



CEDAR SHOPPING CENTERS, INC.

2006 ANNUAL REPORT

CEDAR SHOPPING CENTERS, INC.



CEDAR SHOPPING CENTERS, INC., A SELF-MANAGED REAL ESTATE INVESTMENT TRUST FOCUSED ON SUPERMARKET-ANCHORED SHOPPING CENTERS AND DRUGSTORE-ANCHORED CONVENIENCE CENTERS, HAS REALIZED SIGNIFICANT GROWTH IN ASSETS AND SHAREHOLDER VALUE SINCE ITS PUBLIC OFFERING IN OCTOBER 2003. AS OF DECEMBER 31, 2006, THE COMPANY OWNED AND OPERATED 97 OF SUCH PRIMARILY SUPERMARKET- AND DRUGSTORE-ANCHORED CENTERS WITH AN AGGREGATE OF APPROXIMATELY 10.1 MILLION SQUARE FEET OF GROSS LEASABLE AREA, LOCATED PREDOMINANTLY IN THE NORTHEAST AND MID-ATLANTIC STATES. THE COMPANY ALSO OWNED 11 DEVELOPMENT PARCELS AGGREGATING APPROXIMATELY 196 ACRES AND ENTERED INTO PURCHASE AGREEMENTS FOR AN ADDITIONAL 78 ACRES WITHIN THE SAME GEOGRAPHIC AREA.

2006 KEY OPERATING ACHIEVEMENTS

▲ 62.0% Funds From Operations ("FFO") increased 62.0% to \$42.0 million

▲ 17.5% FFO per share/OP unit grew 17.5% to \$1.21

▲ 60.0% Revenues improved 60.0% to \$126.5 million

▲ 26.0% Total assets increased by 26.0% to \$1.25 billion

● 92.5% Overall portfolio occupancy increased 170 basis points to 92.5%; occupancy for stabilized properties (excluding development, redevelopment and other non-stabilized properties) reached 95.5%

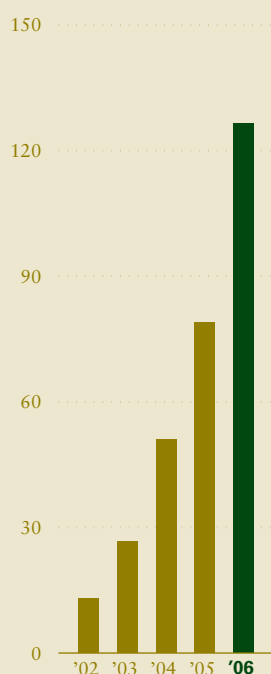
FINANCIAL HIGHLIGHTS

Years ended December 31,	2006	2005	2004	2003	2002
Total revenues	\$ 126,492,000	\$ 78,941,000	\$ 51,078,000	\$ 26,667,000	\$ 12,964,000
Net income (loss) applicable to common shareholders	\$ 7,458,000	\$ 6,027,000	\$ 5,702,000	\$ (21,351,000)	\$ (468,000)
Per common share (basic and diluted)	\$ 0.23	\$ 0.25	\$ 0.34	\$ (7.09)	\$ (2.03)
Dividends to common shareholders	\$ 29,333,000	\$ 20,844,000	\$ 13,750,000	\$ —	\$ —
Per common share	\$ 0.90	\$ 0.90	\$ 0.835	\$ —	\$ —
Total assets	\$1,251,719,000	\$996,256,000	\$537,160,000	\$349,647,000	\$133,138,000
Mortgages and other loans payable	\$ 568,073,000	\$527,791,000	\$248,630,000	\$162,458,000	\$101,001,000
Shareholders' equity	\$ 577,950,000	\$391,135,000	\$235,754,000	\$151,148,000	\$ 3,245,000
Weighted average number of common shares: Shares used in determination of basic earnings per share	32,926,000	23,988,000	16,681,000	3,010,000	231,000
Additional shares assuming conversion of OP Units	1,737,000	1,202,000	450,000	547,000	568,000
Shares used in determination of FFO per share	34,663,000	25,190,000	17,131,000	3,557,000	799,000
Funds From (Used In) Operations ("FFO")*	\$ 41,954,000	\$ 25,923,000	\$ 15,625,000	\$ (20,588,000)	\$ (451,000)
Per common share	\$ 1.21	\$ 1.03	\$ 0.91	\$ (5.79)	\$ (0.56)
Square feet of GLA	10,061,000	8,442,000	4,887,000	3,499,000	1,806,000
Percent leased (including development/ redevelopment properties and other non-stabilized properties)	93%	91%	88%	88%	92%

*See pages 33–34 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.

