

CEDAR SHOPPING CENTERS INC

Form 424B5

December 15, 2006

**Filed Pursuant to Rule 424(b)(5)
Registration No. 333-125582**

**PROSPECTUS SUPPLEMENT
(To Prospectus Dated June 23, 2005)**

7,500,000 Shares
Cedar Shopping Centers, Inc.
Common Stock
\$16.00 per share

We are offering 7,500,000 shares of our common stock.

Our common stock is listed on the New York Stock Exchange under the symbol CDR. The last reported sale price for the common stock on December 14, 2006 was \$16.21 per share.

Investing in our common stock involves risks that are described in the Risk Factors section beginning on page 3 of the accompanying prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Share	Total
Public offering price	\$ 16.00	\$ 120,000,000
Underwriting discount	\$ 0.80	\$ 6,000,000
Proceeds to Cedar Shopping Centers (before expenses)	\$ 15.20	\$ 114,000,000

The underwriters may also purchase up to 1,125,000 additional shares from us at the initial public offering price, less the underwriting discount, within 30 days from the date of this prospectus supplement to cover over-allotments.

The shares of common stock will be ready for delivery through the facilities of The Depository Trust Company on or about December 20, 2006.

Joint Book-Running Managers

Citigroup

Banc of America Securities LLC

Raymond James

Stifel Nicolaus

Cantor Fitzgerald & Co.

Ferris, Baker Watts

Incorporated

The date of this prospectus supplement is December 14, 2006.

You should rely only on the information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not authorized anyone to provide you with different information. We are not making an offer of these securities in any state where the offer is not permitted. You should not assume that the information contained in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference is accurate as of any date other than the date on the front of this prospectus supplement.

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USE OF PROCEEDS

We estimate that the net proceeds of this offering, after deducting the underwriting discount and other offering expenses, will be about \$113.9 million (or \$131.0 million if the underwriters fully exercise the over-allotment option). We will contribute the net proceeds from this offering to Cedar Shopping Centers Partnership, L.P., our operating partnership, which presently intends to use substantially all the net proceeds from this offering to repay amounts outstanding on our secured revolving credit facility. As of September 30, 2006, we had approximately \$215.1 million outstanding on our secured revolving credit facility, which matures in January 2009, subject to a one-year extension. Borrowings under our secured revolving credit facility bear interest at a rate of LIBOR plus 110 to 145 basis points depending on our overall leverage ratio, with an average rate of 6.68% per annum at September 30, 2006. We expect thereafter to borrow from time to time under our secured revolving credit facility to provide funds for the acquisition of additional properties (including the six properties to be acquired as described herein under Recent Developments) and the redevelopment or development of existing or new properties and for general working capital and other corporate purposes.

THE COMPANY

We were organized in 1984 and elected to be taxed as a REIT in 1986. We are a fully integrated, self-administered and self-managed real estate company. We are focused primarily on the ownership, operation, development and redevelopment of supermarket-anchored community shopping centers and drug store-anchored convenience centers located in nine states, largely in the Northeast and mid-Atlantic regions. As of September 30, 2006, we owned 93 properties totaling approximately 9.9 million square feet of gross leasable area, or GLA, including 89 wholly-owned properties comprising approximately 9.4 million square feet of GLA and four properties owned through joint ventures comprising approximately 485,000 square feet of GLA. As of September 30, 2006, our portfolio of wholly-owned properties was comprised of (1) 82 stabilized properties (those properties not designated as development/redevelopment properties and which are at least 80% leased), with an aggregate of 8.5 million square feet of GLA, which were approximately 94% leased, (2) four development/redevelopment properties with an aggregate of 668,000 square feet of GLA, which were approximately 60% leased, and (3) three non-stabilized properties with an aggregate of 267,000 square feet of GLA, which are presently being re-tenanted and which were approximately 70% leased. The four properties owned in joint venture are all stabilized properties and are 100% leased. The entire 93 property portfolio was approximately 91% leased at September 30, 2006.

We conduct our business through our operating partnership, Cedar Shopping Centers Partnership, L.P., which owns (either directly or through subsidiaries) substantially all of our assets. At September 30, 2006, we owned a 95.0% economic interest in, and are the sole general partner of, the operating partnership.

Our principal executive offices are located at 44 South Bayles Avenue, Port Washington, NY 11050, our telephone number is (516) 767-6492 and our website address is www.cedarshoppingcenters.com. The information contained on our website is not part of this prospectus supplement or the accompanying prospectus and is not incorporated in this prospectus supplement or the accompanying prospectus by reference.

In this prospectus supplement, the terms we, us and our include Cedar Shopping Centers, Inc., Cedar Shopping Centers Partnership, L.P. and their consolidated subsidiaries.

RECENT DEVELOPMENTS

Completed Acquisitions

From January 1, 2005 through September 30, 2006, we completed the acquisitions of 62 supermarket-anchored community shopping centers and drug store-anchored convenience centers at an aggregate cost of approximately \$579.7 million. We intend to continue acquiring, developing and redeveloping additional centers. Except as otherwise publicly described, we have not entered into definitive agreements with respect to additional acquisitions.

