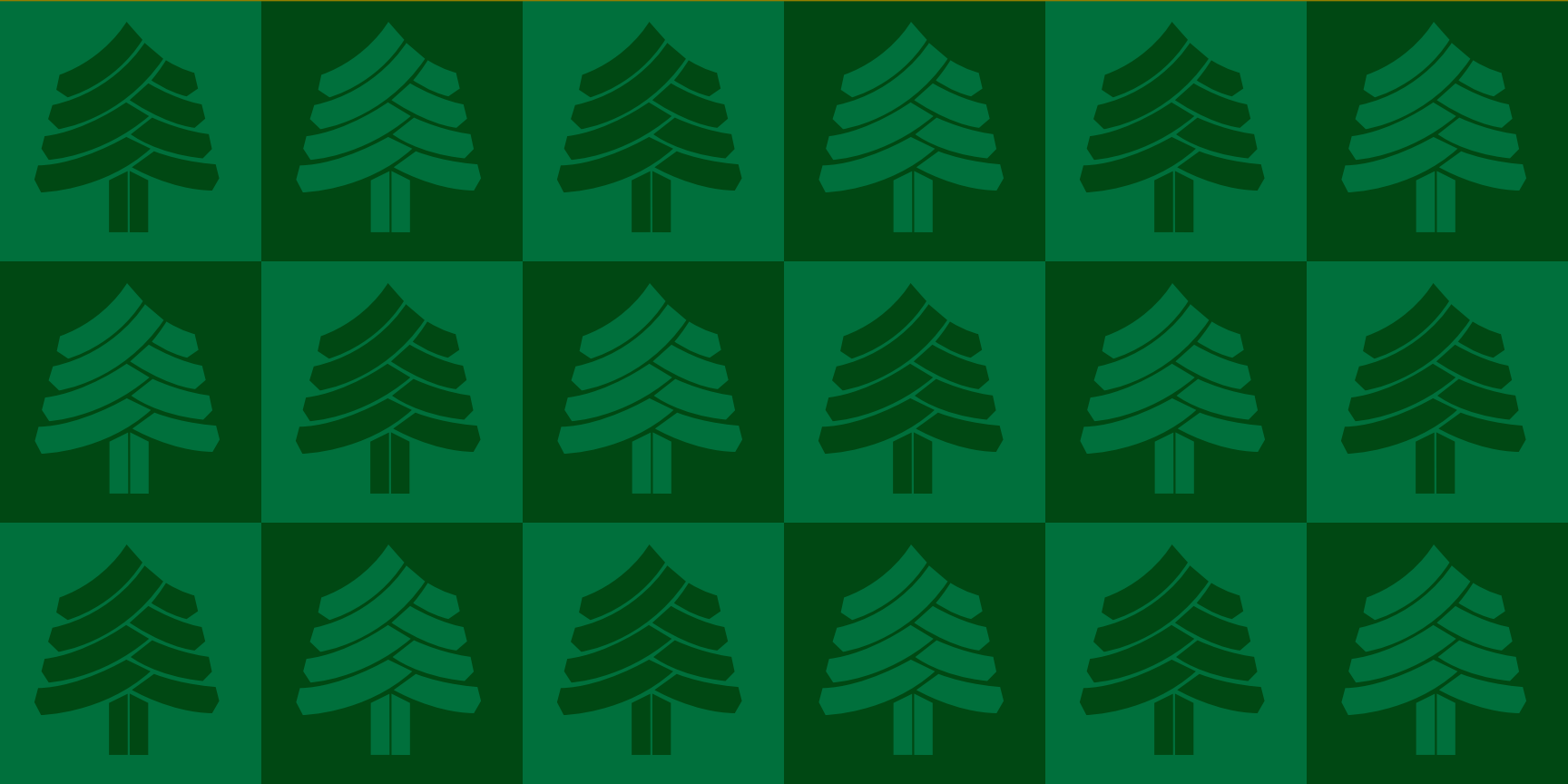


# CEDAR SHOPPING CENTERS, INC.

2007 ANNUAL REPORT





## CEDAR SHOPPING CENTERS, INC.

Cedar Shopping Centers, Inc., organized in 1984, is a fully integrated, self-managed real estate investment trust focused on ownership, operation, development and redevelopment of supermarket-anchored shopping centers and drugstore-anchored convenience centers. The Company has realized significant growth in assets and shareholder value since its public offering in October 2003. As of December 31, 2007, the Company owned and operated a portfolio of 118 properties, located predominantly in the Northeast and mid-Atlantic states, totaling approximately 12.1 million square feet of gross leasable area, with overall occupancy, including development/redevelopment properties, of approximately 93%. The Company also owned, as of that date, 11 development parcels aggregating approximately 213 acres.