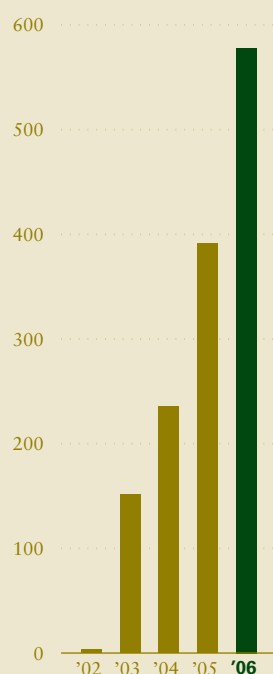
TOTAL REVENUES

(dollars in millions)



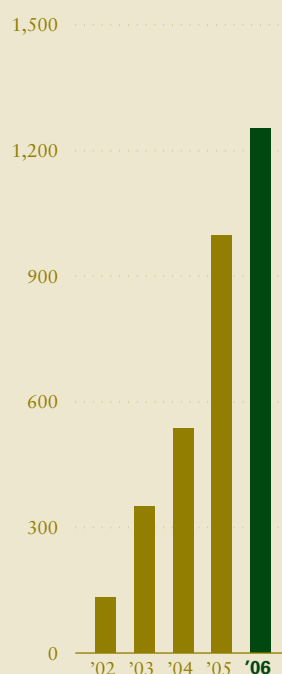
SHAREHOLDERS' EQUITY

(dollars in millions)



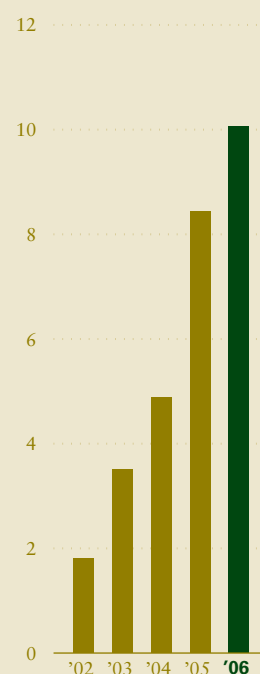
TOTAL ASSETS

(dollars in millions)



TOTAL GLA

(square feet in millions)



EXECUTING OUR PLAN



THE YEAR 2006 WAS OUTSTANDING AND TRANSFORMATIVE FOR CEDAR SHOPPING CENTERS, WITH NEARLY A 20% TOTAL RETURN TO SHAREHOLDERS, DOUBLE-DIGIT GROWTH IN FUNDS FROM OPERATIONS (“FFO”) PER SHARE AND THE CONTINUED BUILD-OUT OF THE COMPANY’S PORTFOLIO OF PROPERTIES AND DEVELOPABLE LAND. THE COMPANY DELIVERED STRONG INTERNAL GROWTH IN 2006, WHILE WE CONTINUED SELECTIVELY TO SOURCE OPPORTUNISTIC ACQUISITIONS SO AS TO CONTINUE OUR GROWTH IN THE YEARS TO COME.

We ended the year with 97 primarily super-market- and drugstore-anchored centers with an aggregate of approximately 10.1 million square feet of gross leasable area, located in nine states, predominantly in the Northeast and Mid-Atlantic regions, as compared to 84 properties with 8.4 million square feet of gross leasable area at the beginning of 2006.

Our portfolio continues to be comprised of properties in growing markets as well as in stable markets with modest competition. We added 13 properties in growth-oriented markets that include over one-and-a-half million square feet in the Connecticut-suburban Boston corridor; over a million square feet in the greater Washington, D.C., Maryland and Eastern Virginia areas, and over a million square feet in Philadelphia and nearby towns.

The Company’s opportunity for increased cash flow through development and redevelopment is significant based on the ownership of 11 development parcels aggregating approximately 196 acres and on agreements entered into with respect to an additional 78 acres within the same geographic area. In 2006, we further validated our capabilities with the completion of the redevelopment of our Camp Hill (Pennsylvania) Shopping Center. Net operating income for that property is expected to generate approximately \$6 million annually starting in 2007 as compared to a low of approximately \$700,000 when the Company commenced construction in 2004.

We also expect certain of our larger potential development and redevelopment properties, such as the Shore Mall in Egg Harbor Township, New Jersey, the Columbia Mall in Bloomsburg, Pennsylvania, the Trexlertown (Pennsylvania) centers, plus certain development parcels, to create substantial cash flow opportunities in the future. In Pennsylvania, Lake Raystown, Meadows Marketplace, Hamburg Commons, Golden Triangle and other properties involving considerable development and re-tenanting are nearing completion and should deliver additional growth in 2007.