Pending Acquisitions

On December 11, 2006, we entered into an agreement to purchase a portfolio of five Giant Food Store supermarket-anchored properties in Eastern Pennsylvania from Caldwell Development Company for an aggregate cost of approximately \$90 million, exclusive of closing costs. Each of the properties is encumbered by existing first mortgages in the amount of approximately \$51 million, all but one of which are expected to be assumed by us as part of the purchase price. The properties contain approximately 353,000 square feet of GLA and include:

Aston Town Center, Aston, PA a single tenant property located in suburban-Philadelphia, built in 2005, leased to a Giant supermarket of 55,000 sq. ft. on approximately 6.2 acres.

Spring Meadow Shopping Center, Wyomissing, PA a 67,850 sq. ft. shopping center located near Reading, Pennsylvania, built in 2004, leased to a 65,000 sq. ft. Giant on approximately 10.6 acres. The property also has a Giant fuel facility.

Ayr Town Center, McConnellsburg, PA a 55,600 sq. ft. shopping center located southwest of Harrisburg, PA, built in 2005, leased to a 50,000 sq. ft. Giant on approximately 10.8 acres. The property also has a Giant fuel facility.

Scott Town Center, Bloomsburg, PA a 68,000 sq. ft. shopping center located in Bloomsburg, PA, built in 2004, leased to a 54,333 sq. ft. Giant on approximately 11.4 acres. The property also has a gasoline station owned by Giant.

Parkway Plaza Shopping Center, Mechanicsburg, PA a 106,550 sq. ft. shopping center, located near Harrisburg, PA, built in 1998, leased to a 67,000 sq. ft. Giant on approximately 12.8 acres. The property also has a Giant fuel facility.

We have also entered into an agreement to purchase Fairview Common, an unencumbered 60,000 square foot shopping center immediately adjacent to our existing Fairview Plaza Shopping Center in New Cumberland, PA, for approximately \$4.2 million, exclusive of closing costs. These two centers share existing ingress and egress across their parking lots. Giant Foods leases approximately 17,000 square feet at Fairview Commons for storage. Other tenants include Family Dollar, Movie Gallery and Dairy Queen.

Closings of the purchase of the six properties are expected to be completed during the first quarter of 2007. We intend to fund these acquisitions from our outstanding secured revolving credit facility.

Although we have entered into definitive agreements with these pending acquisitions, there is no assurance that these transactions will be consummated or will be consummated on the specified terms.

We are also actively pursuing joint venture opportunities pursuant to which six of our existing centers would be contributed to a joint venture company that would be managed by, and owned 20% by, us. In consideration of this contribution, we would be paid by the joint venture 80% of the fair market value of the centers contributed. There is no assurance any joint ventures will be consummated or what the final terms thereof will be.

PLAN OF DISTRIBUTION

Citigroup Global Markets Inc. and Banc of America Securities LLC are acting as joint bookrunning managers and representatives of the underwriters in connection with the offering, and Raymond James & Associates, Inc. is acting as a lead underwriter. Subject to the terms and conditions stated in the underwriting agreement dated the date of this prospectus supplement, each underwriter named below has agreed to purchase, and we have agreed to sell to that underwriter, the number of shares set forth opposite the underwriter's name.

Underwriter	Number of Shares
Citigroup Global Markets Inc.	2,531,250
Banc of America Securities LLC	2,531,250
Raymond James & Associates, Inc.	1,312,500
Stifel, Nicolaus & Company, Incorporated	562,500
Cantor Fitzgerald & Co.	281,250
Ferris, Baker Watts, Incorporated	281,250
	7,500,000

The underwriting agreement provides that the obligations of the underwriters to purchase the shares included in this offering are subject to approval of legal matters by counsel and to other conditions. The underwriters are obligated to purchase all of the shares (other than those covered by the over-allotment option described below) if they purchase any of the shares.

The underwriters propose to offer some of the shares directly to the public at the public offering price set forth on the cover page of this prospectus and some of the shares to dealers at the public offering price less a concession not to exceed \$0.48 per share. If all of the shares are not sold at the initial offering price, the representatives may change the public offering price and the other selling terms.

We have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus supplement, to purchase up to 1,125,000 additional shares of common stock at the public offering price less the underwriting discount. The underwriters may exercise the option solely for the purpose of covering over-allotments, if any, in connection with this offering. To the extent the option is exercised, each underwriter must purchase a number of additional shares approximately proportionate to that underwriter's initial purchase commitment.

We, our executive officers and directors have agreed that, with some exceptions, for a period of 90 days from the date of this prospectus, we and they will not, without the prior written consent of the representatives, dispose of or hedge any shares of our common stock or any securities convertible or exchangeable for our common stock. The representatives in their sole discretion may release any of the securities subject to these lock-up agreements at any time without notice.

Each underwriter has represented, warranted and agreed that:

it has not offered or sold and, prior to the expiry of a period of six months from the closing date, will not offer or sell any shares included in this offering to persons in the United Kingdom except to persons whose ordinary activities involve them acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995;

it has only communicated and caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (FSMA)) received by it in connection with the issue or sale of any shares included in this offering in circumstances in which section 21(1) of the FSMA does not apply to us;

it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the shares included in this offering in, from or otherwise involving the United Kingdom; and

the offer in The Netherlands of the shares included in this offering is exclusively limited to persons who trade or invest in securities in the conduct of a profession or business (which include banks, stockbrokers, insurance companies, pension funds, other institutional investors and finance companies and treasury departments of large enterprises).

The common stock is listed on the NYSE under the symbol CDR.

The following table shows the underwriting discounts and commissions that we are to pay to the underwriters in connection with this offering. These amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase additional shares of common stock.