### 2007 Key Operating Achievements

▲89%

*Net income applicable to common shareholders increased 89% to \$14.1 million*

▲34%

*Funds From Operations ("FFO") increased 34% to \$56.2 million*

▲28%

*Net cash flows provided by operating activities increased 28% to \$51.5 million*

▲22%

*Revenues increased 22% to \$152.9 million*

▲27%

*Total assets increased by 27% to \$1.6 billion*

96%

*Portfolio occupancy for stabilized properties (excluding development, redevelopment and other non-stabilized properties) at 12/31/07 was approximately 96%*

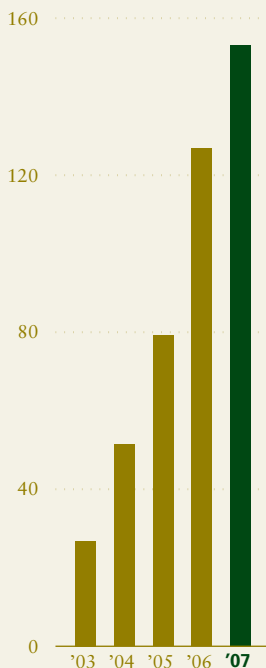
# FINANCIAL HIGHLIGHTS

Years ended December 31,	2007	2006	2005	2004	2003
Total revenues	\$ 152,922,000	\$ 125,020,000	\$ 78,553,000	\$ 51,078,000	\$ 26,667,000
Net income (loss) applicable to common shareholders	\$ 14,092,000	\$ 7,458,000	\$ 6,027,000	\$ 5,702,000	\$ (21,351,000)
Per common share (basic and diluted)	\$ 0.32	\$ 0.23	\$ 0.25	\$ 0.34	\$ (7.09)
Dividends to common shareholders	\$ 39,775,000	\$ 29,333,000	\$ 20,844,000	\$ 13,750,000	\$ —
Per common share	\$ 0.90	\$ 0.90	\$ 0.90	\$ 0.84	\$ —
Total assets	\$1,594,984,000	\$1,251,719,000	\$996,256,000	\$537,160,000	\$349,647,000
Mortgages and other loans payable	\$ 851,514,000	\$ 568,073,000	\$527,791,000	\$248,630,000	\$162,458,000
Shareholders' equity	\$ 558,154,000	\$ 577,950,000	\$391,135,000	\$235,754,000	\$151,148,000
Weighted average number of common shares:					
Shares used in determination of basic earnings (loss) per share	44,193,000	32,926,000	23,988,000	16,681,000	3,010,000
Additional shares assuming conversion of OP Units (basic)	1,985,000	1,737,000	1,202,000	450,000	547,000
Shares used in determination of basic FFO per share	46,178,000	34,663,000	25,190,000	17,131,000	3,557,000
Funds From (Used In) Operations ("FFO")*	\$ 56,190,000	\$ 41,954,000	\$ 25,923,000	\$ 15,625,000	\$ (20,588,000)
Per common share (assuming conversion of OP Units—basic and diluted)	\$ 1.22	\$ 1.21	\$ 1.03	\$ 0.91	\$ (5.79)
Square feet of GLA	12,009,000	10,061,000	8,442,000	4,887,000	3,499,000
Percent leased (including development/ redevelopment and other non-stabilized properties, and property held for sale)	93%	93%	91%	88%	88%

\*See page 35 in our 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.

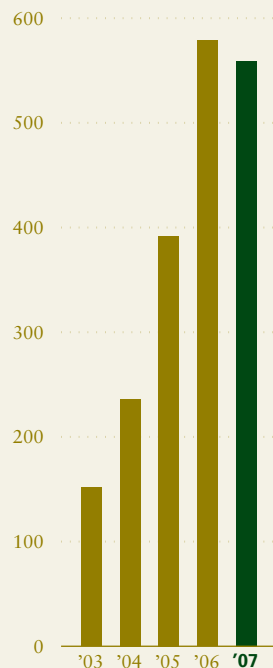
## Total Revenues

(dollars in millions)



