Cedar Shopping Centers, Inc.

2003 Annual Report

C O R P O R A T E   P R O F I L E

During the past year, the Company implemented a critical new phase of its business and growth plan, growing from 8 properties as of the end of 2002 to 22 properties as of the close of 2003, while, at the same time, completing a large equity raise and putting in-place financial structures and personnel additions to accommodate further growth. The Company also changed its name from Cedar Income Fund, Ltd. to Cedar Shopping Centers, Inc. The focus of the Company continues to be retail shopping centers with an emphasis on supermarket-anchored community centers. The Company has been able to create certain clusters of properties in the Philadelphia and Harrisburg, Pennsylvania areas and expects to continue to grow in areas radiating from those nuclei.

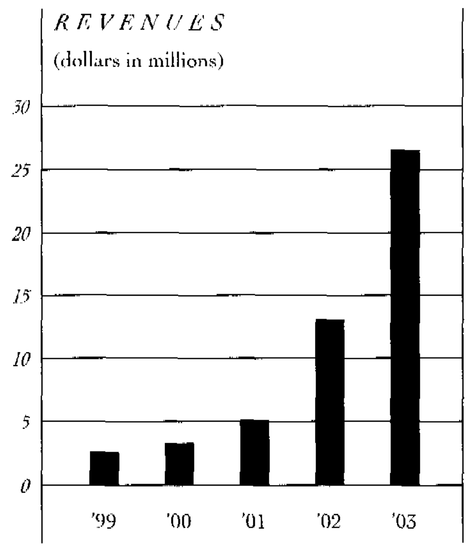
In October 2003, the Company successfully completed a public offering of 13.5 million shares of common stock at $11.50 per share. In addition, the underwriters, consisting of Merrill Lynch, Legg Mason and Raymond James, exercised their over-allotment option. As a result, the Company raised approximately $178.5 million ($162.9 million after deduction of underwriters' fees and expenses of the underwriting). The proceeds of the public offering were used primarily to retire some mezzanine debt and equity financing, to purchase the interests of certain foreign owners and to complete certain then-pending acquisitions. The effect of these transactions was to increase the size of the Company's asset base to approximately $341 million and to increase its book equity to more than $150 million, while rationalizing the balance sheet to the point where debt represented 47.5% of the Company's gross assets.

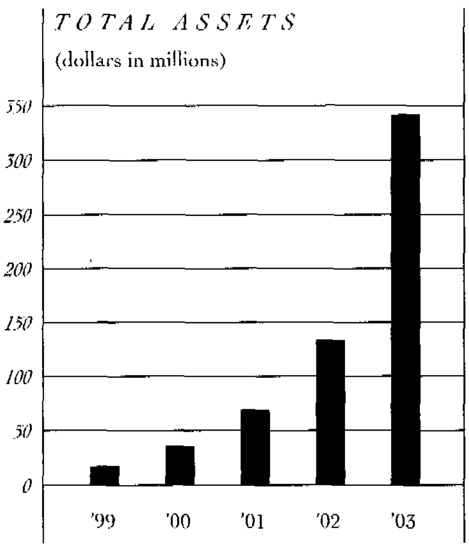
Also in the context of the public offering, Cedar Bay Realty Advisors, Inc., SKR Management Corp. and Brentway Management LLC, all of which provided certain external management and advisory services to the Company, and which were owned by senior executives of the Company, were merged into the Company and its Operating Partnership in exchange for stock and units of the Operating Partnership. As a result, the Company is now self-managed and self-administered.

In connection with the public offering, the Company's stock was also listed on the New York Stock Exchange (symbol: "CDR"). Approximately 65% of the Company's stock at the public offering was purchased by institutional investors who are well-known in the real estate industry. The Company also achieved analyst following from Legg Mason and Raymond James, among others.

The Company has arranged a syndicated floating rate credit facility, completed during the first quarter of 2004, in the amount of $100 million with Fleet National Bank as lead arranger. Under the credit facility, which will mature in the first quarter of 2007, the Company is able to borrow at rates ranging from 225 to 275 basis points over LIBOR, subject to certain loan covenants. The Company intends to use the credit facility primarily to fund additional acquisitions during the coming year.

While we indeed expect to implement further growth during the coming year, we are aware of the considerable competition, declining cap rates resulting in higher acquisitions prices, and the potential of future interest rate increases as they may affect our ability in fact to grow. With respect to such acquisitions, we will take into account the overriding need to build our funds from operations ("FFO") and the value of our assets for the benefit of our shareholders.





