ACADIA REALTY TRUST
Form 10-K
February 28, 2012

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

ý ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2011

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 x NO o
Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15 (d) of the Securities Act.
YES o NO 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 x NO o
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer (as defined in Rule 12b-2 of the Act).
Large Accelerated Filer x Accelerated Filer o 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 $818.7 million, based on a price of $20.30 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, 2012 was 42,763,289.

DOCUMENTS INCORPORATED BY REFERENCE

Part III – Portions of the registrant's definitive proxy statement relating to its 2012 Annual Meeting of Shareholders presently scheduled to be held May 16, 2012 to be filed pursuant to Regulation 14A.

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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 var thereon or comparable terminology. Factors which could have a material adverse effect on our operations and future prospects include, but are not limited to those set forth under the headings "Item 1A. Risk Factors" and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of 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 82 properties, which we own or have an ownership interest in. These assets are located primarily in high-barrier-to-entry, densely-populated metropolitan areas in the United States along the East Coast and in Chicago and, in total, comprise approximately eight million square feet. We also have private equity investments in other retail real estate related opportunities 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, 2011, 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”) and employees who have been awarded restricted Common OP Units ("LTIP Units") as long-term incentive compensation. 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 high-quality retail properties located primarily in high-barrier-to-entry, densely-populated metropolitan areas and create value through accretive redevelopment and re-anchoring activities coupled with the acquisition of high-quality assets that have the long-term potential to outperform the asset class as part of our Core asset recycling and acquisition initiative.

- Generate additional external growth through an opportunistic yet disciplined acquisition program through our Opportunity Funds (as defined in Item 1. of this Form 10-K). We target transactions with high inherent opportunity for the creation of additional value through:

  value-add investments in high-quality urban and/or street retail properties with re-tenanting or repositioning opportunities,
  opportunistic acquisitions of well-located real-estate anchored by distressed retailers or by motivated sellers and
  opportunistic purchases of debt which may include restructuring.

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.

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

Investment Strategy — External Growth through Core Asset Recycling/Acquisition initiative and Opportunity Fund Platform

The requirements that acquisitions be accretive on a long-term basis based on our cost of capital, as well as increase the overall

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Core Portfolio quality and value, are key strategic considerations to our Core Portfolio asset recycling/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. Given the growing importance of technology and e-commerce, many of our retail tenants are appropriately focused on multi-channel sales and how to best utilize e-commerce initiatives to drive sales at their stores. In light of these initiatives, we have found retailers are becoming more selective as to the location, size and format of their next-generation stores and are focused on dense, high-traffic retail corridors, where they can utilize smaller and more productive formats closer to their shopping population. Accordingly, our focus for Core Portfolio acquisitions is on those properties which we believe will not only remain relevant to our tenants, but become even more so in the future. In connection with our Core Portfolio acquisition activity, we may also engage in discussions with public and private entities regarding business combinations.

In addition to our Core Portfolio 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, a carried interest ("Promote") and 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.

Fund I

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 investors (including the Operating Partnership) until they earned a 9% cumulative return ("Preferred Return") and the return of all of their capital contributions.

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 eliminated in consolidation and 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.

We are currently in the latter stages of our multi-year process of monetizing Fund I as discussed further in "—ASSET SALES AND CAPITAL/ASSET RECYCLING" below in this Item 1. As of December 31, 2011, there were four assets comprising approximately 0.1 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, 2011, $282.2 million of Fund II's and Mervyns II's capital was invested and the balance of $17.8 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 – 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. In addition to retailer multi-channeling initiatives as discussed above, we also believe that retailers continue to recognize that many of the nation’s urban markets are under-served 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, formed Acadia Urban Development LLC ("Acadia Urban Development") 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. The unaffiliated partner 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 Urban Development agreed to invest. See Item 7. of this Form 10-K for further information on the Acadia Urban Development joint venture as detailed in “Liquidity and Capital Resources – New York Urban/Infill Redevelopment Initiative.” Through December 31, 2011, eight of Fund II's nine projects are owned through Acadia Urban Development, 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 association 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 would 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

Fund III was formed during 2007 with fourteen institutional investors, including a majority of the investors from Funds I and 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, 2011, $226.8 million of Fund III’s capital was invested. To date, Fund III has invested in 21 projects as discussed further in “—PROPERTY ACQUISITIONS” below in this Item 1.

Through Fund III, our acquisition efforts are focused on the investment themes as discussed above in "BUSINESS OBJECTIVES AND STRATEGIES" in this Item 1.

In connection with the focus on urban locations, Fund III has invested in a portfolio of 11 self-storage facilities located in and around the New York City metropolitan area.

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 a moderate use of leverage, 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 January 2012, we established an at-the-market (“ATM”) equity program with an aggregate offering of up to $75.0 million in Common Shares. We intend to use the future net proceeds of this offering for general corporate purposes, which may include, among other things, repayment of our debt, future acquisitions, directly in the Core Portfolio and through our Opportunity Funds, and redevelopments of and capital improvements to our properties.

During November 2011, we issued 2.25 million Common Shares, which generated net proceeds of approximately $45.0 million. The proceeds were primarily used for general corporate purposes, which included (i) the repurchase of $24.0 million of our convertible notes ("Convertible Notes") payable as discussed further in Note 9 to our Consolidated Financial Statements, which begin on page F-1 of this Form 10-K, (ii) additional property acquisitions and investments, including the funding of our capital commitments to our Opportunity Funds and (iii) redevelopment and re-tenanting activities within our Core Portfolio.

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.

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, Promotes, 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 urban/street retail properties and neighborhood and community shopping centers located in high barrier-to-entry supply constrained markets. The neighborhood and community shopping centers owned in both our Core Portfolio and through our Opportunity Funds 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 2011 and 2009 we sold two non-core properties and redeployed capital in part to fund Core Portfolio acquisitions as further discussed in “—PROPERTY ACQUISITIONS” and "ASSET SALES AND CAPITAL/ASSET RECYCLING” below in this Item 1.

PROPERTY ACQUISITIONS

Core Portfolio

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

During 2011, we continued to execute on our strategy of owning a superior Core Portfolio by acquiring, through our Operating Partnership, high-quality, urban and street retail assets with the following acquisitions:

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- During September 2011, acquired a 50% equity interest in an entity which owns a six property portfolio (the "Georgetown Portfolio") located in Washington, D.C. for a purchase price of $13.4 million, which included the assumption of 50% of in-place debt of $9.2 million, inclusive of our existing mezzanine loan to the entity.

- During August 2011, acquired a six property portfolio located in Chicago, Illinois for $18.0 million and a newly constructed 13,000 square foot property located in the Bronx, New York for $9.1 million.

- During June 2011, acquired a 6,000 square foot single-tenant retail condominium located in New York, New York for $4.8 million.

- During May 2011, acquired a 44,000 square foot retail property located in Chicago, Illinois, for $28.4 million.

In addition, as of December 31, 2011 we have 16 properties under contract for an aggregate purchase price of $107.3 million. Two of these transactions, with purchase prices totaling $22.7 million, were completed subsequent to December 31, 2011. The closings of the transactions still under contract, which are anticipated to be completed during 2012, are subject to customary closing conditions and in certain instances, lender approval. As such, no assurance can be given that we will successfully complete these transactions.
See Item 2. PROPERTIES for a description of the other properties in our Core Portfolio.
Opportunity Funds
Fund III
Through Fund III, we have also acquired the following properties:

- During December 2011, acquired a 31,500 square foot shopping center located in New Hyde Park, New York for $11.3 million.

- During December 2011, in joint ventures with unaffiliated partners, acquired a 260,000 square foot shopping center located in Baltimore, Maryland for $21.6 million and an 18,700 square foot property located at 654 Broadway, New York, New York for $13.3 million.

- During April 2011, acquired a 105,000 square foot property located in the East Loop section of downtown Chicago, Illinois, for $31.6 million.

- During February 2011, 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, 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, in a joint venture with an unaffiliated partner, purchased the White City Shopping Center for $56.0 million. The property is a 255,000 square foot shopping center located in Shrewsbury, Massachusetts.

- During June 2010, 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 $4.2 million in this entity.

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

- During November 2007, acquired a property at 125 Main Street, Westport, Connecticut for approximately $17.0 million. Redevelopment of the property was completed in 2011 at a cost of approximately $8.5 million. The property is 89% leased and anchored by Gap Inc.

- During November 2007, acquired a property in Sheepshead Bay, Brooklyn for approximately $20.0 million. The property is currently in the design stage.

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Self-Storage Portfolio

During February 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. The fourteen self-storage property portfolio, located throughout New York and New Jersey, totals approximately 1,124,000 net rentable square feet, and is operating at various stages of stabilization. As of December 31, 2011, overall occupancy for this portfolio was 87.0% compared with 76.5% at December 31, 2010.

Fund II New York Urban/Infill Redevelopment Initiative

As of December 31, 2011, Fund II had nine New York Urban/Infill Redevelopment Initiative projects, eight of which were made through Acadia Urban Development. Construction is substantially complete at seven of the projects, one is under construction and one is in the design phase as follows:

			(dollars in millions)			
Property	Location	Year acquired	Costs to date	Anticipated additional costs (4)	Status	Square feet upon completion
Liberty Avenue (1)	Queens	2005	$15.6	$—	Construction complete	125,000
216th Street	Manhattan	2005	27.7	—	Construction complete	60,000
Fordham Place	Bronx	2004	128.4	6.2	Construction complete	262,000
Pelham Manor Shopping Plaza (1)	Westchester	2004	63.2	1.1	Construction complete	320,000
161st Street	Bronx	2005	65.7	1.0	Construction complete (2)	237,000
Atlantic Avenue (3)	Brooklyn	2007	22.6	—	Construction complete	110,000
Canarsie Plaza	Brooklyn	2007	90.5	0.5	Construction complete	274,000
CityPoint (1)	Brooklyn	2007	104.9	145.1 - 235.1	Under construction	685,000 - 710,000
Sherman Plaza	Manhattan	2005	34.2	TBD	In design	TBD
Total			$552.8			

Notes:

TBD – To be determined

(1) Acadia Urban Development acquired a ground lease interest at these properties.

(2) Currently operating but re-tenanting activities have commenced.

(3) Fund II owns 100% of this project.

(4) Anticipated additional costs for completed properties represent costs for tenant improvements.