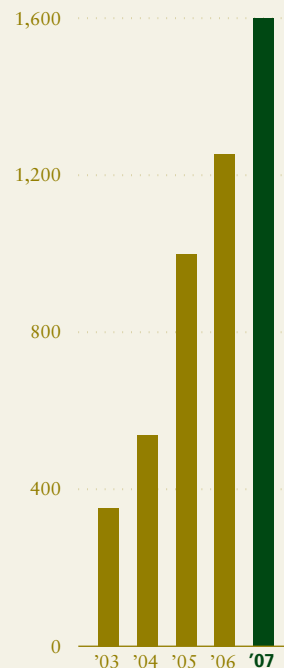
## Shareholders' Equity

(dollars in millions)



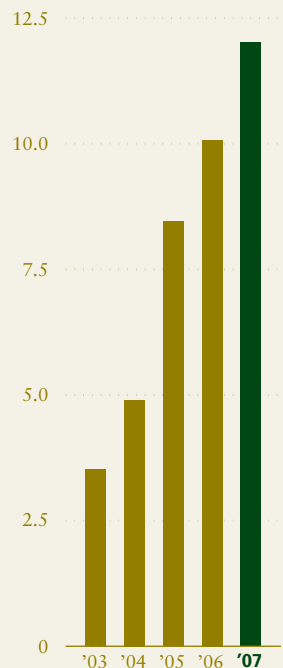
## Total Assets

(dollars in millions)



## Total GLA

(square feet in millions)





## EXECUTING *Our* BUSINESS PLAN

### LETTER TO OUR SHAREHOLDERS

**T**he year 2007 was an important year for the Company in that it marked a transition from our earlier focus of growing the Company through acquisitions and add-on common stock issues to a focus on preserving and husbanding our cash equity and our balance sheet strength while creating substantial future value and income opportunities through our development and redevelopment pipelines.

As we issued considerable stock in December 2006, we were able to assure our shareholders that we would not issue stock in 2007; and we did not. We also do not contemplate any equity raises in 2008.

We nevertheless have been able to continue to grow effectively and, most importantly, we were able to achieve some outstanding growth metrics, as highlighted elsewhere in this report. While our overall FFO growth was impressive, our FFO per share, at \$1.22 per share, was only incrementally greater than the prior year and we hope and expect to return to stronger growth on a per share basis in '08, and especially in '09, when the preponderance of our existing development pipeline should reach completion. The average number of shares outstanding in our stock increased by nearly 34% in 2007 compared to the average number outstanding in 2006.

As of the end of 2007, the Company was well positioned to execute its operating plans, including its development and redevelopment projects, funded through its credit facility, its unencumbered properties, its cash on-hand, its property-specific financing, its internal growth in revenues and proceeds of selected dispositions and joint ventures.

In December 2007, the Company completed a joint venture with a U.S. subsidiary of Homburg Invest Inc., a publicly-traded Canadian company listed on the Toronto and Euronext (Amsterdam) Exchanges with respect to nine properties with an aggregate valuation of approximately \$170 million. Richard Homburg, a director of the Company, is the CEO of the Homburg group of companies. We believe that this is an excellent transaction for the Company. First of all, the Company received approximately \$53.2 million in net cash proceeds which are expected to be effectively redeployed in higher-yielding investments. Also, a "promote" structure provides to the Company at least a doubling of its profits participation if certain leveraged return targets are met. The Company also retains favorable

fee arrangements and controls sufficient to continue to consolidate the properties for reporting purposes. It may well be that the structure could be a model for comparable future joint venture arrangements as an additional alternative means of raising equity.

Late in 2007, we started to experience the now well-publicized constraints in the credit markets and the threats to retail stores, to consumers and to disposable income arising from a confluence of negative housing results, reduced consumer confidence, high gasoline and commodity prices, a severely eroding dollar and many other factors. We believe that, going forward, our Company is very well positioned to deal with these factors, indeed perhaps better than many of our peers in the REIT sector.

More than 75% of our centers are anchored by supermarkets and drugstores. Our supermarket anchors have remaining leases extending on average more than 12 years; our drugstores, more than 10 years. More than 50% of our revenues are from retailers of food and necessities. We have almost no exposure to fashion, luxury, furniture, home furnishings, other big boxes or full-service department stores, all of which may be severely impacted in turbulent times. We are in solid and stable markets with shopping centers that are almost fully leased with primarily strong creditworthy tenants and very good supermarket and drugstore operators. Indeed, we may even be boring, but, in times like these, boring may be beautiful. We think so, and we look forward to continued strength and successes for our Company.

