



# CEDAR SHOPPING CENTERS, INC.

2005 ANNUAL REPORT

# CEDAR SHOPPING CENTERS, INC.

Cedar Shopping Centers, Inc. is a self-managed real estate investment trust focused on supermarket-anchored shopping centers and drug store-anchored convenience centers. We have realized significant growth in assets and shareholder value since our public offering in October 2003. The Company presently owns and operates 85 of such primarily supermarket and drug store-anchored centers with an aggregate of more than 9 million square feet of gross leasable area, located in nine states, predominantly in the Northeast and mid-Atlantic regions.

## 2005 Key Operating Achievements

- Completed acquisition and effective absorption of 53 properties, representing \$420 million added to the Company's property portfolio
- Increased total assets 85.5% to \$996.3 million
- Increased total revenues 54.5% to \$78.9 million
- Increased net income 66.8% to \$13.2 million
- Increased FFO per share 13.2% to \$1.03

## 2005 Equity Raises

The Company raised total net proceeds of \$70.2 million in April through add-on common stock and preferred stock offerings.

The Company raised additional net proceeds of approximately \$142.7 million in August through a common stock offering of which approximately \$59.9 million was raised pursuant to a forward equity commitment. The Company drew down \$15.1 million (1.1 million shares) of the forward equity commitment in November, leaving approximately \$44.8 million (3.25 million shares) of new equity capital to fund 2006 acquisition and development activities.

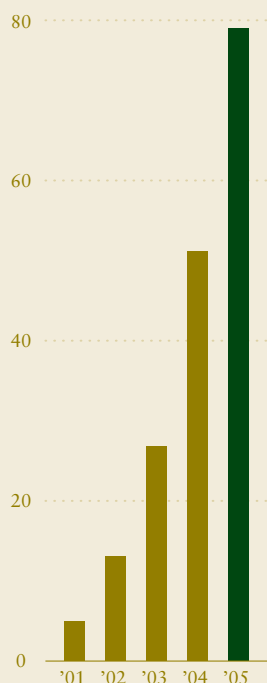


# Remarkable Growth

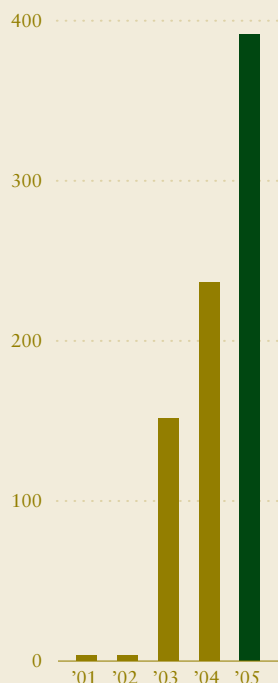
Years ended December 31,	2005	2004	2003	2002	2001
Total revenues	\$ 78,941,000	\$ 51,078,000	\$ 26,667,000	\$ 12,964,000	\$ 4,817,000
Net income (loss) applicable to common shareholders	\$ 6,027,000	\$ 5,702,000	\$ (21,351,000)	\$ (468,000)	\$ (147,000)
Per common share (basic and diluted):					
Income (loss) applicable to common shareholders before cumulative effect adjustment	\$ 0.25	\$ 0.34	\$ (7.09)	\$ (2.03)	\$ (0.61)
Cumulative effect of change in accounting principles	—	—	—	—	(0.03)
Net income (loss) applicable to common shareholders	\$ 0.25	\$ 0.34	\$ (7.09)	\$ (2.03)	\$ (0.64)
Dividends to common shareholders	\$ 20,844,000	\$ 13,750,000	\$ —	\$ —	\$ 268,000
Per common share	\$ 0.90	\$ 0.835	\$ —	\$ —	\$ 1.16
Total assets	\$ 996,256,000	\$ 537,160,000	\$ 349,647,000	\$ 133,138,000	\$ 68,350,000
Mortgages and other loans payable	\$ 527,791,000	\$ 248,630,000	\$ 162,458,000	\$ 101,001,000	\$ 52,110,000
Shareholders' equity	\$ 391,135,000	\$ 235,754,000	\$ 151,148,000	\$ 3,245,000	\$ 3,667,000
Weighted average number of common shares:					
Shares used in determination of earnings per share	23,988,000	16,681,000	3,010,000	231,000	231,000
Additional shares assuming conversion of OP Units	1,202,000	450,000	547,000	568,000	568,000
Shares used in determination of FFO per share	25,190,000	17,131,000	3,557,000	799,000	799,000
Funds from (used in) operations ("FFO")*	\$ 25,923,000	\$ 15,625,000	\$ (20,588,000)	\$ (451,000)	\$ 153,000
Per common share	\$ 1.03	\$ 0.91	\$ (5.79)	\$ (0.56)	\$ 0.19
Square feet of GLA	8,442,000	4,887,000	3,499,000	1,806,000	807,000
Percent leased (including development/ redevelopment properties and other non-stabilized properties)	91%	88%	88%	92%	92%