{ GROWTH }

"We are excited to be here". That was the opening statement of our "roadshow" presentation for our public offering last October. It still applies today. It has been a year of considerable accomplishment for our Company and we are indeed very excited to be where we are and where we are going.

At the beginning of this year, our Company had total assets of approximately $133 million, total equity of $3 million (excluding minority interests) and a debt-to-asset ratio of approximately 76%. By the end of the year, our Company increased our assets to more than $340 million, and our stockholders' equity to more than $150 million; while reducing our debt-to-asset ratio to approximately 47.5%.

In February 2003, we took our initial steps toward a public offering. The immediate purpose of such offering was to reduce certain high-cost debt and mezzanine financing (which we had used to grow our portfolio) and to fund certain then-pending acquisitions.

During the course of preparing the incalculable number of schedules and documents for the public offering, we had enormous outside and inside support. In this regard, we wish especially to acknowledge and thank our financial advisor, Richard Jennings, our underwriters and co-underwriters, our auditors, our outside counsel and our staff.

We also had strong backing from all members of our Board with special help from Jim Burns, whose enormous experience and capacity in financial accounting matters were often availed of to our benefit.

During our roadshow, just before the offering, we presented our story to potential institutional investors 39 times in eight days. Approximately 65% of those institutional investors bought our stock at the public offering. We met many fine people during those presentations and we fully intend to maintain and nurture those contacts.

On October 24, 2003, we issued 13.5 million shares of common stock at $11.50 per share and listed on the New York Stock Exchange. Shortly thereafter, the underwriters exercised their over-allotment option, thus resulting in a total issue of approximately $178.5 million (before underwriters' commissions and other costs of the issue).

Immediately after the issue, we proceeded to close the purchases of shopping centers then-pending, and indeed to pay down much of the mezzanine debt and equity financing. We have also now entered into a syndicated floating rate line of credit of $100 million for a three-year period with Fleet National Bank as lead arranger.

Excited as we are to be where we are now, it is clear that we must continue to perform. Specifically, we must endeavor through new acquisitions and otherwise to grow our funds from operations and increase earnings and value per share. With the benefit of our line of credit, we believe that we can continue to acquire excellent community and neighborhood shopping center properties on an accretive basis in our primary geographic markets. Hopefully this will include not only stable and mature supermarket-anchored shopping centers primarily in Pennsylvania and other mid-Atlantic states, but also certain added-value redevelopment opportunities.

Again, we are delighted to be here, and we are excited about where we think we'll be during this and coming years. In the meantime, we thank you, our shareholders, for giving us this opportunity. We will, as always, continue to work very hard to earn your continuing support.

For the Board of Directors,

Leo S. Ullman

LEO S. ULLMAN
Chairman,
April 16, 2004

In October, we moved from the NASDAQ to the NYSE and raised over $178 million in the process.

On November 14, 2003, representatives of the Company were invited to an Opening Bell Ringing Ceremony on the balcony of the New York Stock Exchange. As Leo Ullman rang the Opening Bell (pressed the button), others broke into (spontaneous) applause, including, left-to-right, Brenda J. Walker (Vice President & Director), James J. Burns (Director), Catherine R. Kinney (President & Co-Chief Operating Officer of the New York Stock Exchange), Everett B. Miller, III (Director), Leo S. Ullman, Thomas J. O'Keeffe (Chief Financial Officer), Thomas B. Richey (Vice President of Development & Construction) and Stuart H. Widowski (General Counsel & Secretary of the Company). Approximately 130 million people thus witnessed our pleasure and honor in being listed on the New York Stock Exchange.