	Paid by Cedar Shopping Centers	
	No Exercise	Full Exercise
Per share	\$ 0.80	\$ 0.80
Total	\$ 6,000,000	\$ 6,900,000

In connection with the offering, the representatives on behalf of the underwriters, may purchase and sell shares of common stock in the open market. These transactions may include short sales, syndicate covering transactions and stabilizing transactions. Short sales involve syndicate sales of common stock in excess of the number of shares to be purchased by the underwriters in the offering, which creates a syndicate short position. Covered short sales are sales of shares made in an amount up to the number of shares represented by the underwriters' over-allotment option. In determining the source of shares to close out the covered syndicate short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the over-allotment option. Transactions to close out the covered syndicate short involve either purchases of the common stock in the open market after the distribution has been completed or the exercise of the over-allotment option. The underwriters may also make naked short sales of shares in excess of the over-allotment option. The underwriters must close out any naked short position by purchasing shares of common stock in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of bids for or purchases of shares in the open market while the offering is in progress.

The underwriters also may impose a penalty bid. Penalty bids permit the underwriters to reclaim a selling concession from a syndicate member when the representatives repurchase shares originally sold by that syndicate member in order to cover syndicate short positions or make stabilizing purchases.

Any of these activities may have the effect of preventing or retarding a decline in the market price of the common stock. They may also cause the price of the common stock to be higher than the price that would otherwise exist in the open market in the absence of these transactions. The underwriters may conduct these transactions on the NYSE or in the over-the-counter market, or otherwise. If the underwriters commence any of these transactions, they may discontinue them at any time.

We estimate that our portion of the total expenses of this offering will be \$100,000.

The underwriters have performed investment banking and advisory services for us from time to time for which they have received customary fees and expenses. The underwriters may, from time to time, engage in transactions with and perform services for us in the ordinary course of their business. Certain affiliates of the underwriters for this offering are lenders under our secured revolving credit facility and will receive their proportionate share of the amount of the secured revolving credit facility to be repaid with the net proceeds of this offering.

A prospectus in electronic format may be made available on the websites maintained by one or more of the underwriters. The representatives may agree to allocate a number of shares to underwriters for sale to their online brokerage account holders. The representatives will allocate shares to underwriters that may make Internet distributions on the same basis as other allocations. In addition, shares may be sold by the underwriters to securities dealers who resell shares to online brokerage account holders.

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act of 1933, or to contribute to payments the underwriters may be required to make because of any of those liabilities.

LEGAL MATTERS

Certain legal matters will be passed upon for us by Stroock & Stroock & Lavan LLP of New York, New York and for the underwriters by Sidley Austin LLP, New York, New York.

EXPERTS

The consolidated financial statements of Cedar Shopping Centers, Inc. appearing in Cedar Shopping Centers, Inc.'s Annual Report (Form 10-K) for the year ended December 31, 2005 (including schedule appearing therein), and Cedar Shopping Centers, Inc. management's assessment of the effectiveness of internal control over financial report as of December 31, 2005 included therein, the combined statement of revenues and certain expenses of those certain properties of WP Realty, Inc. for the year ended December 31, 2004 appearing in Cedar Shopping Centers, Inc.'s Current Report on Form 8-K dated December 22, 2005 and filed on March 8, 2006, the statement of revenues and certain expenses of Raynham 44 Realty Associates, LP and the combined statement of revenues and certain expenses of the Trexlertown Plaza Shopping Center and Unit 3A of the Trexlertown Shopping Center Condominium, both for the year ended December 31, 2005, both appearing in Cedar Shopping Centers, Inc.'s Current Report on Form 8-K dated August 23, 2006 and filed on November 6, 2006, and the combined statement of revenues and certain expenses of Elmhurst Square Associates I LLC, Elmhurst Square Associates II LLC and Long Reach Plaza Associates LLC for the year ended December 31, 2005 appearing in Cedar Shopping Centers, Inc.'s Current Report on Form 8-K dated September 27, 2006 and filed on December 13, 2006, have all been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their reports thereon, included therein, and incorporated herein by reference. Such financial statements and management's assessment have been incorporated herein by reference in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.

INCORPORATION OF CERTAIN INFORMATION BY REFERENCE

The SEC allows us to incorporate by reference the information we file with them, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be part of this prospectus supplement, and information that we subsequently file with the SEC will automatically update and supersede this information. We incorporate by reference our documents listed below which were filed with the SEC under the Securities Exchange Act of 1934, as amended (the Exchange Act):

Annual Report on Form 10-K for the year ended December 31, 2005 and Form 10-K/A for the year ended December 31, 2005;

Quarterly Reports on Form 10-Q for the quarters ended March 31, 2006, June 30, 2006 and September 30, 2006;

Current Reports on Form 8-K filed March 8, 2006 referenced above, September 15, 2006, October 24, 2006, November 6, 2006 referenced above and December 13, 2006 referenced above; and

Definitive proxy statement dated April 28, 2006.

We also incorporate by reference each of the following documents that we file with the SEC after the date of this prospectus supplement but before the end of the offering:

Reports filed under Sections 13(a) and (c) of the Exchange Act;

Definitive proxy or information statements filed under Section 14 of the Exchange Act in connection with any subsequent stockholders meeting; and

Any reports filed under Section 15(d) of the Exchange Act.

You may request copies of the filings, at no cost, by telephone at (516) 767-6492 or by mail at: Cedar Shopping Centers, Inc., 44 South Bayles Avenue, Port Washington, New York 11050, Attention: Investor Relations.