Under Construction

CityPoint — During June of 2007, Acadia Urban Development 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 Urban Development 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. Reference is made to Note 2 in our Consolidated Financial Statements, which begin on Page F-1 of this Form 10-K for a further discussion of this transaction.The development will proceed in three phases. Construction has commenced on Phase 1, a five-story retail building of approximately 50,000 square feet. Phase 2 will consist of approximately

625,000 square feet of additional retail. Phase 2 will also 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 650,000 square feet.

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, 2011, we have received distributions from this investment totaling $46.0 million.

Through December 31, 2011, 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 $3.6 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, 2011, we have received distributions from this investment totaling $81.6 million, including $4.5 million and $11.4 million received in 2011 and 2010, respectively.

Through December 31, 2011, we, through Mervyns II, made Add-On Investments in Albertson's totaling $2.4 million and received distributions totaling $1.7 million, including $0.5 million received in 2011.

Other RCP Investments

Through December 31, 2011, 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, 2011, 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, 2011, we have received distributions from Rex totaling $0.8 million.

The following table summarizes the RCP Venture investments from inception through December 31, 2011, 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	3.6	1.1	0.8
Mervyns II	Albertson's	2006	20.7	81.6	4.2	16.3
Mervyns II	Albertson's Add-On Investments	2006/2007	2.4	1.7	0.4	0.3
Fund II	Shopko	2006	1.1	1.7	0.2	0.3
Fund II	Marsh/Add-On Investments	2006	2.7	2.6	0.5	0.5
Mervyns II	Rex	2007	2.7	0.8	0.5	0.2
Total			$62.2	$138.0	$11.8	$29.7

Notes Receivable, Preferred Equity and Other Real Estate Related Investments

We also make investments in preferred equity positions and notes receivable collateralized by real estate, either directly or through entities having an ownership interest therein.

During December 2011, the Operating Partnership made an $8.5 million loan, which is collateralized by 3 properties located in Chicago, IL. The loan matures in December 2012 and bears interest at 12.0%.

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During December 2011, Fund I made a $12.6 million loan in conjunction with the sale of 15 Kroger/Safeway locations. The loan, which is collateralized by 14 Kroger/Safeway properties, matures in December 2012 and bears interest at 6.0%. There are two six month extension options, the first of which bears interest at 9% and the second bears interest at 12%.
During October 2011, the Operating Partnership made a $5.4 million construction loan, which is collateralized by an interest in a development in Haledon, NJ. The loan matures in April 2012 and has one six month extension and bears interest at 15.0%.
During September 2011, the Operating Partnership made a $4.0 million loan to two members of an entity which owns a shopping center in Washington D.C. The note accrues interest at 7% and matures in February 2012. In addition to the loan, the Operating Partnership entered into and subsequently exercised an option to purchase the shopping center at a future date, pending the servicer's approval of the assignment of a first mortgage loan of $17.0 million. The loan will be offset against the purchase price when the Operating Partnership acquires the property.
During May 2011, we received a final payment of $54.7 million on a mezzanine loan, representing $33.8 million of principal, $13.4 million of accrued interest, and a $7.5 million exit fee.
During February 2011, the Operating Partnership made a mezzanine loan for $3.8 million which accrues interest at 15% and is payable upon a capital event. The Operating Partnership also received a payment of $1.9 million on a mezzanine loan.

During September 2010, we received a final payment of $49.4 million on a preferred equity investment, representing $40.0 million of invested capital and $9.4 million of accrued preferred return.
During December 2009, the Operating Partnership made a loan for $8.6 million. The original term of this loan was for one year, with two six month extensions, and bore interest at 14.5%. During December 2011, this investment was fully liquidated. The Operating Partnership received $8.6 million of principal along with $1.0 million of accrued interest.
The following table sets forth our notes receivable investments as of December 31, 2011:
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
First mortgage and other notes	$41,331	$1,772	$43,103	9.50 %	10.47 %	2012	—	n/a	n/a
Mezzanine notes	18,658	723	19,381	12.78 %	14.57 %	2013	—	301,660	2012 through 2017
Total notes receivable	$59,989	$2,495	$62,484	10.52 %	11.75 %				

Note:
(1) The effective rate includes points and exit fees

ASSET SALES AND CAPITAL/ASSET RECYCLING

Core Portfolio

We periodically identify certain properties in our Core Portfolio for disposition and redeploy the capital to existing centers or acquisitions with greater potential for capital appreciation. Since 2009, we have sold the following Core Portfolio assets:
(dollars in thousands)

Property	Location	Date sold	Gross leasable area	Sales price

Ledgewood Mall	Ledgewood, New Jersey	May 2011	517,151	$37,000
Blackman Plaza	Wilkes-Barre, Pennsylvania	November 2009	125,264	2,500
Total			642,415	$39,500

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, 2011 there were four assets comprising 0.1 million square feet remaining in Fund I as summarized below:

Shopping Center	Location	Year acquired	GLA
Tarrytown Centre	Tarrytown (Westchester), NY	2004	35,000
Kroger/Safeway properties	3 locations	2003	98,000
Total			133,000

During December 2011, Fund I sold 15 locations in the Kroger/Safeway Portfolio for $17.5 million, resulting in a $14.6 million gain. The Operating Partnership's share of the gain was $2.4 million.
During October 2011, Fund I sold Granville Centre, a 135,000 square foot shopping center, located in Columbus, Ohio, for $2.3 million, resulting in a loss of $0.3 million. The Operating Partnership's share of the loss was $0.1 million. During the quarter ended June 30, 2011, we determined that the value of the Granville Centre was impaired and recorded an impairment loss of $6.9 million. The Operating Partnership's share of the impairment loss was $1.5 million.
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 leasehold interest at six locations in Fund I's Kroger/Safeway Portfolio for $9.5 million, resulting in a $5.6 million gain. The Operating Partnership's share of the gain was $0.9 million.
Fund II
During January 2011, Fund II completed the sale of a leasehold interest in the Neiman Marcus location at Oakbrook Center, located in Oak Brook, Illinois, for $8.2 million. The sale resulted in a gain of $3.9 million. The Operating Partnership's share of the gain was $0.8 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 our 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, 2011, we had 114 employees, of which 92 were located at

our executive office and 22 were located at regional property management offices. None of our employees are covered by collective bargaining

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agreements. Management believes that its relationship with employees is good.

COMPANY WEBSITE

All of our filings with the Securities and Exchange Commission, including our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, are available at no cost at our website at www.acadiarealty.com, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission. These filings can also be accessed through the Securities and Exchange Commission's website at www.sec.gov. Alternatively, we will provide paper copies of our filings at no cost upon request. If you wish to receive a copy of the Form 10-K, you may contact 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 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 (with respect to our senior executive financial officers), our Code of Ethics in the Investor Information section of our website within four business days following the date of such amendment or waiver.

ITEM 1A. RISK FACTORS.

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 revenues. There can be no assurance that we will be able to retain tenants in any of our properties upon the expiration of their leases. See "Item 2. Properties – Lease Expirations" in this 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 have been two significant tenant bankruptcies within our portfolio:

During February 2012, the United Retail Group, which owns and operates Avenue, filed for protection under Chapter 11 Bankruptcy. Avenue operates in four locations in our Core Portfolio, totaling approximately 25,000 square feet. Rental revenues from Avenue at these four locations totaled $0.7 million for each the years ended December 31, 2011, 2010 and 2009. United Retail Group has neither affirmed nor rejected any of the leases at any of our locations.

On December 12, 2010, the Great Atlantic & Pacific Tea Company, Inc. ("A&P") filed for protection under Chapter 11 Bankruptcy. At the time of filing, A&P was a tenant in five of our properties. A&P has affirmed three of its leases. It now operates in two locations in our Core Portfolio, totaling approximately 97,000 square feet. Rental revenues from A&P at these two locations totaled $2.0 million, $2.0 million and $1.9 million for the years ended December 31, 2011, 2010 and 2009, 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, 2011, 2010 and 2009. A&P has filed a plan of reorganization.

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 we 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. In addition, the viability of the interest rate hedges we use is subject to the strength of the counterparties.
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, 2011 would increase by $4.3 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 than we wish to pay. In addition, retailers at our properties (both in our Core Portfolio and in the portfolios of the Opportunity Funds) face increasing competition from outlet malls, discount shopping clubs, internet commerce, direct mail and telemarketing, which could (i) reduce rents payable to us and (ii) reduce our ability to attract and retain tenants at our properties leading to increased vacancy rates at our properties.

We could be adversely affected by poor market conditions where our 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 36% of the annual base rents within our Core Portfolio and 76% of annual base rents within our Opportunity Funds' portfolios. 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 our Operating Partnership and 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 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 Opportunity Funds, we are required to first offer to our current fund, 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 instead 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 our 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 2011, 2010 and 2009, 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 and our ability to access the public equity markets.

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 can be terminated by Mr. Bernstein in his discretion. 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 us 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, among other purposes. 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 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.

As of December 31, 2011, eight institutional shareholders own 5% or more individually, and 70.8% 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 interests 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 the best interests of the shareholders.

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

Under the Maryland General Corporation Law, as amended, which we refer to as the "MGCL," as applicable to REITs, certain "business combinations," including certain mergers, consolidations, share exchanges and asset transfers and certain issuances and reclassifications of equity securities, between a Maryland REIT and any person who beneficially owns 10% or more of the voting power of the trust's outstanding voting shares or an affiliate or an associate, as defined in the MGCL, of the trust who, at any time within the two-year period immediately prior to the date in question, was the beneficial owner of 10% or more of the voting power of the then-outstanding shares of beneficial interest of the trust, which we refer to as an "interested shareholder," or an affiliate of the interested shareholder, are prohibited for five years after the most recent date on which the interested shareholder becomes an interested shareholder. After that five-year period, any such business combination must be recommended by the board of trustees of the trust and approved by the affirmative vote of at least (1) 80% of the votes entitled to be cast by holders of outstanding voting shares of beneficial interest of the trust and (2) two-thirds of the votes entitled to be cast by holders of voting shares of the trust other than shares held by the interested shareholder with whom, or with whose affiliate, the business combination is to be effected or held by an affiliate or associate of the interested shareholder, unless, among other conditions, the trust's common shareholders receive a minimum price, as defined in the MGCL, for their shares and the consideration is received in cash or in the same form as previously paid by the interested shareholder for its common shares.