{ HISTORY & DEVELOPMENT }

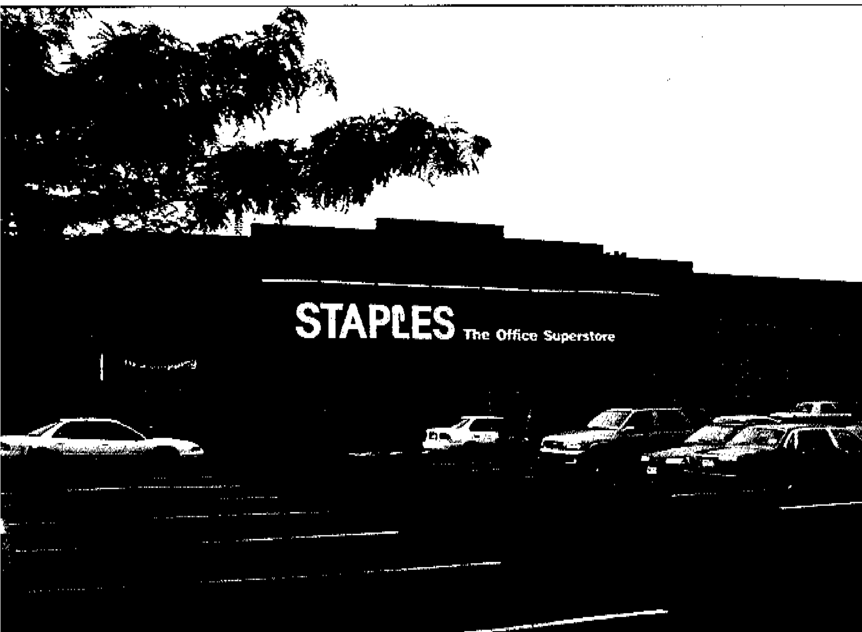
"Cedar has been on a fast growth track. While the Company has been in existence for nearly 20 years, and has evidenced an unblemished existence during its entire history, the Company this year has evidenced remarkable and highly-focused growth while creating considerable capacity for further growth."

Originally incorporated in Iowa in 1984, the Company's common stock was listed on the NASDAQ securities market shortly thereafter. In June 1998, following a tender offer for the purchase of the Company's shares by Cedar Bay Company ("CBC"), the Company was reorganized as a Maryland corporation and included in an "umbrella partnership" structure through the contribution of substantially all of its assets to a Delaware limited partnership, Cedar Shopping Centers Partnership, L.P., formerly Cedar Income Fund Partnership, L.P. (the "Operating Partnership"). At the time of the tender offer, the Company owned four properties, which it had held since shortly after its incorporation. During the years 2000, 2001 and 2002, the Company sold those four properties and reinvested the net proceeds, together with newly-borrowed funds, in a portfolio of primarily supermarket-anchored shopping centers. This marked a change of focus away from the prior concentration in office and office/warehouse properties dispersed throughout the United States to retail properties, mostly supermarket-anchored shopping centers, located primarily in Pennsylvania.

In early 2003, management made a strategic decision to expand the Company's capital base and its portfolio of shopping center properties through a public offering of shares of its common stock. In October 2003, the Company completed a successful offering of its common stock resulting in gross proceeds of approximately $178 million before underwriting fees and related expenses. As of the end of 2003, the Company owned 22 properties aggregating approximately 3.5 million square feet of gross leasable area.

The Company's real estate assets have grown from approximately $14 million in 1998 to approximately $319 million as of December 31, 2003. Correspondingly, the Company's revenues have grown from approximately $2.5 million in 1998 to approximately $26.5 million in 2003.

"If we as management proceed within our specific focus, relying on our experience and knowledge that we have developed over the past 25 years, if we listen carefully to our Board of Directors, our auditors, our counsel, our investment bankers, and our shareholders, and if we continue to use common sense and work hard, we believe that we will build a company for the long-term benefit of our shareholders of which we and our shareholders will be justly proud."



Location

These three adjacent properties are located on Christopher Columbus Boulevard in Philadelphia, Pennsylvania at an exit ramp from Interstate 95.

RIVERVIEW PLAZA I, II AND III

Description

The properties, which are owned in fee, are multi-tenant retail centers measuring 247,000 rentable square feet in the aggregate, situated on 9.5 acres of land. An additional parking area under Interstate 95 is leased from governmental agencies. The center was originally built in 1991 and redeveloped from 1993 through 1998. Principal tenants include a United Artists Theater, Staples, West Marine, Pep Boys and Athlete's Foot.