WHERE YOU CAN FIND MORE INFORMATION

You may read and copy any material that we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. You may also access our SEC filings over the Internet at the SEC's website at <http://www.sec.gov>.

FORWARD-LOOKING STATEMENTS

This prospectus supplement and the accompanying prospectus contain or incorporate by reference forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. You can identify the forward-looking statements by their use of forward-looking words, such as believes, expects, may, will, should, seeks, intends, plans, estimates or anticipates, or the negative of similar words. Forward-looking statements reflect our views about future events and are subject to risks, uncertainties, assumptions and changes in circumstances that may cause our actual results to differ significantly from those expressed in any forward-looking statement. The factors that could cause actual results to differ materially from expected results include changes in economic, business, competitive market and regulatory conditions. For more information regarding risks that may cause our actual results to differ materially from any forward-looking statements, please see the discussion under "Risk Factors" contained in the accompanying prospectus and the other information contained in our publicly available filings with the Securities and Exchange Commission, including our Annual Report on Form 10-K for the year ended December 31, 2005. We do not undertake any responsibility to update any of these factors or to announce publicly any revisions to forward-looking statements, whether as a result of new information, future events or otherwise.

PROSPECTUS

\$500,000,000

Cedar Shopping Centers, Inc.

**Common Stock, Preferred Stock, Depositary Shares, Warrants,
Stock Purchase Contracts and Units**

Cedar may offer and issue from time to time up to \$500,000,000 of:

shares of common stock;

shares of preferred stock;

shares of preferred stock represented by depositary shares;

warrants;

stock purchase contracts; and

units.

Cedar's common stock is traded on the New York Stock Exchange under the symbol CDR.

The securities to be offered by us will be in amounts, at prices and on terms to be determined at the time of offering.

When we sell a particular series of securities, we will prepare a prospectus supplement describing the offering and the terms of that series of securities. Such terms may include limitations on direct or beneficial ownership and restrictions on transfer of the securities, in each case as may be appropriate to preserve our status as a real estate investment trust for federal income tax purposes.

Where necessary, the applicable prospectus supplement will contain information about certain United States Federal income tax considerations relating to, and any listing on a securities exchange of, the securities covered by such prospectus supplement.

See Risk Factors beginning at page 3 of this Prospectus for a description of certain factors that you should consider prior to purchasing the securities.

We may offer the securities directly or through agents or to or through underwriters or dealers. If any agents or underwriters are involved in the sale of the securities their names, and any applicable purchase price, fee, commission or discount arrangement between or among them, will be set forth, or will be calculable from the information set forth, in an accompanying prospectus supplement. We can sell the securities through agents, underwriters or dealers only with delivery of a prospectus supplement describing the method and terms of the offering of such securities. See Plan of Distribution.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The Attorney General of The State Of New York has not passed on or endorsed the merits of this Offering. Any representation to the contrary is unlawful.

The date of this Prospectus is June 23, 2005.

ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission using a shelf registration or continuous offering process. We may from time to time sell any combination of the securities offered in this prospectus in one or more offerings up to a total dollar amount of \$500,000,000.

This prospectus provides you with a general description of the securities we may offer. Each time we sell securities we will provide you with a prospectus supplement containing specific information about the terms of the securities being offered. The prospectus supplement which contains specific information about the terms of the securities being offered may also include a discussion of certain U.S. Federal income tax consequences and any risk factors or other special considerations applicable to those securities. The prospectus supplement may also add, update or change information in this prospectus. If there is any inconsistency between the information in the prospectus and the prospectus supplement, you should rely on the information in the prospectus supplement. You should read both this prospectus and any prospectus supplement together with additional information described under the heading Where You Can Find More Information.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The SEC allows us to incorporate by reference the information that we file with them, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is an important part of this prospectus, and the information that we file later with the SEC will automatically update and supersede this information. We incorporate by reference the documents listed below and any future filings we make with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 until we sell all of the securities (SEC File Number: 0-14510):

1. Cedar's Annual Report on Form 10-K for the year ended December 31, 2004.
2. Cedar's Quarterly Report on Form 10-Q for the quarter ended March 31, 2005.
3. Current Reports on Form 8-K filed April 8, 2005, April 14, 2005, April 27, 2005 and June 2, 2005 and Form 8-K/ A filed February 23, 2005.
4. The description of Cedar's common stock which is contained in Item 1 of our registration statement on Form 8-A, as amended, filed October 1, 2003 pursuant to Section 12 of the Exchange Act.
5. The information contained in the section Investment Policies and Policies With Respect to Certain Activities contained in the Registration Statement on Form S-11 filed on August 20, 2003, as amended, SEC File Number: 333-108091.

You may request a copy of these filings, at no cost, by writing or telephoning us at our principal executive offices at the following address:

Investor Relations
Cedar Shopping Centers, Inc.
44 South Bayles Avenue
Port Washington, NY 11050-3765
(516) 767-6492

<http://www.cedarshoppingcenters.com>

You should rely only on the information incorporated by reference or provided in this prospectus or any prospectus supplement. We have not authorized anyone else to provide you with different information. We are not making an offer of these securities in any state where the offer is not permitted. Do not assume that the information in this prospectus or any prospectus supplement is accurate as of any date other than the date on the front of these documents.