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

The MGCL also provides that holders of "control shares" of a Maryland REIT (defined as voting shares that, when aggregated with all other shares owned by the acquirer or in respect of which the acquirer is entitled to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquirer to exercise one of three increasing ranges of voting power in electing trustees) acquired in a "control share acquisition" (defined as the direct or indirect acquisition of ownership or control of "control shares") have no voting rights except to the extent approved by the affirmative vote of holders of at least two-thirds of all the votes entitled to be cast on the matter, excluding shares owned by the acquirer, by officers or by employees who are also trustees of the trust. Our Bylaws provide that the control share acquisition statute shall not apply to shares acquired or owned, directly or indirectly, by any person acting in concert with any group (as defined in Section 13 of the Exchange Act and the rules thereunder). Our Bylaws can be amended by our Board of Trustees by majority vote, and there can be no assurance that this provision will not be amended or eliminated at any time in the future.

Additionally, Title 3, Subtitle 8 of the MGCL permits our Board of Trustees, without shareholder approval and regardless of what is currently provided in our Declaration of Trust or Bylaws, to elect to be subject to certain provisions relating to corporate governance that may have the effect of delaying, deferring or preventing a transaction or a change of control of our Company that might involve a premium to the market price of our Common Shares or otherwise be in the best interests of our shareholders. We are subject to some of these provisions (for example, a two-thirds vote requirement for removing a trustee) by provisions of our Declaration of Trust and Bylaws unrelated to Subtitle 8.

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

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

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

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

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

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

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

Our development and construction activities could affect our operating results.

We intend to continue the selective development and construction of retail properties, with our project at CityPoint currently being our largest development project (see “Item 1. BUSINESS - PROPERTY ACQUISITIONS - Opportunity Funds -- Fund II New York Urban/Infill Redevelopment Initiative - Under Construction” for a description of the CityPoint project).

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 constrained 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;
- Increases in energy costs impacting operational returns;
- Changes in the availability or quality of water, or other natural resources on which the tenant's business depends;
- Decreased consumer demand for 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, 2011, there are 48 operating properties in our Core Portfolio totaling approximately 5.0 million square feet of gross leasable area ("GLA"). The Core Portfolio properties are located in 12 states and the District of Columbia and are generally well-established urban/street retail locations and community and neighborhood shopping centers. Our shopping centers are predominately anchored by supermarkets or value-oriented retail. The properties are diverse in size, ranging from approximately 3,000 to 875,000 square feet and as of December 31, 2011, were, in total, 91% occupied.

As of December 31, 2011, we owned and operated 19 properties totaling 2.5 million square feet of GLA in our Opportunity Funds, excluding three 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 nine states and as of December 31, 2011, were, in total, 87% occupied.

Within our Core Portfolio and Opportunity Funds, we had approximately 600 leases as of December 31, 2011. A majority of our rental revenues were from national retailers. 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 89% of our total revenues for the year ended December 31, 2011.

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 our total 2011 revenues.

Three of our Core Portfolio properties and six 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 nine locations.

No individual property contributed in excess of 10% of our total revenues for the years ended December 31, 2011, 2010 or 2009. 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, 2011:

Shopping Center	Location	Year Constructed (C) Acquired (A)	Ownership Interest	GLA		Occupancy % 12/31/11 (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	
New Jersey										
Elmwood Park Shopping Center	Elmwood Park	1998 (A)	Fee	149,262		92	%	3,364,939	24.58	A&P 2017/2052 Walgreen's 2022/2062
A&P Shopping Plaza	Boonton	2006 (A)	Fee/JV	62,741		97	%	1,284,146	21.08	A&P 2024/2054
New York										
	Smithtown	1998 (A)	Fee	87,330		91	%	2,409,990	30.22	

Village Commons Shopping Center Branch Shopping Plaza (3)	Smithtown	1998 (A)	LI (4)	126,212	46	%	1,570,504	27.35	CVS 2020/—
Amboy Road	Staten Island	2005 (A)	LI (4)	60,090	100	%	1,619,949	26.96	King Kullen 2028/2043
Bartow Avenue	Bronx	2005 (C)	Fee	14,676	89	%	439,246	33.43	
Pacesetter Park Shopping Center	Pomona	1999 (A)	Fee	96,380	90	%	1,101,867	12.76	Stop & Shop 2020/2040
West Shore Expressway	Staten Island	2007 (A)	Fee	55,000	100	%	1,265,000	23.00	LA Fitness 2022/2037

Shopping Center	Location	Year Constructed (C) Acquired (A)	Ownership Interest	GLA	Occupancy % 12/31/11 (1)		Annual Base Rent	Annual Base Rent PSF	Anchor Tenants Current Lease Expiration/ Lease Option Expiration
Core Portfolio, continued									
West 54th Street	Manhattan	2007 (A)	Fee	9,693	96	%	2,418,894	261.09	
East 17th Street	Manhattan	2008 (A)	Fee	19,622	100	%	625,000	31.85	Barnes & Noble 2013/2018
Crossroads Shopping Center	White Plains	1998 (A)	Fee/JV (5)	309,487	82	%	5,590,135	22.10	Kmart 2012/2032 Barnes & Noble 2012/2022 Modell's 2014/2019
Third Avenue	Bronx	2006 (A)	Fee	39,367	81	%	666,631	20.85	Home Goods 2018/2033 Planet Fitness 2027/2042
Mercer Street	Manhattan	2011 (A)	Fee	6,225	100	%	372,000	59.76	
4401 White Plains Road	Bronx	2011 (A)	Fee	12,964	100	%	625,000	48.21	
Total New York Region				1,065,883	84	%	$24,907,964	$27.69	
New England Connecticut									
Town Line Plaza	Rocky Hill	1998 (A)	Fee	206,346	99	%	$1,672,273	$15.63	Stop & Shop 2024/2064 Wal-Mart(6)
Massachusetts									
Methuen Shopping Center	Methuen	1998 (A)	Fee	130,021	100	%	1,021,370	7.86	Demoulas Market 2015/— Wal-Mart 2016/2051
Crescent Plaza	Brockton	1984 (A)	Fee	218,137	91	%	1,576,543	7.97	Supervalu 2012/2042 Home Depot 2021/2056
New York									
New Loudon Center	Latham	1982 (A)	Fee	255,673	100	%	1,959,124	7.66	Price Chopper 2015/2035 Marshall's

									2014/2029 Raymour and Flanigan 2019/2034 AC Moore 2014/2024 Hobby Lobby 2021/-
Rhode Island									
Walnut Hill Plaza	Woonsocket	1998 (A)	Fee	284,717	94	%	2,408,508	8.96	Supervalu 2013/2028 Sears 2013/2033 Savers 2013/2018 CVS 2012/- Ocean State Job Lot 2012/- Woonsocket Bowling 2021/-
Vermont									
The Gateway Shopping Center	South Burlington	1999 (A)	Fee	101,655	93	%	1,733,487	18.40	Supervalu 2024/2053
Total New England Region				1,196,549	96	%	$10,371,305	$9.84	

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Shopping Center	Location	Year Constructed (C) Acquired (A)	Ownership Interest	GLA	Occupancy % 12/31/11 (1)	Annual Base Rent	Annual Base Rent PSF	Anchor Tenants Current Lease Expiration/ Lease Option Expiration
Core Portfolio, continued								
Midwest								
Illinois								
Hobson West Plaza	Naperville	1998 (A)	Fee	99,125	96 %	$1,117,715	11.79	Garden Fresh Markets 2012/2032
Clark Diversey	Chicago	2006 (A)	Fee	19,265	96 %	810,154	43.93	
West Diversey	Chicago	2011 (A)	Fee	46,259	100 %	1,757,463	37.99	Trader Joe's 2021/2041
Chicago Street Retail Portfolio (7)	Chicago	2011 (A)	Fee	24,374	100 %	1,279,938	52.51	
Core Portfolio, continued								
Indiana								
Merrillville Plaza	Merrillville	1998 (A)	Fee	235,824	92 %	2,852,636	13.22	TJ Maxx 2019/2029 JC Penney 2013/2018 OfficeMax 2013/2028 K&G Fashion 2017/2027
Michigan								
Bloomfield Town Square (8)	Bloomfield Hills	1998 (A)	Fee	236,418	69 %	2,277,192	13.88	TJ Maxx 2019/2029 Home Goods 2016/2026 Best Buy 2021/2041
Ohio								
Mad River Station	Dayton	1999 (A)	Fee	125,984 (9)	81 %	1,264,608	12.39	Babies 'R' Us 2015/2020 Office Depot 2015/—
Total Midwest Region				787,249	85 %	$11,359,706	$17.06	
Mid-Atlantic								
New Jersey								
Marketplace of Absecon	Absecon	1998 (A)	Fee	104,762	72 %	1,231,831	16.43	Rite Aid 2020/2040

									White Horse Liquors 2019/-
Delaware									
Brandywine Town Center	Wilmington	2003 (A)	Fee/JV (10)	874,989	97	%	12,800,555	15.13	Bed, Bath & Beyond 2014/2029 Dick's Sporting Goods 2013/2028 Lowe's Home Centers 2018/2048 Target 2018/2058 HH Gregg 2020/2035
Market Square Shopping Center	Wilmington	2003 (A)	Fee/JV (10)	102,047	98	%	2,471,924	24.66	TJ Maxx 2016/2021 Trader Joe's 2019/2034
Route 202 Shopping Center	Wilmington	2006 (C)	LI/JV (4) (10)	19,984	55	%	558,340	50.89	