\*See pages 30-31 in Form 10-K for a discussion of funds from operations ("FFO"), a non-GAAP measure of performance, and a reconciliation of FFO to net income applicable to common shareholders.

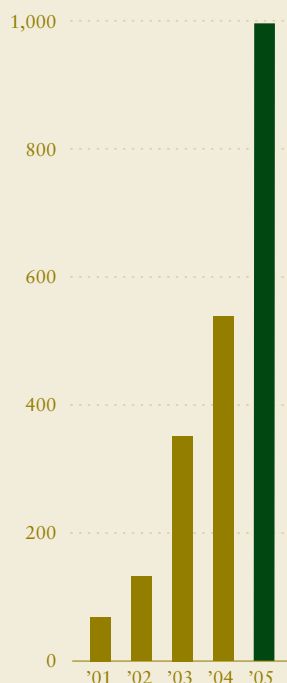
**Total Revenues**  
(dollars in millions)



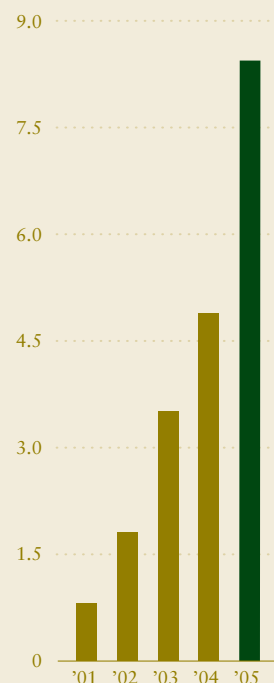
**Shareholders' Equity**  
(dollars in millions)



**Total Assets**  
(dollars in millions)



**Total GLA**  
(square feet in millions)



# Growth and Development. Delivering Value.

## LETTER TO OUR SHAREHOLDERS

2005 was a special year for our Company. By almost any measure, we achieved remarkable growth. Our assets nearly doubled, our FFO per share grew by 13% and our revenues, cash flows, net income, and other metrics all increased markedly. At the same time, we increased the number of common shares outstanding from approximately 20 million shares at the end of 2004 to more than 31 million shares as of the end of 2005.

I think it most appropriate to extend our compliments to the many members of our management team and staff that made this possible. We could not have achieved such growth without extraordinary efforts from our development group headed by Tom Richey, our acquisitions team headed by Mike Winters, our due diligence team headed by Frank Ullman, our in-house legal group headed by Stuart Widowski, our leasing team headed by Nancy Mozzachio, our finance and reporting group headed by Tom O'Keeffe and our management operations staff headed by Brenda Walker. This is an extraordinary group of talented and committed people.

We have also been strongly supported by the members of our Board of Directors and its various committees, including, especially, the Audit Committee. Finally, we acknowledge the hard work of our outside counsel, Stroock & Stroock & Lavan, our special real estate counsel, The Sacks Law Group, and Ernst & Young, our

outside auditors, and the respective partners, associates, managers and staff who have worked on our matters.

During the course of the year, we were also able to raise substantial equity funding and enhance our revolving credit facility, both of which were key engines driving our acquisition activities. Special mention in this regard should be made to Merrill Lynch, Raymond James, Legg Mason (now Stifel Nicolaus), UBS and Bank of America, our underwriters/investment bankers, and also Bank of America as lead manager of our credit facility.