THE COMPANY

We were organized in 1984 and elected to be taxed as a real estate investment trust, or REIT, in 1986. We are a fully integrated, self-administered and self-managed real estate company. We focus on the ownership, operation, development and redevelopment of community and neighborhood shopping centers located primarily in Pennsylvania. As of May 15, 2005, we owned 54 properties, aggregating approximately 5.6 million square feet of gross leasable area, or GLA.

We conduct our business through Cedar Shopping Centers Partnership, L.P., or the operating partnership, a Delaware limited partnership. As of May 15, 2005, we owned approximately a 93.8% interest in the operating partnership.

Our principal executive offices are located at 44 South Bayles Avenue, Port Washington, NY 11050-3765, our telephone number is (516) 767-6492 and our website address is www.cedarshoppingcenters.com.

RISK FACTORS

Your investment in the securities involves risks. In consultation with your own financial and legal advisors, you should carefully consider, among other factors, the matters described below before deciding whether an investment in the securities is suitable for you.

Risks Related to Our Properties and Our Business

Our performance and value are subject to risks associated with real estate assets and with the real estate industry.

Our ability to make expected distributions to our stockholders depends on our ability to generate sufficient revenues to meet operating expenses, future debt service and capital expenditure requirements. Events and conditions generally applicable to owners and operators of real property that are beyond our control may decrease cash available for distribution and the value of our properties. These events include, but may not be limited to, the following:

local oversupply, increased competition or declining demand for real estate;

inability to collect rent from tenants;

vacancies or our inability to rent space on favorable terms;

inability to finance property development, tenant improvements and acquisitions on favorable terms;

increased operating costs, including real estate taxes, insurance premiums and utilities;

costs of complying with changes in governmental regulations;

the relative illiquidity of real estate investments;

changing submarket demographics; and

changing traffic patterns.

In addition, periods of economic slowdown or recession, rising interest rates or declining demand for real estate, or the public perception that any of these events may occur, could result in a general decline in rents or an increased incidence of defaults under existing leases, which would adversely affect our financial condition, results of operations, cash flow, per share trading price of our common stock and ability to satisfy our debt service obligations and to make distributions to our stockholders.

Substantially all of our properties are located in the Northeast, primarily in Pennsylvania, which exposes us to greater economic risks than if we owned properties in several geographic regions.

Any adverse economic or real estate developments in our market area resulting from the region's regulatory environment, business climate, fiscal problems or weather, could adversely impact our financial condition, results of operations, cash flow, the per share trading price of our common stock, and our ability to satisfy our debt service obligations and to make distributions to our stockholders. In addition, the economic condition of each of our markets may be dependent on one or more industries. An economic downturn in one of these industry sectors may result in an increase in tenant vacancies, which may harm our performance in the affected market. Economic and market conditions also may impact the ability of our tenants to make payments required by their leases. If our properties do not generate sufficient income to meet operating expenses, including future debt service, income and results of operations would be significantly harmed.

Our properties consist primarily of community shopping and convenience centers. Our performance therefore is linked to economic conditions in the market for retail space generally.

The market for retail space has been and could be adversely affected by weakness in the national, regional and local economies, the adverse financial condition of some large retailing companies, the ongoing consolidation in the retail sector, the excess amount of retail space in a number of markets, competition for tenants with other shopping centers in our markets, and increasing consumer purchases through catalogues or the Internet. To the extent that any of these conditions occur, they are likely to impact market rents for retail space.

At March 31, 2005, we had approximately \$267.4 million of consolidated debt of which our share was approximately \$231.0 million, a portion of which was variable rate debt, which may impede our operating performance and put us at a competitive disadvantage.

Required repayments of debt and related interest can adversely affect our operating performance. At March 31, 2005, we had approximately \$267.4 million of outstanding consolidated indebtedness of which our share was approximately \$231.0 million. Approximately \$106.4 million of this consolidated debt bore interest at a variable rate, of which our share was approximately \$104.0 million. During 2004, our LIBOR base rate for our variable debt increased from 1.14% at December 31, 2003 to 2.42% at December 31, 2004. Increases in interest rates may impede our operating performance and put us at a competitive disadvantage. Required repayments of debt and related interest can adversely affect our operating performance.

We also intend to incur additional debt in connection with future acquisitions of real estate. We have in the past borrowed, and may in the future borrow, funds if necessary to satisfy any requirement that we make distributions to stockholders.

Our substantial debt may harm our business and operating results by:

requiring us to use a substantial portion of our funds from operations to pay interest, which reduces the amount available for distributions;

placing us at a competitive disadvantage compared to our competitors that have less debt;

making us more vulnerable to economic and industry downturns and reducing our flexibility in responding to changing business and economic conditions; and

limiting our ability to borrow more money for operations, capital or to finance acquisitions in the future.

In addition to the risks discussed above and those normally associated with debt financing, including the risk that our cash flow will be insufficient to meet required payments of principal and interest, we also are subject to the risk that we will not be able to refinance the existing indebtedness on our properties (which, in most cases, will not have been fully amortized at maturity), or that the terms of any refinancing we could obtain would not be as favorable as the terms of our existing indebtedness. If we are not successful in refinancing this debt when it becomes due, we may be forced to dispose of properties on disadvantageous terms, which might adversely affect our ability to service other debt and to meet our other obligations.

The financial covenants in our loan agreements may restrict our operating or acquisition activities, which may harm our financial condition and operating results.