One of the key components of our development/redevelopment projects is Giant Food Stores. Giant Food Stores, like its sister, Stop & Shop, is one of the strongest brands in the supermarket industry. In 2006, we completed construction and purchased, or entered into purchase agreements, for a number of new and larger Giant supermarkets, which are expected to result in additional income in the future. Giant, as well as our other supermarket anchors who are generally key players in their respective markets, is able to compete effectively against nearby competition, including Wal-Mart and other large general merchandise retailers, in those markets where we compete directly with them.

We have little exposure to tenant terminations during the next ten years and we believe little exposure to tenant insolvencies or bankruptcies.



We were able to finance our growth in 2006 attractively with our debt and equity resources. In October, our secured revolving credit facility was increased to \$300 million from \$225 million. The facility's accordion feature permits future expansions of up to \$400 million. The maturity was extended one year to 2009 and, more importantly, we negotiated a lower interest rate on this facility. We ended 2006 with approximately \$210 million of available funds under our secured revolving credit facility.

We have been careful to monitor and deal with potential interest rate movements as we finance the Company's acquisitions and operations. Thus, we have converted many of our floating-rate obligations to fixed-rate mortgages at attractive rates. Perhaps the most important example is the attractive \$65 million first mortgage financing at the Camp Hill Shopping Center. We also placed \$45 million of additional permanent financing on properties we acquired in the latter part of 2006. Similarly, our equity raises have permitted us to reduce the floating rate credit facility to a modest \$68.5 million as of the end of the year, from a high of approximately \$220 million during the course of the year.

In 2006, we undertook two positive equity financing initiatives. We utilized registered stock programs and a follow-on offering in December to help finance our growth. These equity financing programs increased our shares outstanding, including Operating Partnership ("OP") units, to 45.76 million at the end of 2006 from 31.16 million at the end of 2005 and allowed the Company to better manage our balance sheet leverage. The growth in our share count is expected to provide investors with additional market liquidity.

Additionally, certain of the sellers from whom we purchased properties chose to accept OP units in lieu of cash from us, which is a meaningful vote of confidence in our Company.

We also continue to explore joint venture opportunities, which would potentially constitute another source of funds and attractive fee income with respect to certain of our properties.

Let me close with a few summary thoughts on our strategic direction. We continue to be well positioned for 2007 and beyond as our properties feature long-term leases with strong anchor tenants. We own essential real estate that is the center of many economically attractive communities. In many cases the centers represent one of the few choices for consumers to shop for necessary goods and services. Barriers to entry to our markets are high, due to restrictive development laws and minimal new development opportunities. This minimizes the risk of new competition and further enhances the value of our centers.

Best of all, we possess a strong development and redevelopment pipeline and the experienced senior management team with extensive industry relationships to successfully lead us in the coming years.

I am truly appreciative of the entire Cedar organization and thank each member of the team for their ongoing contribution to the building of this Company. I would also like to thank the Board of Directors and our shareholders for their belief in, and support of, our ongoing efforts.

For the Board of Directors,

Leo S. Ullman

Chairman and Chief Executive Officer

April 2, 2007

ACQUISITIONS



IN 2006, CEDAR CONTINUED TO CREATE EXCELLENT GROWTH IN ITS CORE PORTFOLIO BY INCREASING TOTAL ASSETS BY 25.6% TO \$1.25 BILLION. THE ACQUISITIONS OF STABILIZED PROPERTIES, TOTALING APPROXIMATELY 1.7 MILLION SQ. FT. OF GLA (DEVELOPMENT SITES ACQUIRED BY THE COMPANY IN 2006 ARE DISCUSSED ON PAGES 6 AND 7), FURTHER ENHANCED THE GROWTH OF THE COMPANY'S PORTFOLIO.

In expanding the Company's portfolio, the Company has continued to focus primarily on supermarket-anchored shopping centers within the Company's core Northeast and Mid-Atlantic geographic area, featuring the best operators in their respective markets and with leases extending over many years. The average remaining base term for our supermarket anchor tenants is approximately 12 years.