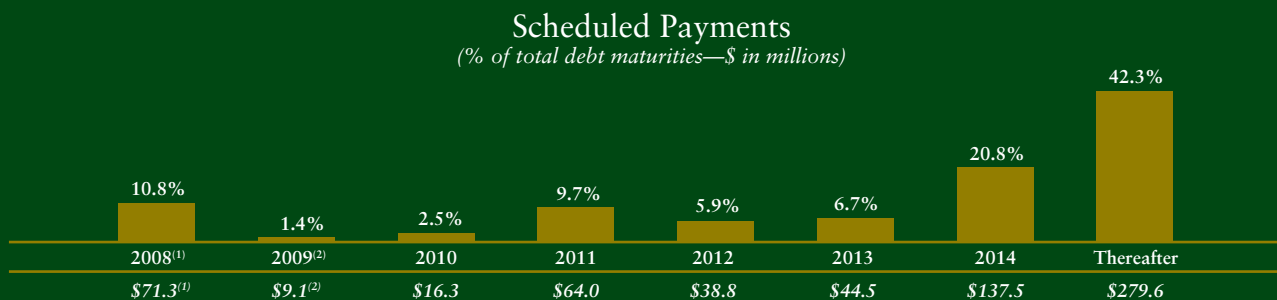
For the Board of Directors,

Leo S. Ullman  
Chairman, Chief Executive Officer and President  
April 10, 2008



## MANAGING *Our* BALANCE SHEET

### STRENGTH AND CAPACITY



<sup>(1)</sup> Of the \$71.3 million due in 2008, \$62.9 million represents balloon payments due at maturity that are in the process of being refinanced

<sup>(2)</sup> Does not include \$190.4 million outstanding balance under secured revolving credit facility, which is subject to a one-year extension option

We have been careful to husband our resources during the challenging times which began at the end of last year. You will recall that in December 2006 we had a substantial equity raise, increasing our outstanding shares by 20%, while generating net cash proceeds of approximately \$114 million. Our shares were sold at that time at \$16.00 per share before fees and expenses (\$15.20 net), the highest level at which we had ever issued shares, and a level which, regrettably, we have not reached since. However, that equity raise, among other things, enabled us to reduce our secured revolving credit facility, which we have used in essence as our workhorse for all of our acquisitions and other operations pending other sources of financing. As of December 31, 2007, the availability under our secured revolving credit facility was approximately \$108.8 million. In addition, the credit facility has an accordion feature which would permit us to increase the facility up to an additional \$100 million, subject to approved collateral.

Commencing in late-2007 and continuing into 2008, the Company has been negotiating, and expects to conclude, a substantial additional secured revolving credit facility for the development pipeline properties. The announced pipeline as of December 31, 2007 was between \$350–400 million on a project cost basis, including the purchase prices for the land. Of that amount, approximately \$100 million was spent by the end of 2007. It is estimated that another \$140–200 million or so will be spent in 2008. Accordingly, the new credit facility, coupled with availability under the existing credit facility, should be sufficient to cover the development pipeline requirements.

In addition to the actual and potential availability under such credit facilities, the Company has a number of unencumbered properties available for property-specific financing and/or as collateral for the respective credit facilities.

The Company has also contemplated additional joint ventures beyond the joint venture entered into with Homburg Invest in December 2007 involving nine stabilized properties. Thus, the Company contemplates one or more additional joint ventures with respect to certain of its stabilized properties with the intent to recycle the proceeds into higher-yielding operations and development projects.

Approximately 80% of the Company's total debt is fixed at a rate of approximately 5.7%, with an average maturity of 6.4 years.

As of December 31, 2007, the Company also had approximately \$20 million of cash available to it.



## OUR LOW-RISK PROFILE

### FEATURES OF OUR TENANTS AND OUR CENTERS

**M**ore than 75% of the Company's 118 properties as of December 31, 2007 were supermarket- or drugstore-anchored centers. The remaining balance of the supermarket leases on average was 12.6 years; the drugstore leases, 10.5 years.

More than 50% of the Company's revenues for 2007 were from food and necessities. The Company has little exposure to fashion concepts, luxury stores, big box tenants, department stores, furniture stores or home furnishings concepts, for example, among the types of stores which may be most impacted in turbulent times.