Shopping Center	Location	Year Constructed (C) Acquired (A)	Ownership Interest	GLA	Occupancy % 12/31/11 (1)		Annual Base Rent	Annual Base Rent PSF	Anchor Tenants Current Lease Expiration/ Lease Option Expiration
Core Portfolio, continued									
Pennsylvania									
Mark Plaza	Edwardsville	1968 (C)	LI/Fee (4)	216,401	86	%	823,922	4.45	Kmart 2014/2049
Plaza 422	Lebanon	1972 (C)	Fee	156,279	100	%	795,852	5.09	Home Depot 2028/2058 Dunham's 2016/2031
Route 6 Mall	Honesdale	1994 (C)	Fee	175,519	100	%	1,175,170	6.70	Kmart 2020/2070 Fashion Bug 2016/- Advance Auto 2013/-
Chestnut Hill (11) (12)	Philadelphia	2006 (A)	Fee	37,916	14	%	164,483	31.94	
Abington Towne Center	Abington	1998 (A)	Fee	216,369	99	%	1,120,795	19.63	TJ Maxx 2016/2021 Target (13)
District of Columbia									
Georgetown Portfolio (14)	Washington D.C.	2011 (A)	Fee/JV	27,666	96	%	1,649,967	61.87	
Total Mid-Atlantic Region				1,931,932	93	%	$22,792,839	$13.91	
Total Core Properties				4,981,613	91	%	$69,431,814	$16.31	
Opportunity Fund Portfolio									
Fund I Properties									
New York									
Tarrytown Shopping Center	Tarrytown	2004 (A)	Fee	34,979	85	%	847,360	28.40	Walgreen's 2080/—
VARIOUS REGIONS									
Kroger/Safeway Portfolio	3 locations (15)	2003 (A)	LI/JV (4)	97,500	69	%	302,076	4.48	Kroger 2014/2049

									Safeway 2014/2044
Total Fund I Properties				132,479	73	%	$1,149,436	$11.81	
Fund II Properties									
New York									
Pelham Plaza	Pelham Manor	2004 (A)	LI/JV (4)	228,493	91	%	5,622,651	27.05	BJ's Wholesale Club 2033/2053 Michaels 2013/2033 Petsmart 2021/2036
Fordham Place	Bronx	2004(A)	Fee/JV	119,446	100	%	5,519,760	46.21	Best Buy 2019/2039 Sears 2023/2033
Liberty Avenue	New York	2005 (A)	LI/JV (4)	26,125	83	%	732,755	33.83	CVS 2032/2052
Canarsie Plaza	Brooklyn	2007 (A)	Fee/JV	273,536	92	%	7,494,788	29.75	BJ's Wholesale Club 2030/2055 Petsmart 2022/2037

Shopping Center	Location	Year Constructed (C) Acquired (A)	Ownership Interest	GLA	Occupancy % 12/31/11 (1)		Annual Base Rent	Annual Base Rent PSF	Anchor Tenants Current Lease Expiration/ Lease Option Expiration
Opportunity Funds, continued									
216th Street	New York	2005 (A)	Fee/JV	60,000	100	%	2,460,000	41.00	City of New York 2027/2032
161st Street (19)	Bronx	2005 (A)	Fee/JV	236,571	87	%	4,617,137	22.36	City of New York MTM
Total Fund II Properties				944,171	92	%	$26,447,091	$30.49	
Fund III Properties									
Connecticut									
125 Main Street	Westport	2007 (A)	Fee/JV	27,033	80	%	1,639,550	75.64	Gap 2021/2026
New York									
Cortlandt Towne Center	Mohegan Lake	2009 (A)	Fee	641,211	90	%	9,270,706	16.06	Walmart 2018/2048 A&P 2022/2047 Best Buy 2017/2032 Petsmart 2014/2034
654 Broadway	New York	2011 (A)	Fee	2,896	100	%	300,000	103.59	
New Hyde Park Shopping Center	New Hyde Park	2011 (A)	Fee	31,498	91	%	855,244	29.76	
Massachusetts									
White City Shopping Center	Shrewsbury	2010 (A)	Fee/JV (16)	255,560	93	%	5,184,956	21.85	Shaw's 2018/2033 Michaels 2012/2022
Maryland									
White Oak	Silver Spring	2011 (A)	Fee/JV (17)	64,626	100	%	874,416	13.53	Super Fresh 2021/2076
Parkway Crossing	Baltimore	2011 (A)	Fee/JV (17)	260,264	74	%	1,271,641	6.63	Home Depot 2032/- Big Lots 2016/-
Florida									
Lincoln Road	Miami	2011 (A)	Fee/JV (18)	61,443	35	%	2,305,809	105.99	
Illinois									

Heritage Shops	Chicago	2011 (A)	Fee	105,449	76	%	2,621,122	32.69	LA Fitness 2025/2040
Total Fund III Properties				1,449,980	85	%	$24,323,444	$19.84	
Total Opportunity Fund Operating Properties (20)				2,526,630	87	%	$51,919,971	$23.62	

Notes:

(1) Does not include space for which lease term had not yet commenced as of December 31, 2011.

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

(3) The vacant anchor space, formerly occupied by an A&P store, is currently in the process of being re-anchored with a a replacement tenant.

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

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

(6) Includes a 97,300 square foot Wal-Mart which is not owned by us.

(7) Includes six properties (56 E. Walton, 841 W. Armitage, 2731 N. Clark, 2140 N. Clybourn, 853 W. Armitage and 2299 N. Clybourn).

(8) Re-anchoring activities at this property commenced during second quarter 2011 and are expected to be completed during 2012.

Shopping Center	Location	Year Constructed (C) Acquired (A)	Ownership Interest	GLA	Occupancy % 12/31/11 (1)	Annual Base Rent	Annual Base Rent PSF	Anchor Tenants Current Lease Expiration/ Lease Option Expiration

Notes, continued

(9) The GLA for this property excludes 29,857 square feet of office space.

(10) We have a 22% investment in this property.

(11) Property consists of two buildings.

(12) Does not include space leased but not yet occupied as of December 31, 2011, aggregating 23,500 square feet.

(13) Includes a 157,616 square foot Target Store that is not owned by us.

(14) Includes six properties (1533 Wisconsin Ave., 3025 M St., 3034 M St., 3146 M St, 3259-61 M St., and 2809 M St.). We have a 50% investment in this property.

(15) Three remaining assets including locations in Benton, AR, Tulsa, OK and Indianapolis, IN.

(16) The Fund has an 84% investment in this property.

(17) The Fund has a 90% investment in this property.

(18) The Fund has a 95% investment in this property.

(19) Currently operating but re-tenanting activities have commenced.

(20) In addition to the Opportunity Fund operating properties, there are three properties under redevelopment; Sherman Plaza (Fund II), CityPoint (Fund II) and Sheepshead Bay (Fund III).

MAJOR TENANTS

No individual retail tenant accounted for more than 4.1% of base rents for the year ended December 31, 2011 or occupied more than 7.6% of total leased GLA as of December 31, 2011. The following table sets forth certain information for the 20 largest retail tenants based upon base rents in place as of December 31, 2011. The amounts below include our pro-rata share of GLA and annualized base rent for the Operating Partnership's partial ownership interest in properties, including the Opportunity Funds:

Retail Tenant	Number of Stores in Portfolio	Total GLA	Annualized Base Rent (1)	Percentage of Total Represented by Retail Tenant (2)			
				Total Portfolio GLA		Annualized Base Rent	
Supervalu (Shaw's)	5	186,489	$2,563,450	4.1	%	4.1	%
Ahold (Stop and Shop)	3	155,177	2,131,400	3.5	%	3.4	%
A&P	4	90,391	1,828,055	2.0	%	2.9	%
Walgreen's	6	45,337	1,783,898	1.0	%	2.9	%
TJX Companies	9	190,172	1,708,874	4.2	%	2.7	%
BJ's Wholesale Club	4	60,695	1,663,200	1.4	%	2.7	%
Sears	6	341,638	1,651,067	7.6	%	2.6	%
LA Fitness	1	64,926	1,479,473	1.4	%	2.4	%
Restoration Hardware	1	12,293	1,166,090	0.3	%	1.9	%
Home Depot	4	230,895	1,121,476	5.1	%	1.8	%
Stage Deli	1	4,211	1,050,000	0.1	%	1.7	%
Trader Joe's	2	19,094	961,105	0.4	%	1.5	%
Price Chopper	1	87,709	958,924	2.0	%	1.5	%
Barnes & Noble	4	30,758	922,077	0.7	%	1.5	%
Walmart	2	115,420	887,440	2.6	%	1.4	%
Sleepy's	8	34,532	848,374	0.8	%	1.4	%
Best Buy	5	43,227	806,162	1.0	%	1.3	%
Pier 1 Imports	5	25,454	664,439	0.6	%	1.1	%
CVS	5	36,454	642,022	0.8	%	1.0	%
JP Morgan Chase	6	19,126	620,914	0.4	%	1.0	%
Total	82	1,793,998	$25,458,440	40.0	%	40.8	%

Notes:

(1) Base rents do not include percentage rents, additional rents for property expense reimbursements and contractual rent escalations due after December 31, 2011.

(2) Represents percentage of total GLA and annualized base rent for our retail properties including the Operating Partnership's pro-rata share of joint venture properties, including the Opportunity Funds.

LEASE EXPIRATIONS

The following table shows scheduled lease expirations for retail tenants in place as of December 31, 2011, assuming that none of the tenants exercise renewal options. (GLA and Annualized Base Rent in thousands):

Core Portfolio:

Leases maturing in	Number of Leases	Annualized Base Rent (1) Current Annual Rent	Annualized Base Rent (1) Percentage of Total	GLA Square Feet	GLA Percentage of Total
Month to Month	1	$64	— %	3	— %
2012	53	6,041	9 %	398	9 %
2013	62	8,931	13 %	498	12 %
2014	63	8,834	13 %	485	11 %
2015	40	6,747	10 %	440	10 %
2016	51	6,677	9 %	462	11 %
2017	18	5,344	8 %	213	5 %
2018	28	7,399	10 %	459	11 %
2019	20	2,021	3 %	167	4 %
2020	15	2,986	4 %	257	6 %
Thereafter	42	14,388	21 %	875	21 %
Total	393	$69,432	100 %	4,257	100 %

Opportunity Fund Portfolio:

Leases maturing in	Number of Leases	Annualized Base Rent (1) Current Annual Rent	Annualized Base Rent (1) Percentage of Total	GLA Square Feet	GLA Percentage of Total
Month to Month	3	$192	— %	15	1 %
2012	18	5,112	10 %	237	11 %
2013	17	3,128	6 %	128	6 %
2014	21	3,103	6 %	193	9 %
2015	13	1,358	3 %	58	3 %
2016	22	2,663	5 %	111	5 %
2017	8	2,148	4 %	76	3 %
2018	14	3,477	7 %	266	12 %
2019	9	3,396	6 %	67	3 %
2020	8	933	2 %	31	1 %
Thereafter	46	26,410	51 %	1,009	46 %
Total	179	$51,920	100 %	2,191	100 %

Notes:

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

GEOGRAPHIC CONCENTRATIONS

The following table summarizes our retail properties by region as of December 31, 2011. The amounts below also reflect properties that we invest in through joint ventures and that are held in our Opportunity Funds (GLA and Annualized Base Rent in thousands):

Region	GLA (1)	Occupied % (2)	Annualized Base Rent (2)	Annualized Base Rent per Occupied Square Foot	Percentage of Total Represented by Region	
					GLA	Annualized Base Rent
Core Portfolio:						
Operating Properties:						
New York Region	1,066	84 %	$24,908	$27.69	21 %	36 %
New England	1,196	96 %	10,371	9.84	24 %	15 %
Midwest	787	85 %	11,360	17.06	16 %	16 %
Mid-Atlantic	1,932	93 %	22,793	13.91	39 %	33 %
Total Core Operating Properties	4,981	91 %	$69,432	$16.31	100 %	100 %
Opportunity Fund Portfolio:						
Operating Properties:						
New York Region	1,682	91 %	39,360	25.76	67 %	76 %
New England	256	93 %	5,185	21.85	10 %	10 %
Midwest	105	76 %	2,621	32.69	4 %	5 %
Mid - Atlantic	325	81 %	2,146	8.12	13 %	4 %
Southeast	61	35 %	2,306	105.99	2 %	4 %
Other	98	69 %	302	4.48	4 %	1 %
Total Opportunity Fund Operating Properties	2,527	87 %	$51,920	$23.62	100 %	100 %

Notes:

(1) Property GLA includes a total of 255,000 square feet, which is not owned by us. This square footage has been excluded for calculating annualized base rent per square foot.

