owned or controlled by retailers. The initial size of the KLA Venture is targeted to be approximately $300 million in equity, based on anticipated investments of approximately $1 billion. The KLA Venture is currently exploring investment opportunities, but has not yet made any investments. Each participant in the KLA Venture has the right to opt out of any potential investment.

We also acquired Klaffs rights to provide asset management, leasing, disposition, development and construction services (Management Rights) for an existing portfolio of retail properties and/or leasehold interests comprised of approximately 10 million square feet of retail space located throughout the United States (the Klaff Properties). The acquisition involves only the Management Rights associated with operating the Klaff Properties and does not include equity interests in the assets owned by Klaff or Lubert-Adler. The Operating Partnership issued $4.0 million of Series B Preferred OP Units to Klaff in consideration of the Management Rights. These management activities will be conducted through a taxable REIT subsidiary.

Back to Contents

The Offering

The following is a brief summary of certain terms of this offering. For a more complete description of the terms of our common shares, see “Description of Our Common Shares” beginning on page 8 of the accompanying prospectus dated March 29, 2000.

Issuer	Acadia Realty Trust
New York Stock Exchange Symbol	AKR
Securities Offered by the selling shareholders	An aggregate of 5,000,000 common shares
	3,435,212 common shares to be sold by Yale University
	164,788 common shares to be sold by Yale University Retirement Plan for Staff Employees
	1,400,000 common shares to be sold by Ross Dworman (1)
Common shares outstanding prior to and after the offering	29,042,852 common shares (2)
OP units outstanding prior to and after the offering	553,608 OP Units (3)
Use of Proceeds	We will not receive any proceeds from this offering
Risk Factors	See “Risk Factors” beginning on page S-9 of this prospectus supplement and in our Form 10-K for the year ended December 31, 2003, as well as other information contained herein for a discussion of factors you should carefully consider before deciding to invest in our common shares.

(1) On March 17, 2004 and March 19, 2004, Mr. Dworman and certain entities controlled by Mr. Dworman converted (i) 1,000,000 stock options and 532,831 OP Units and (ii) 15,783 OP Units, respectively, held by them in connection with Mr. Dworman’s resignation from our Board of Trustees and in connection with this offering. For additional details see “Selling Shareholders.”

(2) Excludes 1,070,050 common shares issuable upon exercise of stock options granted under our benefit plans.

(3) Excludes 1,580 Series A Preferred OP Units which are convertible into 210,667 Common OP Units and 4,000 Series B Preferred OP Units which are convertible into 312,012 Common OP Units.

Back to Contents

Selected Financial Data

The following table sets forth our historical selected financial and other 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 in our Annual Report on Form 10-K, which is incorporated by reference herein.

	Years ended December 31,				
	2003	**2002(3)**	**2001(4)**	**2000**	**1999**
	(in thousands except per share amounts)				
OPERATING DATA:					
Revenues	$ 69,445	$ 69,347	$ 61,282	$ 63,450	$ 58,933
Operating expenses	34,703	30,894	29,049	28,736	27,651
Interest expense	11,231	11,017	12,370	15,877	13,686
Depreciation and amortization	17,909	14,804	13,745	13,136	12,241
Abandoned project costs	—	274	—	—	—
Gain in sale of land	1,187	1,530	—	—	—
Equity in earnings of unconsolidated partnerships	2,411	628	504	645	584
Minority interest	(1,347)	(2,999)	(1,466)	(1,952)	(1,832)
Income from continuing operations	7,853	11,517	5,156	4,394	4,107
Income from discontinued operations	—	7,882	4,795	15,513	3,088
Income before cumulative effect of a change in accounting principle	7,853	19,399	9,951	19,907	7,195
Cumulative effect of a change in accounting principle	—	—	(149)	—	—
Net income	$ 7,853	$ 19,399	$ 9,802	$ 19,907	$ 7,195
Basic earnings per share:					
Income from continuing operations	$ 0.30	$ 0.46	$ 0.18	$ 0.16	$ 0.16
Income from discontinued operations	—	0.31	0.18	0.59	0.12
Cumulative effect of a change in accounting principle	—	—	(0.01)	—	—
Basic earnings per share	$ 0.30	$ 0.77	$ 0.35	$ 0.75	$ 0.28