With the exception of Giant Food Stores of Carlisle, Pennsylvania, no tenant represents more than 3.4% of the Company's annualized base rents. Further, there are no scheduled lease renewals or terminations for the next 10 years, representing more than 10.3% in any year.

The Company's stabilized portfolio is 96% leased. Taking into account the Company's development/redevelopment properties, many of which are only partially leased, the overall portfolio occupancy rate is more than 93%.

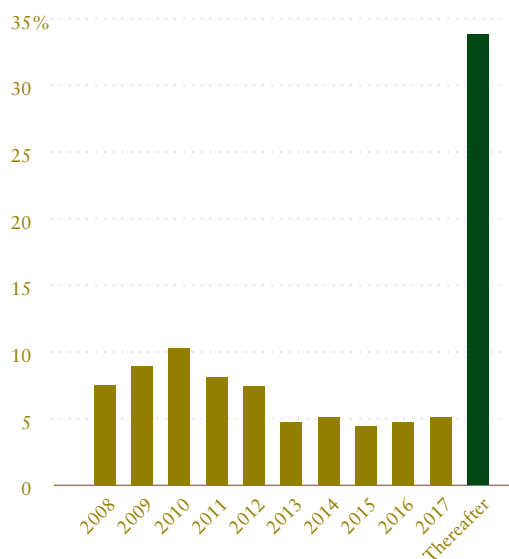
The Company's centers are generally in stable and modest growth communities with stable traffic patterns and solid demographics in the northeast quadrant of the U.S.

We believe that the low-risk profile described by the various metrics above will position the Company well in challenging times.

#### Stable Income Stream

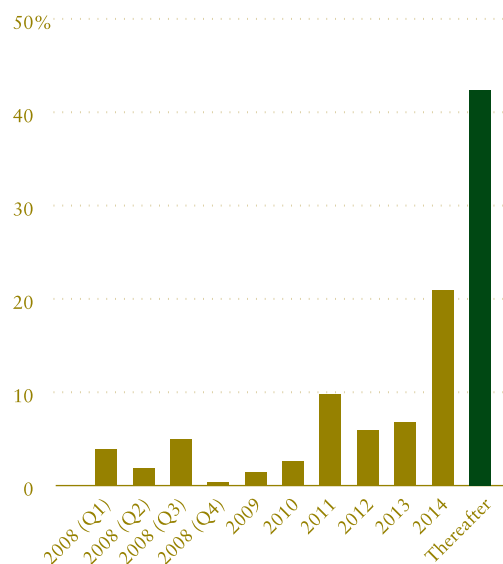
##### Scheduled Lease Expirations as a Percentage of Total Annualized Base Rents

*On average less than 7% of annualized base rents expire in any single year through 2017*



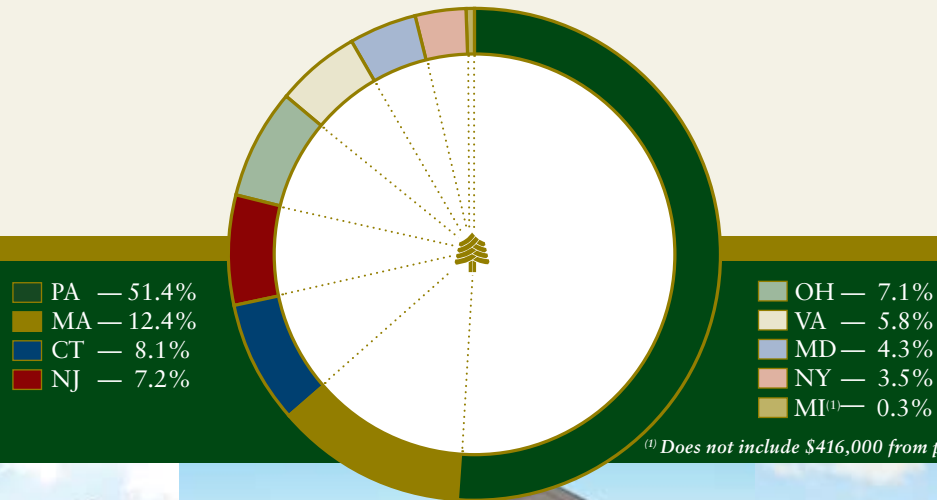
#### Stable Low-Cost Debt

Favorable debt maturities with a low average interest rate, provide underlying financial stability for our portfolio.