(2) The above occupancy and rent amounts do not include space that is currently leased, but for which payment of rent had not commenced as of December 31, 2011.

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SELF-STORAGE PORTFOLIO

During February 2008, we, through Fund III, acquired a 95% controlling interest in 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. The fourteen self-storage property portfolio, located throughout New York and New Jersey, totals 1,124,135 net rentable square feet, and is operating at various stages of stabilization as detailed in the table below. The portfolio is operated by Self Storage Management, a joint venture entity formed by Fund III and an unaffiliated partner.

Owner	Operating Properties	Location	Net Rentable Square Feet	Occupancy as of December 31, 2011	
	Stabilized				
Fund III	Suffern	Suffern, New York	78,825		
Fund III	Yonkers	Westchester, New York	100,697		
Fund III	Jersey City	Jersey City, New Jersey	76,920		
Fund III	Webster Ave	Bronx, New York	36,339		
Fund III	Linden	Linden, New Jersey	84,035		
Fund III	Bruckner Blvd	Bronx, New York	89,422		
Fund III	New Rochelle	Westchester, New York	42,155		
Fund III	Lawrence	Lawrence, New York	97,743		
	Subtotal Stabilized		606,136	89.9	%
	Redeveloped - in Lease-up				
Fund III	Long Island City	Queens, New York	134,193		
	Subtotal in Lease-up		134,193	79.4	%
	Total Operating Properties		740,329	85.3	%
	In Initial Lease-up				
Fund III	Fordham Road	Bronx, New York	85,155		
Fund III	Ridgewood	Queens, New York	87,645		
Fund II	Liberty Avenue	Queens, New York	72,900		
Fund II	Pelham Plaza	Pelham Manor, New York	62,220		
Fund II	Atlantic Avenue	Brooklyn, New York	75,886		
	Subtotal in Initial Lease-up		383,806	85.1	%
	Total Self-Storage Portfolio		1,124,135	87.0	%

ITEM 3. LEGAL PROCEEDINGS.

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

In addition to the foregoing, we are currently involved in the following litigation matters:

In September 2008, the Company, certain of its subsidiaries, and other unrelated entities (the "Investor Consortium") were named as defendants in an adversary proceeding brought by Mervyn's LLC ("Mervyns") in the United States

Bankruptcy Court for the

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District of Delaware. The action involves five claims alleging fraudulent transfers in which Mervyns is nominally seeking approximately $1.175 billion in damages from the Investor Consortium, although the actual claims made by the administrator and the unsecured creditors are substantially less. The first claim contends that, at the time of the sale of Mervyns by Target Corporation to the Investor Consortium, a transfer of assets was made in an effort to defraud creditors. The Company believes that this aspect of the case is without merit. The remaining four claims relate to transfers of assets of Mervyns at various times after the sale by Target. The Company believes that there are substantial defenses to these claims and intends to continue to defend them vigorously. This matter is in the early stages of discovery. The parties to this action have agreed to a non-binding mediation, which is scheduled for the end of March, 2012.

Because of the inherently unpredictable nature of litigation, the Company could incur some amount of liability in connection with this matter. However, at the present time, there have not been sufficient developments in this matter for us to estimate the reasonably possible loss or range of loss that the Company might incur as a result of this matter.
During August 2009, we terminated the employment of a former Senior Vice President (the “Former Employee”) for engaging in conduct that fell within the definition of “cause” in his severance agreement with us. Had the Former Employee not been terminated for “cause,” he would have been eligible to receive approximately $0.9 million under the severance agreement. Because we terminated him for “cause,” we did not pay the Former Employee any severance benefits under the agreement. The Former Employee has brought a lawsuit against us in New York State Supreme Court, alleging breach of the severance agreement. The suit is in the pre-trial discovery stage. We believe we have meritorious defenses to the suit.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

PART II

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

(a) Market Information, dividends and record holders of our Common Shares

The following table shows, for the period indicated, the high and low sales price for our Common Shares as reported on the New York Stock Exchange, and cash dividends declared during the two years ended December 31, 2011 and 2010:

Quarter Ended			Dividend
2011	High	Low	Per Share
March 31, 2011	$19.80	$17.86	$0.1800
June 30, 2011	20.99	18.63	0.1800
September 30, 2011	21.97	17.82	0.1800
December 31, 2011	20.72	17.85	0.1800
2010			
March 31, 2010	$18.40	$14.88	$0.1800
June 30, 2010	19.80	16.22	0.1800
September 30, 2010	19.77	15.87	0.1800
December 31, 2010	20.17	17.72	0.1800

At February 28, 2012, there were 311 holders of record of our Common Shares.

We have determined for income tax purposes that 97% of the total dividends distributed to shareholders during 2011 represented ordinary income (22% qualified dividends and 75% nonqualified dividends) and 3% represented capital gains. The dividend for the quarter ended December 31, 2011 was paid on February 1, 2012 and will be taxable in 2012. Our cash flow is affected by a number of factors, including the revenues received from rental properties, our operating expenses, the interest expense on our borrowings, the ability of lessees to meet their obligations to us and unanticipated capital expenditures. Future dividends paid by us will be at the discretion of the Trustees and will depend on our actual cash flows, our financial condition, capital requirements, the annual distribution requirements under the REIT provisions of the Code and such other factors as the Trustees deem relevant. In addition, we have the ability to pay dividends in cash, Common Shares or in any combination of cash (minimum 10%) and Common Shares (maximum 90%).

(b) Issuer purchases of equity securities

We have an existing share repurchase program that authorizes management, at its discretion, to repurchase up to $20.0 million of our outstanding Common Shares. The program may be discontinued or extended at any time and there is no assurance that we will purchase the full amount authorized. There were no Common Shares repurchased by us during the year ended December 31, 2011. Under this program we have repurchased 2.1 million Common Shares, none of which were repurchased after December 2001. As of December 31, 2011, management may repurchase up to approximately $7.5 million of our outstanding Common Shares under this program.

(c) Securities authorized for issuance under equity compensation plans

The following table provides information related to our 1999 Share Incentive Plan (the "1999 Plan"), 2003 Share Incentive Plan (the "2003 Plan") and the 2006 Share Incentive Plan (the "2006 Plan") as of December 31, 2011:

	Equity Compensation Plan Information			
	(a)	(b)	(c)	
	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted - average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))	
Equity compensation plans approved by security holders	150,283	$18.33	600,451	(1)
Equity compensation plans not approved by security holders	—	—	—	
Total	150,283	$18.33	600,451	(1)

Notes:

(1) The 1999 Plan authorizes the issuance of incentive awards equal to up to 8% of the total Common Shares outstanding from time to time on a fully diluted basis. However, not more than 4,000,000 of the Common Shares in the aggregate may be issued pursuant to any incentive awards and no participant may receive more than 5,000,000 Common Shares during the term of the 1999 Plan. The 2003 Plan authorizes the issuance of incentive awards equal to up to 4% of the total Common Shares outstanding from time to time on a fully diluted basis. However, no participant may receive more than 1,000,000 Common Shares during the term of the 2003 Plan. The 2006 Plan authorizes the issuance of a maximum number of 500,000 Common Shares. No participant may receive more than 500,000 Common Shares during the term of the 2006 Plan. We have also issued LTIP Units, which are generally exchangeable on a one-for-one basis for our Operating Partnership Units which in turn are convertible into Common Shares. Reference is made to Note 15 to our Consolidated Financial Statements, which begin on Page F-1 of this Form 10-K, for a summary of our Share Incentive Plans.

Remaining Common Shares available under our share incentive plans is as follows:

Outstanding Common Shares as of December 31, 2011	42,586,376	
Outstanding OP Units as of December 31, 2011	497,574	
Total Outstanding Common Shares and OP Units	43,083,950	
12% of Common Shares and OP Units pursuant to the 1999 and 2003 Plans	5,170,074	
Common Shares pursuant to the 2006 Plan	500,000	
Total Common Shares available under equity compensation plans	5,670,074	
Less: Issuance of Restricted Shares and LTIP Units Granted	(2,294,104	)
Issuance of Options Granted	(2,775,519	)

Number of Common Shares remaining available	600,451

(d) Share Price Performance Graph (1)

The following graph compares the cumulative total shareholder return for our Common Shares for the period commencing December 31, 2006 through December 31, 2011 with the cumulative total return on the Russell 2000 Index (“Russell 2000”), the

NAREIT All Equity REIT Index (the "NAREIT") and the SNL Shopping Center REITs (the "SNL") over the same period. Total return values for the Russell 2000, the NAREIT, the SNL and the Common Shares were calculated based upon cumulative total return assuming the investment of $100.00 in each of the Russell 2000, the NAREIT, the SNL and our Common Shares on December 31, 2006, and assuming reinvestment of dividends. The shareholder return as set forth in the table below is not necessarily indicative of future performance.