To date, Cedar has focused on creating a portfolio of stabilized properties and have effectively this year succeeded in that effort by reaching a critical mass of more than \$1 billion in stabilized properties. Going forward, we are now focusing largely on our development and redevelopment activities in order to create additional shareholder



value. As we previously reported, we completed most of the development/redevelopment of the Camp Hill and Meadows Marketplace properties during the past year, both of which will result in highly accretive investments. We believe, based on our strong relationships with tenants, local authorities, lenders, developers, owners and others, especially in central Pennsylvania, that we will be able to source new development opportunities comparable to projects completed or nearing completion.

In furtherance of such development/redevelopment focus, the Company has acquired control by contract or actual ownership of more than a dozen land tracts totaling approximately 190 acres, which could potentially support more than one million square feet of GLA.

We expect to continue to focus within those development and redevelopment activities on both drug store-anchored convenience centers (including

additional CVS- and Discount Drug Mart-anchored properties) as well as supermarket-anchored shopping centers.

We announced FFO guidance for 2006 at \$1.20–\$1.30 per share. This represents an increase of between 17% and 26% over 2005. We are highly optimistic about our prospects and our continued growth.

We are, of course, immensely grateful for the continued support of our shareholders and we are, as always, determined to validate your choice.

For the Board of Directors,



Leo S. Ullman  
Chairman & CEO  
April 10, 2006

# Camp Hill Shopping Center

## LOCATION

Located in the “West Shore” trade section of the Harrisburg metro area at the interchange of Routes 11/15 and 581 in Camp Hill, Cumberland County, Pennsylvania. The Susquehanna River, which divides the Harrisburg trade area, lies approximately three miles to the east of the property.

## DESCRIPTION

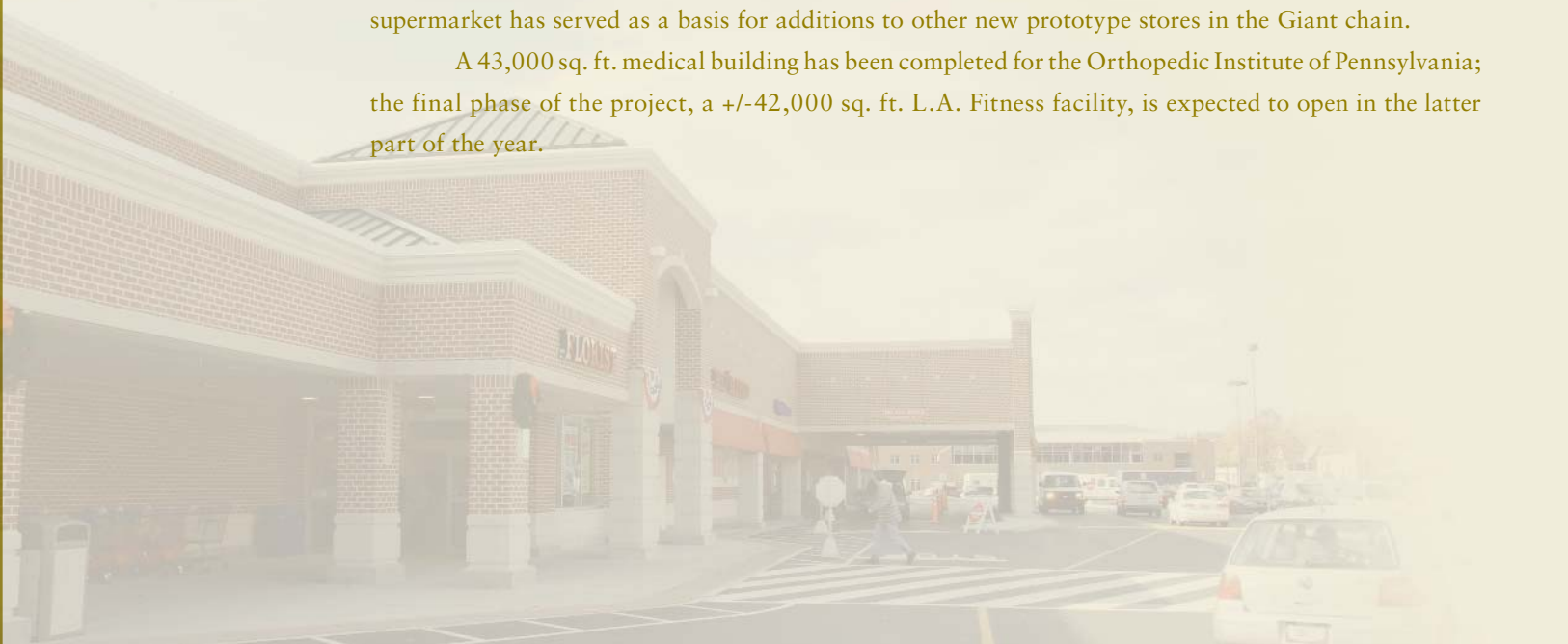
The property, situated on approximately 44.3 acres of land and acquired in November 2002, is near completion of a major redevelopment. Camp Hill was originally a multi-tenant anchored enclosed mall, measuring approximately 528,000 sq. ft. Once completed, the property will be a multi-tenant, multi-use strip center consisting of approximately 500,000 sq. ft.