The mortgages on our properties contain customary negative covenants such as those that limit our ability, without the prior consent of the lender, to further mortgage the applicable property, to enter into leases or to discontinue insurance coverage. Our ability to borrow under our secured revolving credit facility is subject to compliance with these financial and other covenants, including restrictions on property eligible for collateral and overall restrictions on the amount of indebtedness we can incur. If we breach

covenants in our debt agreements, the lender can declare a default and require us to repay the debt immediately and, if the debt is secured, can immediately take possession of the property securing the loan.

We have recently experienced and expect to continue to experience rapid growth and may not be able to integrate additional properties into our operations or otherwise manage our growth, which may adversely affect our operating results.

We are currently experiencing and expect to continue to experience rapid growth. All of our properties have been acquired since 2000, and the acquisition of any additional properties would generate additional operating expenses that we would be required to pay. As we acquire additional properties, we will be subject to risks associated with managing new properties, including tenant retention and mortgage default. As a result of the rapid growth of our portfolio, we cannot assure you that we will be able to adapt our management, administrative, accounting and operational systems or hire and retain sufficient operational staff to integrate these properties into our portfolio and manage any future acquisitions of additional properties without operating disruptions or unanticipated costs. Our failure to successfully integrate any future acquisitions into our portfolio could have a material adverse effect on our results of operations and financial condition and our ability to make distributions to our stockholders.

We had net income of \$7,860,000 in 2004, and net losses of \$147,000, \$468,000 and \$21,275,000 for the years ended December 31, 2001, 2002 and 2003, respectively. In 2003, approximately \$20.8 million of these losses were one-time transaction costs associated with our 2003 public offering. If we are unable to maintain profitability, the market price of our common stock could decrease and our business and operations could be negatively impacted.

We may not be successful in identifying suitable acquisitions that meet our criteria, which may impede our growth; if we do identify suitable acquisition targets, we may not be able to consummate such transactions on favorable terms.

Integral to our business strategy is our ability to expand through acquisitions, which requires us to identify suitable acquisition candidates or investment opportunities that meet our criteria and are compatible with our growth strategy. We analyze potential acquisitions on a property-by-property and market-by-market basis. We may not be successful in identifying suitable real estate properties or other assets that meet our acquisition criteria or in consummating acquisitions or investments on satisfactory terms. Failure to identify or consummate acquisitions could reduce the number of acquisitions we complete and slow our growth, which could in turn harm our stock price.

We face competition for the acquisition of real estate properties, which may impede our ability to make future acquisitions or may increase the cost of these acquisitions.

We compete with many other entities engaged in real estate investment activities for acquisitions of retail shopping centers, including institutional investors, REITs and other owner-operators of shopping centers. These competitors may drive up the price we must pay for real estate properties or may succeed in acquiring those properties themselves. In addition, our potential acquisition targets may find our competitors to be more attractive suitors for a number of reasons, such as, for example, they may have greater resources, may be willing to pay more, or may have a more compatible operating philosophy. In addition, the number of entities and the amount of funds competing for suitable investment properties may increase. This will result in increased demand for these assets and therefore increased prices paid for them. If we pay higher prices for properties, our profitability will be reduced.

Our current and future joint venture investments could be adversely affected by our lack of sole decision-making authority, our reliance on joint venture partners financial condition and any disputes that may arise between us and our joint venture partners.

We own some of our properties through joint ventures and in the future we may co-invest with third parties through joint ventures. We may not be in a position to exercise sole decision-making authority

regarding the properties owned through joint ventures. Investments in joint ventures may, under certain circumstances, involve risks not present when a third party is not involved, including the possibility that joint venture partners might become bankrupt or fail to fund their share of required capital contributions. Joint venture partners may have business interests or goals that are inconsistent with our business interests or goals and may be in a position to take actions contrary to our policies or objectives. Such investments also may have the potential risk of impasses on decisions, such as a sale, because neither we nor the joint venture partner would have full control over the joint venture. Any disputes that may arise between us and joint venture partners 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. Further, the terms of certain of our joint venture agreements provide for minimum priority cumulative returns for the joint venture partners. To the extent these specified minimum returns are not achieved, our equity interest in these joint ventures may be negatively affected.

Since substantially all our revenues are derived from rental income, failure of tenants to pay rent or leasing delays we encounter, particularly with respect to our anchor tenants, could seriously harm our operating results and financial condition.

Substantially all our revenues are derived from rental income from our properties. At any time, our tenants may experience a downturn in their business that may weaken their financial condition or become insolvent. As a result, our tenants may delay lease commencement, fail to make rental payments when due, decline to extend a lease upon its expiration, become insolvent or declare bankruptcy. Any leasing delays, failure to make rental payments when due or tenant bankruptcies could result in the termination of the tenant's lease and material losses to us and may harm our operating results. In addition, adverse market conditions and competition may impede our ability to renew leases or re-let space as leases expire, which could harm our business and operating results.

Our business may be seriously harmed if any anchor tenant fails to renew its lease or vacates a property and prevents us from re-leasing that property by continuing to pay base rent for the balance of the term. In addition to the loss of rental payments from the anchor tenant, a lease termination by an anchor tenant or a failure by that anchor tenant to occupy the premises could result in lease terminations or reductions in rent by other tenants in the same shopping center whose leases permit cancellation or rent reduction under these circumstances.