Note:

(1) The information in this section is not "soliciting material," is not deemed "filed" with the SEC, and is not to be incorporated by reference into any of our filings under the Securities Act or the Exchange Act, whether made before or after the date hereof and irrespective of any general incorporation language contained in such filing.

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

	Period Ended					
Index	12/31/06	12/31/07	12/31/08	12/31/09	12/31/10	12/31/11
Acadia Realty Trust	$100.00	$106.46	$64.62	$80.74	$90.84	$104.09
Russell 2000	100.00	98.43	65.18	82.89	105.14	100.75
NAREIT All Equity REIT Index	100.00	84.31	52.50	67.20	85.98	93.10
SNL REIT Retail Shopping Ctr Index	100.00	82.33	49.57	48.93	63.52	61.70

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth, on a historical basis, our selected financial data. This information should be read in conjunction with our audited Consolidated Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations appearing elsewhere in this Form 10-K. Funds from operations ("FFO") amounts for the year ended December 31, 2011 have been adjusted as set forth in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Reconciliation of Net Income to Funds from Operations and Adjusted Funds From Operations."

(dollars in thousands, except per share amounts)	Years ended December 31, 2011	2010	2009	2008	2007
OPERATING DATA:					
Revenues	$150,161	$141,045	$134,445	$121,462	$75,917
Operating expenses, excluding depreciation and reserves	71,143	66,698	68,484	58,450	43,647
Interest expense	37,109	40,498	35,632	31,635	26,290
Depreciation and amortization	32,986	28,808	27,612	22,508	16,633
Gain on sale of land	—	—	—	763	—
Equity in earnings (losses) of unconsolidated partnerships	1,555	10,971	(1,529)	19,906	6,619
Impairment of investment in unconsolidated affiliate	—	—	(3,768)	—	—
Reserve for notes receivable	—	—	(1,734)	(4,392)	—
Other interest income	276	408	642	3,370	5,833
Gain from bargain purchase	—	33,805	—	—	—
Gain on debt extinguishment	1,268	—	7,057	1,523	—
Income tax provision	474	2,890	1,541	3,362	297
Income from continuing operations	11,548	47,335	1,844	26,677	1,502
Income from discontinued operations	42,167	3,332	10,862	10,760	11,215
Income from extraordinary item (1)	—	—	—	—	27,844
Net income	53,715	50,667	12,706	37,437	40,561
Loss (income) attributable to noncontrolling interests:					
Continuing operations	8,514	(19,075)	24,730	(10,387)	10,747
Discontinued operations	(10,674)	(1,535)	(6,303)	(1,982)	(1,795)
Extraordinary item	—	—	—	—	(24,167)
Net (income) loss attributable to noncontrolling interests	(2,160)	(20,610)	18,427	(12,369)	(15,215)
Net income attributable to Common Shareholders	$51,555	$30,057	$31,133	$25,068	$25,346
Supplemental Information:					
Income from continuing operations attributable to Common Shareholders	$20,062	$28,260	$26,574	$16,290	$12,249
Income from discontinued operations attributable to Common Shareholders	31,493	1,797	4,559	8,778	9,420
Income from extraordinary item attributable to Common Shareholders	—	—	—	—	3,677
Net income attributable to Common Shareholders	$51,555	$30,057	$31,133	$25,068	$25,346
Basic earnings per share:					
Income from continuing operations	$0.50	$0.70	$0.70	$0.48	$0.37
Income from discontinued operations	0.77	0.05	0.12	0.26	0.28
Income from extraordinary item	—	—	—	—	0.11
Basic earnings per share	$1.27	$0.75	$0.82	$0.74	$0.76
Diluted earnings per share:					
Income from continuing operations	$0.49	$0.70	$0.70	$0.47	$0.36
Income from discontinued operations	0.77	0.04	0.12	0.26	0.27
Income from extraordinary item	—	—	—	—	0.11

Diluted earnings per share	$1.26	$0.74	$0.82	$0.73	$0.74
Weighted average number of Common Shares outstanding					
basic	40,697	40,136	38,005	33,813	33,600
diluted	40,986	40,406	38,242	34,267	34,282
Cash dividends declared per Common Share (3)	$0.7200	$0.7200	$0.7500	$0.8951	$1.0325

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(dollars in thousands, except per share amounts)	Years ended December 31, 2011	2010	2009	2008	2007
BALANCE SHEET DATA:					
Real estate before accumulated depreciation	$1,471,745	$1,305,561	$1,119,758	$1,004,347	$729,979
Total assets	1,653,319	1,524,806	1,382,464	1,291,383	998,783
Total mortgage indebtedness	787,910	806,212	730,287	650,508	391,108
Total convertible notes payable	930	48,712	47,910	100,403	105,790
Total Common Shareholders' equity	384,114	318,212	312,185	227,722	249,717
Noncontrolling interests	385,195	269,310	220,292	214,506	171,111
Total equity	769,309	587,522	532,477	442,228	420,828
OTHER:					
Funds from Operations, adjusted for extraordinary item (1) (2)	40,297	50,440	49,613	37,964	42,094
Cash flows provided by (used in):					
Operating activities	66,332	44,377	47,462	66,517	105,294
Investing activities	(153,157)	(60,745)	(123,380)	(302,265)	(208,998)
Financing activities	56,045	43,152	83,035	199,096	87,476

Notes:

(1) The extraordinary item relates to 2007 and represents our share of an extraordinary gain from our investment in Albertson's. We consider this to be a private-equity style investment in an operating businesses as opposed to real estate. Accordingly, all gains and losses from this investment is included in FFO, which we believe provides a more accurate reflection of our operating performance.

(2) We consider funds from operations ("FFO") as defined by the National Association of Real Estate Investment Trusts ("NAREIT") to be an appropriate supplemental disclosure of operating performance for an equity REIT due to its widespread acceptance and use within the REIT and analyst communities. FFO is presented to assist investors in analyzing our performance. It is helpful as it excludes various items included in net income that are not indicative of the operating performance, such as gains (losses) from sales of depreciated property and depreciation and amortization. However, our method of calculating FFO may be different from methods used by other REITs and, accordingly, may not be comparable to such other REITs. FFO does not represent cash generated from operations as defined by generally accepted accounting principles ("GAAP") and is not indicative of cash available to fund all cash needs, including distributions. It should not be considered as an alternative to net income for the purpose of evaluating our performance or to cash flows as a measure of liquidity. Consistent with the NAREIT definition, we define FFO as net income (computed in accordance with GAAP), excluding gains (losses) from sales of depreciated property, plus depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. See "Reconciliation of Net Income to Funds From Operations and Adjusted Funds From Operations" in Item 7 below.

(3) In addition to the $0.8951 cash dividends declared in 2008, we declared a Common Share dividend of $0.4949.

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

OVERVIEW

As of December 31, 2011, we operated 82 properties, which we own or have an ownership interest in, within our Core Portfolio or within our three Opportunity Funds. Our Core Portfolio consists of 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. These 82 properties consist of commercial properties, primarily urban/street retail locations, neighborhood and community shopping centers, mixed-use properties with a retail component and urban self-storage locations. The properties we operate are located primarily in high-barrier-to-entry, densely-populated metropolitan areas in the United States along the East Coast and in Chicago. There are 48 properties in our Core Portfolio totaling approximately 5.0 million square feet. Fund I has four remaining properties comprising approximately 0.1 million square feet. Fund II has nine properties, seven of which (representing 1.2 million square feet) are currently operating, one is under construction, and one is in the design phase. Three of the properties also include a self-storage component. We expect the Fund II portfolio will have approximately 2.0 million square feet upon completion of all current construction and anticipated redevelopment activities. Fund III has 21 properties totaling approximately 2.3 million square feet, of which 11 locations representing 0.9 million net rentable square feet are self-storage facilities. The majority of our operating income is derived from rental revenues from these 82 properties, including recoveries from tenants, offset by operating and overhead expenses. As our RCP Venture invests in operating companies, we consider these investments to be private-equity style, as opposed to real estate, investments. Since these are not traditional investments in operating rental real estate but investments in operating businesses, the Operating Partnership invests in these through a taxable REIT subsidiary ("TRS").

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 high-quality retail properties located primarily in high-barrier-to-entry, densely-populated metropolitan areas and create value through accretive redevelopment and re-anchoring activities coupled with the acquisition of high-quality assets that have the long-term potential to outperform the asset class as part of our Core asset recycling and acquisition initiative.

- Generate additional external growth through an opportunistic yet disciplined acquisition program through our Opportunity Funds(as defined in Item 1. of this Form 10-K). We target transactions with high inherent opportunity for the creation of additional value through:

value-add investments in high-quality urban and/or street retail properties with re-tenanting or repositioning opportunities,
opportunistic acquisitions of well-located real-estate anchored by distressed retailers or by motivated sellers and
opportunistic purchases of debt which may include restructuring.

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.

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

BUSINESS OUTLOOK

The U.S. economy is currently in a post-recessionary period. The recession resulted in a significant decline in retail sales due to reduced consumer spending. Although the occupancy and net operating income within our portfolio has not been materially adversely affected through December 31, 2011, should the overall economy again decline, we would expect retailers to experience deteriorating sales performance, and the likelihood of additional tenant bankruptcy filings may increase, which would negatively impact our results of operations. In addition to the impact on retailers, the recession had a significant impact on the U.S. credit markets. Some sources of financing, such as the commercial-mortgage backed security market, are still severely curtailed. If economic conditions again deteriorate, our ability to finance new acquisitions or refinance existing debts as they mature could be adversely affected. Accordingly, our ability to generate external growth in income, as well as maintain existing operating income, could be limited.

See the "Item 1A. Risk Factors," including the discussions under the headings "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" and "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."

RESULTS OF OPERATIONS

Reference is made to Note 3 to the Notes to Consolidated Financial Statements beginning on page F-1 of this Form 10-K for an overview of our five reportable segments.