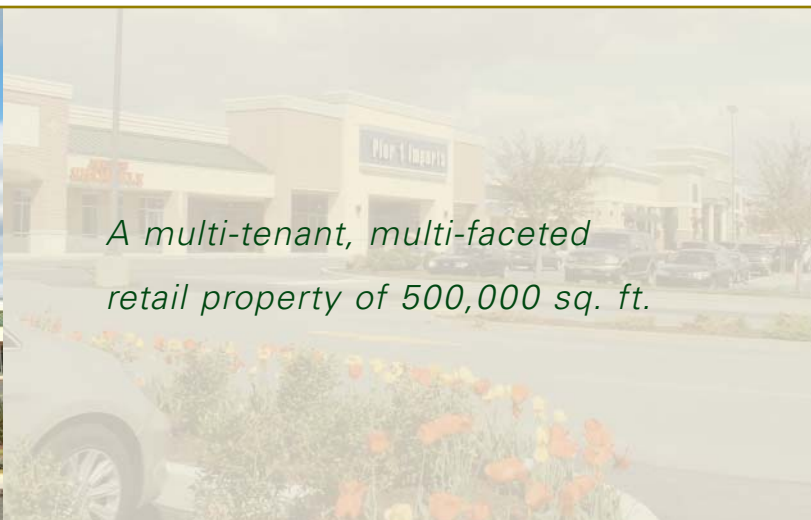
The Camp Hill redevelopment has been Cedar’s most ambitious redevelopment project to date and reflects a strategy of transforming a failed mall into a multi-faceted retail property with a supermarket anchor. The property was purchased for approximately \$18 million in November 2002; redevelopment costs will be between \$35–\$39 million. NOI for the property, when completed, is estimated at six times the \$1 million NOI when purchased.

The Company has substantially completed “de-malling” and re-tenanting of the property, as well as the development of a new 93,000+ sq. ft. Giant supermarket. The supermarket is by far the largest in the Giant chain, providing innovative amenities such as an enclosed glass cooking school within the shopping floor, chilled grocery delivery facilities, a wi-fi area, babysitting and community rooms. The supermarket has served as a basis for additions to other new prototype stores in the Giant chain.

A 43,000 sq. ft. medical building has been completed for the Orthopedic Institute of Pennsylvania; the final phase of the project, a +/-42,000 sq. ft. L.A. Fitness facility, is expected to open in the latter part of the year.







*A multi-tenant, multi-faceted retail property of 500,000 sq. ft.*

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*"The Camp Hill redevelopment has been Cedar's most ambitious redevelopment project to date."*



Now substantially complete, Camp Hill is our crown jewel...

- +/-168,000 sq. ft.—Boscov's
- +/-93,000 sq. ft.—Giant
- +/-42,000 sq. ft.—L.A. Fitness (fall '06)
- +/-25,000 sq. ft.—Barnes & Noble
- +/-20,000 sq. ft.—Staples
- +/-12,000 sq. ft.—Pier 1 Imports

and has created very substantial shareholder value...





# Meadows Marketplace

## LOCATION

The property is located at Route 39 and Hayshed Road, a mile from Hershey, Pennsylvania and three miles from Interstate 81. The Route 39 corridor is one of the fastest growing residential markets in the greater Harrisburg market area. The shopping center is located within a planned residential community of more than a thousand units, all constructed within the last two years.