{ A C Q U I S I T I O N S }

Location

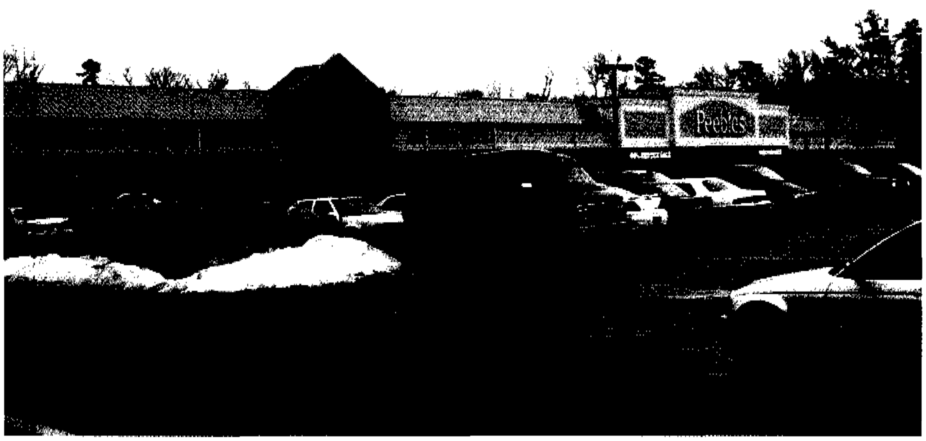
This property is located at the intersection of the Germantown Pike and Swede Street in East Norriton, Pennsylvania, approximately 30 miles northwest of Philadelphia.

Description

The property, which is owned in fee, is a multi-tenant retail center measuring approximately 103,000 rentable square feet, situated on 8.4 acres of land. The center, originally built in 1980, has been redeveloped in 2003-2004. Principal tenants include an L.A. Fitness Center and Panera Bread.

▲ SWEDE SQUARE SHOPPING CENTER

▼ PINE GROVE PLAZA



Location

This property is located at the intersection of Broadway (Route 530) and Trenton Road (Route 545) in Browns Mills, Pemberton Township, New Jersey, near Fort Dix and McGuire Air Force Base.

Description

The property, which is owned in fee, is a multi-tenant retail center measuring approximately 790,000 rentable square feet, situated on 15.7 acres of land. The center was originally constructed in 2001 and 2002. Principal tenants include Peebles, Fashion Bug and others. The center is "shadow-anchored" by a (non-owned) Acme supermarket.

Location

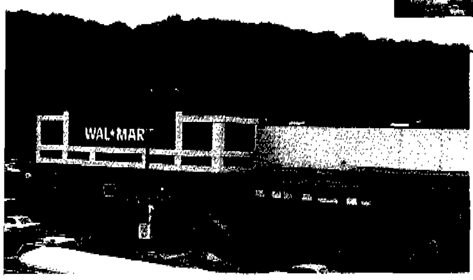
This property is located at the intersection of Halfway Boulevard and Massey Boulevard in Hagerstown, Maryland, a half mile off Exit 5 on Route 81 and approximately 70 miles from our Harrisburg offices.

Description

The property, which is owned in fee, is a multi-tenant retail center measuring approximately 191,000 rentable square feet, situated on 17.5 acres of land. The center, originally built in 1975, was redeveloped in 1994. Principal tenants include K-Mart, Ollie's, Tractor Supply Company and McDonald's.

▲Valley Plaza Shopping Center

▼Wal-Mart Shopping Center



Location

This property is located on Queen Street (Route 10) at Garden Street in Southington, Connecticut.

Description

The property, which is subject to a ground lease that expires in 2071, is a multi-tenant retail center measuring approximately 155,000 rentable square feet, situated on 16 acres of land. The center, originally built in 1972, was redeveloped in 2000. Principal tenants include Wal-Mart, which occupies approximately 94,000 square feet, Namco, Southington Wine & Spirits, Connecticut Lighting Center and Sovereign Bank.