A discussion of the significant variances and primary factors contributing thereto within the results of operations for the years ended December 31, 2011, 2010 and 2009 are addressed below:

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Comparison of the year ended December 31, 2011 (“2011”) to the year ended December 31, 2010 (“2010”)

Revenues	2011				2010			
(dollars in millions)	Core Portfolio	Opportunity Funds	Self-Storage Investments	Notes Receivable and Other	Core Portfolio	Opportunity Funds	Self-Storage Investments	Notes Receivable and Other
Rental income	$45.9	$45.0	$21.3	$—	$44.6	$33.3	$19.6	$—
Interest income	—	—	—	11.4	—	—	—	19.2
Expense reimbursements	11.6	10.8	—	—	11.9	8.6	—	—
Lease termination income	0.1	—	—	—	0.3	—	—	—
Management fee income (1)	—	—	—	1.7	—	—	—	1.4
Other	0.4	—	1.9	—	0.3	0.2	1.7	—
Total revenues	$58.0	$55.8	$23.2	$13.1	$57.1	$42.1	$21.3	$20.6

Note:

(1) Includes fees earned by us as general partner/managing member of the Opportunity Funds that are eliminated in consolidation and adjusts the loss (income) attributable to noncontrolling interests. The balance reflected in the table represents third party fees that are not eliminated in consolidation. Reference is made to Note 3 of the Notes to Consolidated Financial Statements which begin on page F-1 of this Form 10-K for an overview of our five reportable segments.

The increase in rental income in the Core Portfolio was primarily attributable to additional rents following the acquisitions of West Diversey, Mercer Street and the Latsko properties in 2011 ("2011 Core Acquisitions"). Rental income in the Opportunity Funds increased from additional rents at Canarsie, Pelham Manor, 161st Street and Westport of $10.2 million for leases that commenced during 2010 and 2011 ("Fund Redevelopment Properties") as well as additional rents of $2.1 million following the acquisition of The Heritage Shops at Millennium Park ("2011 Fund Acquisition") during April 2011. The increase in rental income in the Self-Storage Investments was a result of increased occupancy and rental rates throughout the Storage Portfolio.

Interest income decreased as a result of the full repayment of two notes during 2010 and 2011.

Expense reimbursements in the Opportunity Funds increased for both real estate taxes and common area maintenance primarily as a result of the Fund Redevelopment Properties and the 2011 Fund Acquisition.

Operating Expenses	2011				2010			
(dollars in millions)	Core Portfolio	Opportunity Funds	Self-Storage Investments	Notes Receivable and Other	Core Portfolio	Opportunity Funds	Self-Storage Investments	Notes Receivable and Other
Property operating	$8.4	$11.5	$11.9	$ (2.4)	$9.0	$11.4	$ 10.3	$ (1.5)
Real estate taxes	8.6	7.4	2.6	—	8.2	6.1	2.9	—
General and administrative	24.2	16.7	—	(17.8)	22.4	13.6	—	(15.8)
Depreciation and amortization	14.2	15.5	4.2	(0.9)	13.8	10.9	4.5	(0.4)
Total operating expenses	$55.4	$51.1	$18.7	$ (21.1)	$53.4	$42.0	$ 17.7	$ (17.7)

The increase in property operating expenses in the Self-Storage Investments primarily related to higher operating costs in 2011 following increased occupancy throughout the Storage Portfolio.

Real estate taxes in the Opportunity Funds increased due to the Fund Redevelopment Properties and the 2011 Fund Acquisition.

General and administrative expense in the Core Portfolio increased as a result of higher stock compensation expense and employee severance costs during 2011. The increase in general and administrative expense in the Opportunity Funds related to an increase in Promote expense within Fund I resulting from the sale of 15 Kroger/Safeway properties. The variance in the Other category was related to the elimination of Fund I Promote expense for consolidated financial statement presentation purposes.

Depreciation and amortization expense in the Opportunity Funds increased due to the Fund Redevelopment Properties and the 2011 Fund Acquisition.

Other	2011				2010			
(dollars in millions)	Core Portfolio	Opportunity Funds	Self-Storage Investments	Notes Receivable and Other	Core Portfolio	Opportunity Funds	Self-Storage Investments	Notes Receivable and Other
Equity in earnings (losses) of unconsolidated affiliates	$0.7	$3.7	(2.9)	$—	$0.6	$11.8	$(1.4)	$—
Other interest income	—	—	—	0.3	—	—	—	0.4
Gain from bargain purchase	—	—	—	—	—	33.8	—	—
Gain on debt extinguishment	1.3	—	—	—	—	—	—	—
Interest and other finance expense	(16.0)	(16.5)	(3.6)	(1.0)	(18.0)	(18.2)	(4.7)	0.4
Income tax provision	(1.1)	0.1	0.5	—	(3.2)	(0.1)	0.4	—
Income from discontinued operations	—	—	—	42.2	—	—	—	3.3
(Loss) income attributable to noncontrolling interests:								
- Continuing operations	(0.3)	8.7	0.1	—	(0.3)	(18.9)	0.1	—
- Discontinued operations	—	—	—	(10.7)	—	—	—	(1.5)

Equity in earnings (losses) of unconsolidated affiliates in the Opportunity Funds decreased primarily as a result of a decrease in distributions in excess of basis from our Albertson’s investment of $6.3 million in 2011 and a decrease in our pro-rata share of income from Mervyns in 2011. The Self Storage Investments equity in earnings (losses) represents our pro-rata share of losses from our unconsolidated investment in a self storage management company which manages 21 locations, including our 14 self storage properties. The self storage management company currently operates at a deficit, however it plans to increase third-party assets under management to ultimately achieve profitability.

The $33.8 million gain from bargain purchase was attributable to Fund II’s purchase of an unaffiliated membership interest in CityPoint in 2010. Reference is made to Note 4 of the Notes to Consolidated Financial Statements which begin on page F-1 of this Form 10-K for a discussion of this transaction.

Gain on debt extinguishment of $1.3 million was the result of the purchase of mortgage debt at a discount in 2011.

Interest expense in the Core Portfolio decreased $2.0 million in 2011. This was the result of a decrease in average outstanding borrowings during 2010 resulting in a decrease of $1.5 million as well as a decrease in loan amortization expense of $0.4 million related to refinanced debt in 2011. Interest expense in the Opportunity Funds decreased $1.7 million in 2011. This was attributable to higher capitalized interest in 2011 and a decrease in loan amortization expense related to refinanced debt in 2010. These decreases were offset by an increase of $2.8 million related to higher average outstanding borrowings in 2011. Interest expense in the Self-Storage Investments decreased $1.1 million in 2011. This was primarily attributable to lower average interest rates during 2011.

The variance in the income tax provision in the Core Portfolio related to income taxes at the TRS level for our pro-rata share of income from our Albertson’s investment in 2010 and an overaccrual of the 2010 tax liability at the TRS levels.

Income from discontinued operations represents activity related to property sales during 2011.

(Loss) income attributable to noncontrolling interests – Continuing operations and Discontinued operations primarily represents the noncontrolling interests' share of all the Opportunity Funds variances discussed above.

Comparison of the year ended December 31, 2010 (“2010”) to the year ended December 31, 2009 (“2009”)

Revenues	2010				2009			
(dollars in millions)	Core Portfolio	Opportunity Funds	Self-Storage Investments	Notes Receivable and Other	Core Portfolio	Opportunity Funds	Self-Storage Investments	Notes Receivable and Other
Rental income	$44.6	$33.3	$ 19.6	$ —	$47.3	$28.8	$ 9.9	$—
Interest income	—	—	—	19.2	—	—	—	19.7
Expense reimbursements	11.9	8.6	—	—	12.3	7.1	—	—
Lease termination income	0.3	—	—	—	2.8	—	—	
Management fee income (1)	—	—	—	1.4	—	—	—	2.0
Other	0.3	0.2	1.7	—	1.9	1.4	1.3	—
Total revenues	$57.1	$42.1	$ 21.3	$ 20.6	$64.3	$37.3	$ 11.2	$21.7

Note:

(1) Includes fees earned by us as general partner/managing member of the Opportunity Funds that are eliminated in consolidation and adjusts the loss (income) attributable to noncontrolling interests. The balance reflected in the table represents third party fees that are not eliminated in consolidation. Reference is made to Note 3 of the Notes to Consolidated Financial Statements which begin on page F-1 of this Form 10-K for an overview of our five reportable segments.

The decrease in rental income in the Core Portfolio was primarily attributable to tenant vacancies at Chestnut Hill and Third Avenue. Rental income in the Opportunity Funds increased as a result of additional rents following the acquisition of Cortlandt Towne Center in January, 2009 (“2009 Fund Acquisition”) of $1.0 million and additional rents at Fordham Place, Pelham Manor and Canarsie for leases that commenced in 2009 and 2010 (“2009/2010 Fund Redevelopment Properties”). The increase in rental income in the Storage Portfolio related to the full amortization of acquired lease intangible costs during 2009, increased occupancy in the Self-Storage Investments in 2010 as well as our discontinued practice of reporting the Storage Portfolio one month in arrears which was based on the historical unavailability of timely financial information. Based on improvements in the Storage Portfolio accounting systems, we report this activity on a current basis. Accordingly, the year ended December 31, 2010 reflects thirteen months of storage activity while the year ended December 31, 2009 reflects twelve months of storage activity (“Storage Portfolio Activity”).

Expense reimbursements in the Opportunity Funds increased for both real estate taxes and common area maintenance primarily as a result of the 2009 Fund Acquisition and 2009/2010 Fund Redevelopment Properties.

Lease termination income in the Core Portfolio for 2009 related to termination fee income received from a former tenant at Absecon Marketplace.

Other in the Core Portfolio in 2009 included $1.7 million resulting from a forfeited sales contract deposit.

Other in the Opportunity Funds during 2009 included $0.9 million received by Fund II in settlement of litigation in connection with a property acquisition.