## DESCRIPTION

Cedar placed the 16-acre parcel that has become Meadows Marketplace under option in 2004. Full municipal approvals were received in late 2004 and construction began in early 2005. The final shopping center project is 89,000 sq. ft., anchored by a 65,000 sq. ft. Giant Supermarket delivered in the fourth quarter of 2005. The balance of the tenancies consists of convenience retailers providing services to the rapidly growing surrounding residential areas.



Meadows Marketplace is Cedar's first ground-up development property; it is now substantially completed and rented. The property was purchased for \$1.9 million with approximately \$10 million spent on development. The fully stabilized NOI is estimated at \$1.45 million.







# Carbondale

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## LOCATION

The property is located at 95 Brooklyn Avenue (Business Route 6) in the “downtown” area of Carbondale, Pennsylvania.

## DESCRIPTION

Cedar purchased the 130,000 sq. ft. Carbondale Plaza property, anchored by a Weis supermarket of approximately 52,700 sq. ft., in 2004, at which time there was a vacant 50,000 sq. ft. former Ames department store.

🌲 The Carbondale redevelopment has involved re-tenanting of the empty Ames store with a Peebles department store, a Dollar Tree, and a tenant to be named. A small in-line CVS store is being relocated to a new prototype store on an outparcel being created at the front of the property.

Redevelopment of this center is expected to be completed during the second quarter of 2006. The estimated total cost of this redevelopment, including purchase price, is \$6.8 million. The estimated NOI for this property will be increased from approximately \$380,000 to approximately \$800,000 per annum.



# Acquisitions and Development



Due to increasing interest rates, declining cap rates, the cost of funds and the expense of replacing our debt with equity, it has been increasingly challenging to find stabilized properties that can be accretive for our shareholders. In consideration of these factors, Cedar will focus in 2006 on maximizing its development and redevelopment expertise within our established geographic footprint. This represents a critical component of our growth strategy for 2006.

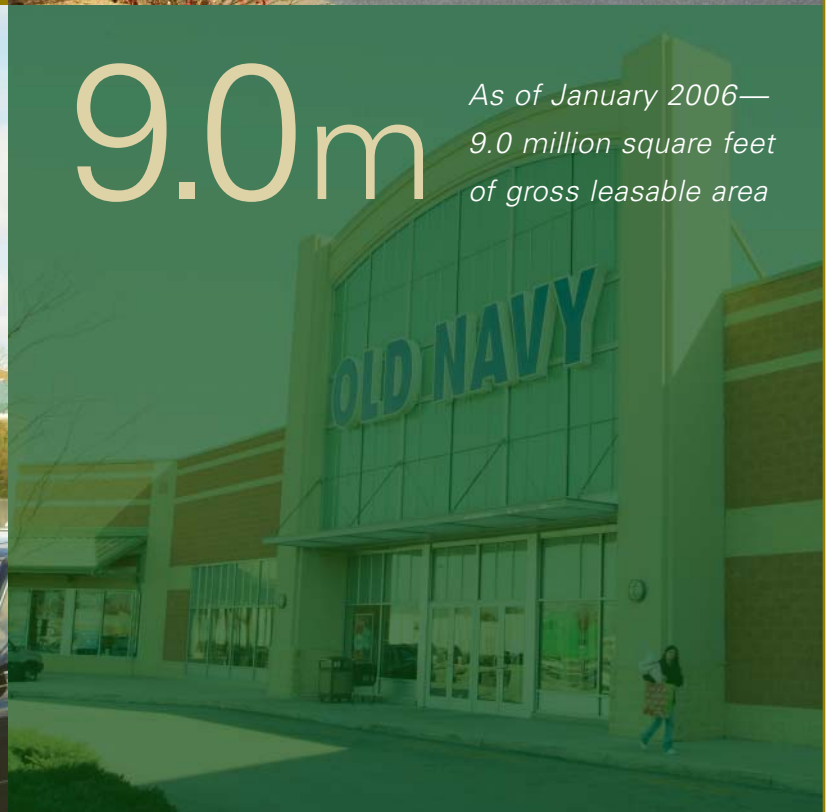
In 2006, the Company expects to acquire and deliver new development properties for CVS in Kingston and Kinderhook, New York, a number of Discount Drug Mart-anchored properties in Ohio, and several redevelopments of supermarket-anchored properties in Pennsylvania. Further, the Company will focus largely on the development of approximately 190 acres of land that the Company now owns or controls, either by itself or otherwise in joint venture form with capable local developers.