## PERCENT OF TOTAL REVENUES

Three Months Ended December 31, 2007<sup>(1)</sup>

## Tenant Distribution by Industry

Minimal Exposure to Fashion, Luxury, Home Furnishings  
and Similar Potentially Challenged Tenancies

Industry	Annualized Base Rent	
Supermarkets	\$36,851,000	31%
Food Service	10,741,000	9%
Drugstores/Pharmacies	8,797,000	7%
Personal Service	8,275,000	7%
Entertainment/Community	6,687,000	6%
Discount Department Stores	6,463,000	5%
Clothing, Accessories and Shoes	5,991,000	5%
Department Stores	4,208,000	4%
Building Materials/Garden	2,072,000	2%
Dollar Stores/Novelties	2,382,000	2%
Home Furnishings	2,097,000	2%
Office Supplies	2,336,000	2%
Government Offices	1,847,000	2%
Medical and Dental Offices	1,943,000	2%
Home Appliances/Music	1,273,000	1%
All Other	17,354,000	15%
Portfolio Totals	\$119,317,000	100%



## EXPANDING OUR PIPELINE

FOCUS ON MANAGED RISK



As of December 31, 2007, the Company had announced a development/redevelopment pipeline of 17 properties. Of those 17, eight featured pre-leasing with actual signed leases representing 55–90% of the GLA of the respective properties; eight had letters of intent for more than 50% of the GLA; the other one is just coming “out of the box.”

A hallmark feature of the Company’s development pipeline is that we continue to focus on the same theme as evidenced in our stabilized core properties portfolio, that is to operate our properties on as low-risk profile as possible. Thus, our development/redevelopment pipeline basically features substantial pre-leasing before we acquire a property. Most typically, we will identify a potential development site, usually a potential supermarket-anchored shopping center property, we option the property with modest payments while completing our due diligence and line up the anchor tenant, again, usually a supermarket with a strong operating history in the relevant geographic area. We generally do not actually close on a property until and unless we have a signed lease with the anchor tenant, and unless we have substantially completed the entitlement

# + \$350 million

*Over \$350 million in project development*





process. It is not the Company's modus operandi, in contradistinction to many other developers, to acquire a substantial tract of land and to spend years obtaining necessary zoning and other entitlements. In our case, supermarket anchors will generally represent more than half of the relevant GLA and the potential revenues of the center. The combination of a supermarket anchor and a pre-leased outparcel or two will generally represent at least a break-even and a modest return by themselves for a ground-up supermarket-anchored development property. The remaining small tenant leases, where the largest tenant would generally be a Staples or a dollar store concept, for example, are often the same tenants that will take in-line spaces adjacent to a supermarket in other properties which the Company has developed. Many of those smaller tenants are in fact national and regional creditworthy tenants.

Our bad debt experience for tenant defaults, mostly small local "Mom and Pop" stores, which have been relatively easily replaced, has been a small fraction of our results during the past year.

▲ 7.6%

*Leasing Renewal Increase*

▲ 750,000 s.f.

*In New and Renewed Leases*



## CORPORATE INFORMATION

STRENGTH IN EXPERIENCED MANAGEMENT

### DIRECTORS

Leo S. Ullman  
Chairman of the Board  
CEO of the Company

James J. Burns  
Vice Chairman  
Reis, Inc.  
New York, NY

Richard Homburg  
Chairman  
Homburg Uni-Corp Group  
The Netherlands

Chairman and CEO  
Homburg Invest Inc.  
(Toronto and Euronext  
(Amsterdam) Stock Exchanges)

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  
Investment Banker  
New York, NY

### OFFICERS

Leo S. Ullman  
Chairman, CEO and  
President

Lawrence E. Kreider, Jr.  
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

Frank C. Ullman  
Vice President

Jeffrey L. Goldberg  
Corporate Controller

Ann Maneri  
Property Controller

Gaspere J. Saitta, II  
Chief Accounting Officer

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

#### OTHER INFORMATION

*The Company has included as exhibits to its Annual Report on Form 10-K for the fiscal year ended December 31, 2007, filed with the Securities and Exchange Commission, certifications of the Chief Executive Officer and Chief Financial Officer of the Company certifying the quality of the Company's public disclosure, and the Company has submitted to the New York Stock Exchange a certificate of the Chief Executive Officer of the Company certifying that he is not aware of any violation by the Company of the New York Stock Exchange corporate governance listing standards as of the date of such certification.*



CEDAR SHOPPING CENTERS, INC.

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