Operating Expenses	2010				2009			
(dollars in millions)	Core Portfolio	Opportunity Funds	Self-Storage Investments	Notes Receivable and Other	Core Portfolio	Opportunity Funds	Self-Storage Investments	Notes Receivable and Other
Property operating	$9.0	$11.4	$10.3	$ (1.5)	$10.8	$9.8	$ 8.7	$(1.2)
Real estate taxes	8.2	6.1	2.9	—	8.5	5.1	2.2	—
General and administrative	22.4	13.6	—	(15.8)	24.0	13.5	0.1	(15.6)
Depreciation and amortization	13.8	10.9	4.5	(0.4)	14.6	10.5	3.7	(1.2)

Abandonment of project costs	—	—	—	—	—	2.5	—	—
Reserve for notes receivable	—	—	—	—	—	—	—	1.7
Total operating expenses	$53.4	$42.0	$17.7	$ (17.7)	$57.9	$41.4	$ 14.7	$(16.3)

Property operating expenses in the Core Portfolio decreased as a result of a decrease in bad debt expense in 2010. The increase in property operating expenses in the Opportunity Funds was primarily attributable to the 2009 Fund Acquisition and 2009/2010

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Fund Redevelopment Properties. The increase in property operating expenses in the Self-Storage Investments primarily related to higher operating costs in 2010 following increased occupancy as well as the Storage Portfolio Activity.
The increase in real estate taxes in the Opportunity Funds was primarily attributable to the 2009 Fund Acquisition as well as 2009/2010 Fund Redevelopment Properties.
The decrease in general and administrative expense in the Core Portfolio was primarily attributable to reduced compensation expense following staff reductions in 2009.
Depreciation and amortization expense in the Core Portfolio decreased as a result of the write-off of lease intangible costs in connection with a terminated lease in 2009. The increase in depreciation and amortization in the Self-Storage Investments was the result of two self storage properties placed in service during the second quarter 2009.
The $2.5 million abandonment of project costs in the Opportunity Funds in 2009 was attributable to our determination that we most likely would not participate in a specific future development project.
The reserve for notes receivable of $1.7 million in 2009 related to the loss of an anchor tenant at the underlying collateral property.

Other	2010				2009			
(dollars in millions)	Core Portfolio	Opportunity Funds	Self-Storage Investments	Notes Receivable and Other	Core Portfolio	Opportunity Funds	Self-Storage Investments	Notes Receivable and Other
Equity in earnings (losses) of unconsolidated affiliates	$0.6	$11.8	$(1.4)	$—	$0.7	$(2.2)	$—	$—
Impairment of investment in unconsolidated affiliate	—	—	—	—	—	(3.8)	—	—
Other interest income	—	—	—	0.4	—	—	—	0.6
Gain from bargain purchase	—	33.8	—	—	—	—	—	—
Gain on debt extinguishment	—	—	—	—	7.1	—	—	—
Interest and other finance expense	(18.0)	(18.2)	(4.7)	0.4	(19.5)	(10.6)	(5.7)	0.2
Income tax expense	(3.2)	(0.1)	0.4	—	(1.4)	(0.1)	—	—
Income from discontinued operations	—	—	—	3.3	—	—	—	10.9
(Loss) income attributable to noncontrolling interests:								
- Continuing operations	(0.3)	(18.9)	0.1	—	(0.4)	24.6	0.5	—
- Discontinued operations	—	—	—	(1.5)	—	—	—	(6.3)

Equity in earnings (losses) of unconsolidated affiliates in the Opportunity Funds increased primarily as a result of an increase in distributions in excess of basis from our Albertson's investment of $9.5 million in 2010 and an increase in our pro-rata share of income from Mervyns in 2010. Equity in earnings (losses) in the Self Storage Investments represents our pro-rata share of losses from our unconsolidated investment in the newly-formed self storage management company.

The $3.8 million impairment of investment in unconsolidated affiliate during 2009 was the result of the reduction in value of the underlying property due to the recession and the related reduction in Fund I's carrying value of this investment including a partial guarantee of the mortgage debt.

The $33.8 million gain from bargain purchase was attributable to Fund II's purchase of an unaffiliated membership interest in CityPoint as previously discussed.

The gain on debt extinguishment of $7.1 million was attributable to the purchase of our convertible debt at a discount in 2009.

Total interest expense in the Core Portfolio decreased $1.5 million in 2010. This was the result of a $2.4 million decrease attributable to lower average outstanding borrowings in 2010 offset by a $0.9 million increase attributable to higher average interest rates in 2010. Interest expense in the Opportunity Funds increased $7.6 million in 2010. This was the result of an increase of $2.9 million due to higher average interest rates in 2010, an increase of $1.8 million due to higher average outstanding borrowings in 2010, an increase in amortization expense of $2.6 million due to the write-off of deferred financing costs related to refinanced debt in 2010 and $0.3 million of lower capitalized interest in 2010. Interest expense in the Self-Storage Investments decreased $1.0 million in 2010. This was primarily attributable to a $1.4 million decrease due to lower average interest rates in 2010. This decrease was

offset by $0.3 million of lower capitalized interest in 2010 and an increase of $0.2 million due to higher average outstanding borrowings in 2010.
The variance in the income tax expense in the Core Portfolio primarily related to income taxes at the TRS level for our pro-rata share of income from our Albertson’s investment in 2010.
Income from discontinued operations represents activity related to a property held for sale in 2010 and property sales in 2009.
(Loss) income attributable to noncontrolling interests – Continuing operations and Discontinued operations primarily represents the noncontrolling interests’ share of all the Opportunity Funds variances discussed above.
RECONCILIATION OF NET INCOME TO FUNDS FROM OPERATIONS AND ADJUSTED FUNDS FROM OPERATIONS

	For the Years Ended December 31,				
(dollars in thousands)	2011	2010	2009	2008	2007
Net income attributable to Common Shareholders	$51,555	$30,057	$31,133	$25,068	$25,346
Depreciation of real estate and amortization of leasing costs:					
Consolidated affiliates, net of noncontrolling interests’ share	18,274	18,445	18,847	18,519	19,669
Unconsolidated affiliates	1,549	1,561	1,604	1,687	1,736
Income attributable to noncontrolling interests in operating partnership (1)	635	377	464	437	614
Gain on sale of properties (net of noncontrolling interests’ share)					
Consolidated affiliates	(31,716)	—	(2,435)	(7,182)	(5,271)
Unconsolidated affiliates	—	—	—	(565)	—
Extraordinary item (net of noncontrolling interests’ share and income taxes) (3)	—	—	—	—	(3,677)
Funds from operations (2)	40,297	50,440	49,613	37,964	38,417
Add back: Extraordinary item, net (3)	—	—	—	—	3,677
Funds from operations, adjusted for extraordinary item	$40,297	$50,440	$49,613	$37,964	$42,094
Adjusted Funds From Operations per Share - Diluted					
Weighted average number of Common Shares and OP Units	41,467	40,876	38,913	34,940	34,924
Diluted funds from operations, per share	$0.97	$1.23	$1.28	$1.09	$1.21

Notes:

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

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

(3)

This item represents our share of an extraordinary gain from our investment in Albertson’s, which recorded an extraordinary gain in connection with the allocation of purchase price to assets acquired. We consider this to be a private-equity style investment in an operating businesses as opposed to real estate. Accordingly, all gains and losses from this investment are included in FFO, which we believe provides a more accurate reflection of our operating performance.

LIQUIDITY AND CAPITAL RESOURCES

Uses of Liquidity

Our principal uses of liquidity are (i) distributions to our shareholders and OP unit holders, (ii) investments which include the funding of our capital committed to the Opportunity Funds and property acquisitions and redevelopment/re-tenanting activities within our Core Portfolio, and (iii) debt service and loan repayments, including the repurchase of our Convertible Notes.

Distributions

In order to qualify as a REIT for Federal income tax purposes, we must currently distribute at least 90% of our taxable income to our shareholders. For the year ended December 31, 2011, we paid dividends and distributions on our Common Shares and Common OP Units totaling $29.9 million.

Investments

Fund I and Mervyns I

Fund I and Mervyns I have returned all invested capital and accumulated preferred return thus triggering our Promote in all future Fund I and Mervyns I earnings and distributions. As of December 31, 2011, $86.6 million has been invested in Fund I and Mervyns I, of which the Operating Partnership contributed $19.2 million.

As of December 31, 2011, Fund I currently owned, or had ownership interests in four remaining assets comprising approximately 0.1 million square feet as further discussed in "—PROPERTY ACQUISITIONS" in Item 1. of this Form 10-K.

In addition, we, along with our Fund I investors have invested in Mervyns as discussed in Item 1. of this Form 10-K.

Fund II and Mervyns II

To date, Fund II's primary investment focus has been in the New York Urban/Infill Redevelopment Initiative and the Retailer Controlled Property Venture. As of December 31, 2011, $282.2 million has been invested in Fund II, of which the Operating Partnership contributed $56.4 million. The remaining capital balance of $17.8 million is expected to be utilized to complete development activities for existing Fund II investments.

Fund II has invested in the New York Urban/Infill Redevelopment and the RCP Venture initiatives and other investments. See "—PROPERTY ACQUISITIONS" in Item 1. of this Form 10-K for a table summarizing the New York Urban/Infill Redevelopment investments from inception through December 31, 2011.

RCP Venture

See "—PROPERTY ACQUISITIONS" in Item 1. of this Form 10-K for a table summarizing the RCP Venture investments from inception through December 31, 2011.

Fund III

During 2007, we formed Fund III with 14 institutional investors, including all of the investors from Fund I and a majority of the investors from Fund II with $502.5 million of committed discretionary capital. As of December 31, 2011, $226.8 million has been invested in Fund III, of which the Operating Partnership contributed $45.1 million. Fund III has invested in New York Urban/Infill Redevelopment Initiatives and other investments as further discussed in "—PROPERTY ACQUISITIONS" in Item 1. of this Form 10-K. The projects are as follows:

Property	Location	Year acquired	Costs to date	Anticipated additional costs (1)	Estimated construction completion	Square feet upon completion
Sheepshead Bay	Brooklyn, NY	2007	$22.8	TBD	In design	TBD
125 Main Street	Westport, CT	2007	24.9	$0.6	Construction complete	27,000
Total			$47.7			

Notes:

TBD – To be determined

(1) Anticipated additional costs for completed property represents costs for tenant improvements.

Other Fund III Investments

Fund III currently owns, or had ownership interests in, the following 19 assets comprising approximately 2.3 million square feet as follows:

(dollars in millions)

Property	Location	Date Acquired	Purchase Price	GLA
New Hyde Park	New Hyde Park, NY	December 2011	$11.2	31,500
654 Broadway	New York, NY	December 2011	13.7	18,700
Perring Parkway	Baltimore, MD	December 2011	21.6	260,000
The Heritage Shops at Millennium Park	Chicago, IL	April 2011	31.6	105,000
Lincoln Road	South Miami Beach, FL	February 2011	51.9	61,400
White Oak	Silver Spring, MD	February 2011	9.8	64,600
White City Shopping Center	Shrewsbury, MA	December 2010	56.0	225,200
Cortlandt Towne Center	Westchester Co. NY	January 2009	78.0	642,000
Self-storage Portfolio (11 locations)	Various NY and NJ locations	February 2008	174.0	913,000
Total			$447.8	2,321,400