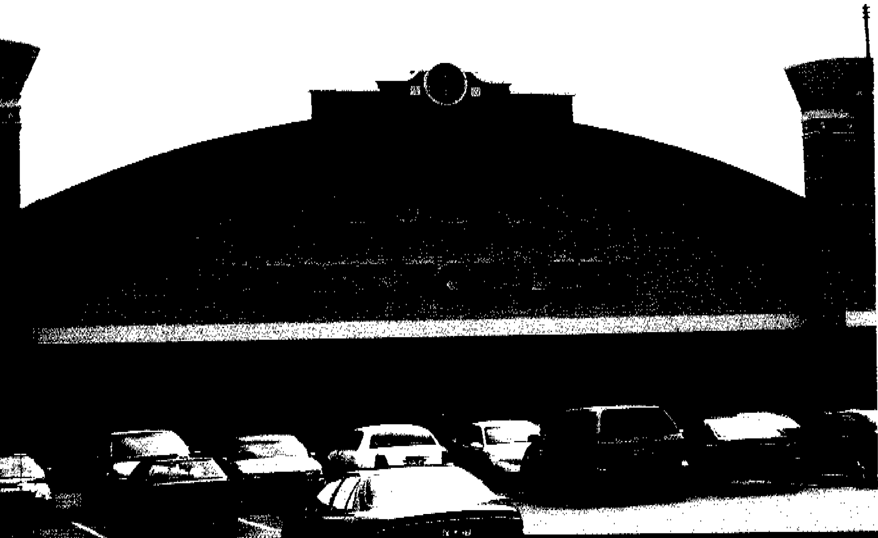
Location

This property is located on Christopher Columbus Boulevard in Philadelphia, Pennsylvania on the Delaware River near the Penn's Landing site.

COLUMBUS CROSSING SHOPPING CENTER

Description

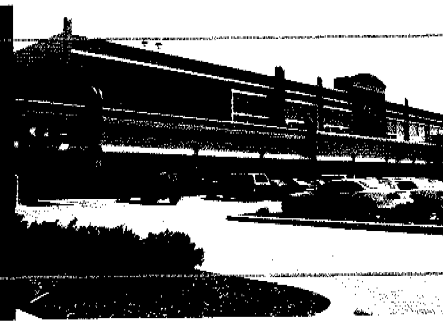
The property, which is owned in fee, is a multi-tenant retail center measuring 142,000 rentable square feet, situated on 11.33 acres of land. The center was originally built in 2001. Principal tenants include a 62,000 square foot Super Fresh Supermarket, Old Navy, A.C. Moore, Famous Footwear and McDonald's.

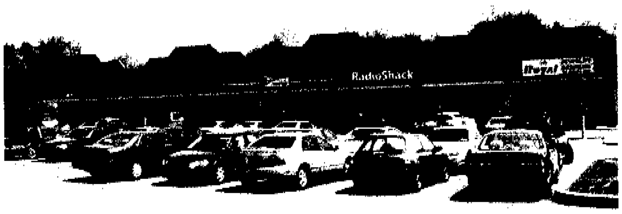


Location

This property is located at the intersection of 23rd and 24th Streets and Oregon Avenues in Philadelphia, Pennsylvania.

South Philadelphia Shopping Center





Description

The property has been net-leased by the Company for a period of 29 years, 11 months, with a purchase option exercisable at any time after ten years. This property is a multi-tenant retail center measuring 283,000 rentable square feet, situated on 14 acres of land. The center was originally built in 1950 and redeveloped in 1998-2003. Principal tenants include ShopRite, Bally's Total Fitness, Ross Stores, Strauss Auto Zone and Modell's.

{ A C Q U I S I T I O N S }

Location

This property is located on Main Street in Dickson City, Pennsylvania.

Description

The property, which is owned in fee, is a multi-tenant retail center measuring 74,000 rentable square feet, situated on 9.8 acres of land. The center was originally built in 2002 and is anchored by a 54,000 square foot Giant Supermarket.

▲ SUNSET CROSSINGS SHOPPING CENTER

▼ GOLDEN TRIANGLE SHOPPING CENTER

Location

This property is located at the intersection of Route 501 (the Lititz Pike) and Route 272 in Lancaster, Pennsylvania and a half-mile south of Route 30.

Description

The property, which is owned in fee, is a multi-tenant retail center measuring 229,000 rentable square feet, situated on 21.2 acres of land. The center was originally built in 1960 and redeveloped in 1985, 1990 and 1997. Principal tenants include Marshalls and Staples. A lease has been entered into for a new 46,000 square foot L.A. Fitness Center.

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Director

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Chief Financial Officer
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New York, NY 10022

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Chairman
Homburg Uni-Corp Group

President
Homburg Invest Inc.
(Toronto Stock Exchange)

(former) Chairman
Uni-Invest N.V.
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Hans der Kinderen
Director

(retired) Director of Investments
Rabobank Pension Fund
The Netherlands

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YMCA Retirement Fund
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New York, NY 10022

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Michael Winters
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Lise Oelbaum
Assistant Secretary

Corporate and Tax Counsel

Stroock & Stroock & Lavan
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