Any bankruptcy filings by or relating to one of our tenants or a lease guarantor generally would bar all efforts by us to collect pre-bankruptcy debts from that tenant, the lease guarantor or their property, unless we receive an order permitting us to do so from the bankruptcy court. A tenant or lease guarantor bankruptcy could delay our efforts to collect past due balances under the relevant leases, and could ultimately preclude full collection of these sums. If a lease is affirmed by the tenant in bankruptcy, all pre-bankruptcy balances due under the lease generally must be paid to us in full. However, if a lease is disaffirmed by a tenant in bankruptcy, we would have only a general unsecured claim for damages, which would be paid normally only to the extent that funds are available and only in the same percentage as is paid to all other members of the same class of unsecured claims. It is possible and indeed likely that we may recover substantially less than the full value of any unsecured claims we hold, which may harm our financial condition.

Adverse market conditions and competition may impede our ability to renew leases or re-let space as leases expire, which could harm our business and operating results.

We face competition from similar retail centers within the trade areas of each of our centers that may affect our ability to renew leases or re-let space as leases expire. In addition, any new competitive properties that are developed within the trade areas of our existing properties may result in increased competition for customer traffic and creditworthy tenants. Increased competition for tenants may require us to make capital improvements to properties that we would not have otherwise planned to make. Any

unbudgeted capital improvements we undertake may divert away cash that would otherwise be available for distributions to stockholders. Ultimately, to the extent we are unable to renew leases or re-let space as leases expire, it would result in decreased cash flow from tenants and harm our operating results.

We may be restricted from re-leasing space based on existing exclusivity lease provisions with some of our tenants.

In some cases, our tenant leases contain provisions giving the tenant the exclusive right to sell particular types of merchandise or provide specific types of services within the particular retail center, or limit the ability of other tenants within that center to sell that merchandise or provide those services. When re-leasing space after a vacancy by one of these other tenants, these provisions may limit the number and types of prospective tenants for the vacant space. The failure to re-lease space or to re-lease space on satisfactory terms could harm our operating results.

For the year ended December 31, 2004 Giant Food and Stop & Shop represented approximately 10% of our total revenues.

At December 31, 2004, eight of our properties had a Giant Food supermarket as an anchor tenant and one property had a Stop & Shop supermarket as an anchor tenant. Ahold N.V., a Netherlands corporation and the ultimate parent company of Giant Food and Stop & Shop, generally guarantees the Giant Food leases.

Development and redevelopment activities may be delayed or otherwise may not perform as expected.

We are in the process of developing and redeveloping certain of our properties and expect to redevelop or develop other properties in the future. In this connection, we will bear certain risks, including the risks of construction delays or cost overruns that may increase project costs and make such project uneconomical, the risk that occupancy or rental rates at a completed project will not be sufficient to enable us to pay operating expenses or earn the targeted rate of return on investment, and the risk of incurrence of predevelopment costs in connection with projects that are not pursued to completion. In addition, consents may be required from various tenants in order to develop or redevelop a center. In case of an unsuccessful project, our loss could exceed our investment in the project.

Potential losses may not be covered by insurance.

We carry comprehensive liability, fire, flood, extended coverage and rental loss insurance covering all of the properties in our portfolio under a blanket policy. We believe the policy specifications and insured limits are appropriate and adequate given the relative risk of loss, the cost of the coverage and industry practice. We do not carry insurance for generally uninsured losses such as loss from war, nuclear accidents and nuclear, biological and chemical occurrences from terrorist acts. Some of our policies, such as those covering losses due to terrorism, floods and earthquakes, are subject to limitations involving large deductibles or co-payments and policy limits that may not be sufficient to cover losses. Additionally, certain tenants have termination rights in respect of certain casualties. If we receive casualty proceeds, we may not be able to reinvest such proceeds profitably or at all, and we may be forced to recognize taxable gain on the affected property. If we experience a loss that is uninsured or that exceeds policy limits, we could lose the capital invested in the damaged properties as well as the anticipated future cash flows from those properties. In addition, if the damaged properties are subject to recourse indebtedness, we would continue to be liable for the indebtedness, even if these properties were irreparably damaged.

Future terrorist attacks in the United States could harm the demand for, and the value of, our properties.

Future terrorist attacks in the U.S., 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 cost more. To the extent that our tenants are impacted by future attacks, their ability to continue to honor obligations under their existing leases with us could be adversely affected.

Rising operating expenses could reduce our cash flow and funds available for future distributions.

Our properties will be subject to increases in real estate and other tax rates, utility costs, insurance costs, repairs, maintenance and other operating expenses, and administrative expenses. Rising operating expenses could reduce our cash flow and funds available for future distributions. Our properties and any properties we acquire in the future are and will be subject to operating risks common to real estate in general, any or all of which may have a negative affect. If any property is not fully occupied or if rents are being paid in an amount that is insufficient to cover operating expenses, then we could be required to expend funds to stabilize that property's operating expenses.

We could incur significant costs related to government regulation and litigation over environmental matters.

Under various federal, state and local laws, ordinances and regulations, an owner or operator of real estate may be required to investigate and clean up hazardous or toxic substances or other contaminants at such property and may be held liable to a governmental entity or to third parties for property damage and for investigation and clean up costs incurred by such parties in connection with contamination. The cost of investigation, remediation or removal of such substances may be substantial, and the presence of such substances, or the failure to properly remediate such substances, may adversely affect the owner's ability to sell or rent such property or to borrow using such property as collateral. In connection with the ownership, operation and management of real properties, we are potentially liable for removal or remediation costs, as well as certain other related costs, including governmental fines and injuries to persons and property.

We may incur significant costs complying with the Americans with Disabilities Act and similar laws.