*"Cedar, in 2005, successfully absorbed approximately 3.6 million sq. ft. of acquisitions and met earnings expectations."*





# Building Our Portfolio



Through 2005, Cedar continued its remarkable portfolio growth by increasing total assets by 85.5% to \$996.3 million. The strategy in the coming year is to focus on expanding our existing portfolio through development and redevelopment opportunities. The Company anticipates bringing on-line three to four development properties a year during the next couple of years with unleveraged returns in the 10.5–11% range.

Cedar's long-term leases are with excellent supermarket and other operators, which generally provide stable and predictable cash flows. At December 31, 2005, our overall portfolio occupancy was approximately 91%; excluding development/redevelopment and other non-stabilized properties, our occupancy level was approximately 96%.







**Our Properties**

<b>Connecticut</b> Berlin New Milford Southington Wethersfield	<b>Massachusetts</b> Franklin New Bedford Revere	<b>New Jersey</b> Browns Mills Egg Harbor Sewell
<b>Maryland</b> Columbia Hagerstown	<b>Michigan</b> East Lansing Wyoming	<b>New York</b> Geneseo Oswego Westfield

# 85

*Cedar owns and operates 85 primarily supermarket-anchored shopping centers and drug store-anchored convenience centers.*



<b>Ohio</b> Akron Carrollton Celina Centerville Clyde Dover Hudson Kent Lewis Center Lodi Mansfield Massillon Medina North Olmstead Pickerington Powell Shelby Westlake Zanesville	<b>Pennsylvania</b> Bloomsburg Bradford Camp Hill Carbondale Carlisle Dickson City Dubois Dunmore E. Norriton Twp. Enola Erie Fort Washington Halifax Hamburg Harrisburg Hershey Huntingdon Indiana Lancaster Mechanicsburg	New Cumberland Newport Palmyra Philadelphia Trexlertown Williamsport
		<b>Virginia</b> Fredericksburg Glen Allen Hampton Norfolk Richmond Smithfield Suffolk Virginia Beach

# Corporate Information

## DIRECTORS

### Leo S. Ullman

Chairman of the Board  
CEO of the Company

### James J. Burns

Vice Chairman  
Wellsford Real Properties, Inc.  
New York, NY

### Richard Homburg

Chairman  
Homburg Uni-Corp Group  
The Netherlands

### President

Homburg Invest Inc.  
(Toronto Stock Exchange)

### Paul G. Kirk, Jr.

Chairman and CEO  
Kirk & Associates, Inc.

### Everett B. Miller, III

Vice President  
Alternative Investments  
YMCA Retirement Fund  
New York, NY

### Brenda J. Walker

Vice President of the Company

### Roger M. Widmann

Retired Investment Banker  
New York, NY

## OFFICERS

### Leo S. Ullman

Chairman, CEO and  
President

### Thomas J. O'Keeffe

Chief Financial Officer

### Brenda J. Walker

Vice President

### Thomas B. Richey

Vice President  
Development and Construction

### Nancy H. Mozzachio

Vice President—Leasing

### Michael Winters

Vice President—Acquisitions

### Jeffrey L. Goldberg

Corporate Controller

### Ann Maneri

Property Controller

### Gaspare J. Saitta, II

Chief Accounting Officer

### Frank C. Ullman

Assistant Vice President

### Stuart H. Widowski

Secretary and General Counsel

### Joseph Macri

Assistant Secretary and  
Assistant General Counsel

## CORPORATE AND TAX COUNSEL

Stroock & Stroock & Lavan, LLP  
New York, NY

## AUDITORS

Ernst & Young, LLP  
New York, NY

## TRANSFER AGENT

American Stock Transfer  
& Trust Company  
New York, NY  
800-937-5449



### J.A.M.H. ("HANS") DER KINDEREN (1940 – 2005)

The Company, in June '05, lost a valued friend and an immensely capable director, who also served as Chairman of the Corporate Governance/Nominating Committee as well as a member of the Audit and Compensation Committees. Hans had served as a director of the Company since 1998.

We will very much miss his guidance, his insights, his elegance and his charm, as well as his ability to create a consensus.

The Company, and all of us, have been touched by his presence and his many contributions.





CEDAR SHOPPING CENTERS, INC.

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