LOCATIONS OF OUR PROPERTIES (AT 12/31/06)

CONNECTICUT

Berlin
New Milford
Southington
Wethersfield

MARYLAND

Columbia
Hagerstown

MASSACHUSETTS

Franklin
New Bedford
Norwood
Raynham
Revere

MICHIGAN

East Lansing
Wyoming

NEW JERSEY

Browns Mills
Egg Harbor
Sewell

NEW YORK

Geneseo
Kingston
Oswego
Westfield

OHIO

Akron
Carrollton
Celina
Centerville
Clyde
Columbus
Cuyahoga Falls
Dover
Hudson

1.7 *million*

SQUARE FEET OF ACQUISITIONS IN 2006

97

PROPERTIES AT DECEMBER 31, 2006

The Company's portfolio, which, excluding development/redevelopment and other non-stabilized properties, had an overall occupancy level of approximately 95.5% at December 31, 2006, continues to evidence a strong low-risk profile with little exposure to either lease terminations or debt maturities during the next ten years.



Kent
Lewis Center
Lodi
Mansfield
Massillon
Medina
North Olmstead
Pickerington
Powell
Shelby

Westlake
Zanesville

PENNSYLVANIA

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
Shenandoah
Trexlerstown
Williamsport

VIRGINIA

Fredericksburg
Glen Allen
Hampton
Lovingston
Norfolk
Portsmouth
Richmond
Smithfield
Suffolk
Virginia Beach

DEVELOPMENT & REDEVELOPMENT



In 2006, with delivery of the new 45,000 sq. ft. L.A. Fitness facility, the Company substantially completed redevelopment of its outstanding Camp Hill (Pennsylvania) Shopping Center. This property, purchased and redeveloped at a total cost of approximately \$60 million, has delivered growth in net operating income from approximately \$700,000 to approximately \$6 million.

We were able to place a \$65 million ten-year first mortgage loan on the property with an interest rate of 5.5%. That loan reflected a valuation of more than \$90 million for the property, thus adding approximately \$30 million of value to shareholders while returning approximately \$25 million in cash, used to reduce the Company's secured revolving credit facility.

As of December 31, 2006, the Company had an announced development/redevelopment pipeline of approximately \$262 million (excluding the Shore Mall and the Philadelphia building leased to the IRS), of which the amount remaining to be spent until completion represented approximately \$165 million. Completion of those projects is expected to extend through 2009



with most of the deliveries commencing in the second half of 2008. We expect the results of those development/redevelopment properties, for which we target cash-on-cash returns of 9% to 11%, to create meaningful additional shareholder value commencing upon those deliveries, and continuing for many years to come.

25.6%

TOTAL ASSET GROWTH IN 2006

10.1 million

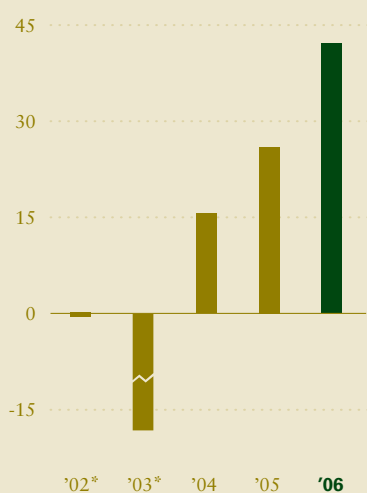
SQUARE FEET OF GROSS LEASABLE AREA



Based on our strong relationships with tenants, local authorities, lenders, developers and owners, we have been able to source new acquisitions and development opportunities on terms which we believe will continue to add meaningfully to shareholder value. A preponderance of our acquisitions have been made directly from owners. In this regard, the Company over the years has earned a deserved reputation for fair and equitable dealing, knowledge and experience in the markets, creative tax structures, and prompt and effective due diligence and lawyering. Further, as owners, we value our history and reputation of good citizenship in the communities where we do business.

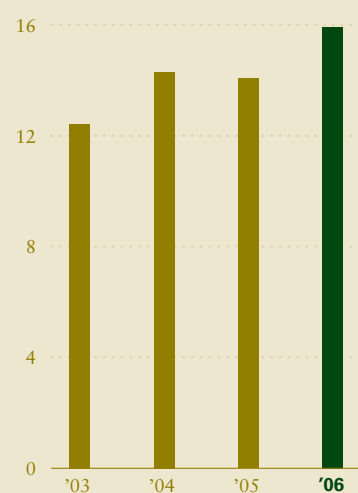


FUNDS FROM OPERATIONS
(dollars in millions)



*pre-10/23/03 stock offering

STOCK PRICE APPRECIATION
(in dollars)



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

Chairman and CEO
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

Gaspere J. Saitta, II

Chief Accounting Officer

Frank C. Ullman

Vice President

Stuart H. Widowski

Secretary and General Counsel

Joseph F. 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



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LISTED
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