Under the Americans with Disabilities Act of 1990, or the ADA, all public accommodations must meet federal requirements related to access and use by disabled persons. Our properties are also subject to various federal, state and local regulatory requirements, such as state and local fire and life safety requirements. Although we believe that our properties materially comply with present requirements of the ADA and other regulations, we have not conducted an audit or investigation of all of our properties to determine our compliance. If one or more of our properties is not in compliance with any such laws, then we would be required to incur additional costs to bring the property into compliance. If we incur substantial costs to comply with the ADA and any other legislation, our financial condition, results of operations, cash flow, per share trading price of our common stock, and our ability to satisfy our debt service obligations and make distributions to our stockholders could be adversely affected. If we fail to comply with these various requirements, we might incur governmental fines or private damage awards. We do not know whether existing requirements will change or whether future requirements will require us to make significant unanticipated expenditures that will adversely impact our financial condition, results of operations, cash flow, the per share trading price of our common stock, and our ability to satisfy our debt service obligations and make distributions to our stockholders.

Our charter and Maryland law contain provisions that may delay, defer or prevent a change of control transaction and depress our stock price.

Our charter contains a 9.9% ownership limit. Our charter, subject to certain exceptions, authorizes our directors to take such actions as are necessary and desirable relating to qualification as a REIT and to limit any person to beneficial ownership of no more than 9.9% of the outstanding shares of our common stock. Our board of directors, in its sole discretion, may exempt a proposed transferee from the ownership limit. However, our board of directors may not grant an exemption from the ownership limit to any proposed transferee whose direct or indirect ownership in excess of 9.9% of the value of our

outstanding shares of our common stock could jeopardize our status as a REIT. These restrictions on transferability and ownership will not apply if our board of directors determines that it is no longer in our best interests to attempt to qualify as, or to be, a REIT. The ownership limit may delay or impede a transaction or a change of control that might involve a premium price for our common stock or otherwise be in the best interest of our stockholders.

We could authorize and issue stock and units without stockholder approval. Our charter authorizes our board of directors to authorize additional shares of our common stock or preferred stock, issue authorized but unissued shares of our common stock or preferred stock, issue units and to classify or reclassify any unissued shares of our common stock or preferred stock and to set the preferences, rights and other terms of such classified or unclassified shares. Although our board of directors has no such intention at the present time, it could establish a series of preferred stock that could, depending on the terms of such series, delay, defer or prevent a transaction or a change of control that might involve a premium price for our common stock or otherwise be in the best interest of our stockholders.

Certain provisions of Maryland law could inhibit changes in control. Certain provisions of the Maryland General Corporation Law, or MGCL, may have the effect of inhibiting a third party from making a proposal to acquire us or of impeding a change of control under circumstances that otherwise could provide the holders of shares of our common stock with the opportunity to realize a premium over the then-prevailing market price of such shares, including:

business combination provisions that, subject to limitations, prohibit certain business combinations between us and an interested stockholder (defined generally as any person who beneficially owns 10% or more of the voting power of our shares or an affiliate thereof) for five years after the most recent date on which the stockholder becomes an interested stockholder, and thereafter imposes special appraisal rights and special stockholder voting requirements on these combinations; and

control share provisions that provide that our control shares (defined as shares that, when aggregated with other shares controlled by the stockholder, entitle the stockholder to exercise one of three increasing ranges of voting power in electing directors) 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 our stockholders by the affirmative vote of at least two-thirds of all the votes entitled to be cast on the matter, excluding all interested shares.

We have opted out of these provisions of the MGCL. However, our board of directors may, by resolution, elect to opt in to the business combination provisions of the MGCL and we may, by amendment to our bylaws, opt in to the control share provisions of the MGCL in the future.

If we are not qualified as a REIT, our distributions will not be deductible by us, and our income will be subject to taxation, reducing our earnings available for distribution.

We have elected since 1986 to be taxed as a REIT under the Internal Revenue Code of 1986, as amended, or Code. A REIT will generally not be subject to federal income taxation on that portion of its income that qualifies as REIT taxable income, to the extent that it distributes at least 90% of its taxable income to its shareholders and complies with certain other requirements. Under applicable provisions of the Code governing REITs, a REIT, among other things, may not own more than ten percent in value or voting power of a corporation other than a qualifying taxable REIT subsidiary .

Distribution requirements could adversely affect our liquidity.

We generally must distribute annually at least 90% of our net taxable income, excluding any net capital gain, in order to be qualified as a REIT. We intend to make distributions to our stockholders to comply with the requirements of the Code. However, differences in timing between the recognition of taxable income and the actual receipt of cash could require us to sell assets or borrow funds on a short-

term or long-term basis to meet the 90% distribution requirement of the Code. Certain of our assets generate substantial differences between taxable income and income recognized in accordance with generally accepted accounting principles. Such assets include operating real estate that has been acquired through structures that may limit or completely eliminate the depreciation deduction that would otherwise be available for income tax purposes. As a result, the requirement to distribute a substantial portion of our net taxable income could cause us to:

(a) distribute amounts that would otherwise be invested in future acquisitions, capital expenditures or repayment of debt, (b) borrow on unfavorable terms, (c) sell assets in adverse market conditions or (d) default in covenants under our loan agreements.

Further, amounts distributed will not be available to fund investment activities. If we fail to obtain debt or equity capital in the future, it could limit our ability to grow, which could have a material adverse effect on the value of our common stock.

Dividends payable by REITs do not qualify for the reduced tax rates under rec