CEDAR SHOPPING CENTERS INC
Form 10-K
March 14, 2008

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**
**WASHINGTON, D.C. 20549**
**FORM 10-K**

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the fiscal year ended December 31, 2007**

**OR**

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**COMMISSION FILE NUMBER: 001-31817**

**CEDAR SHOPPING CENTERS, INC.**

(Exact name of registrant as specified in its charter)

| | |
|---|---|
| **Maryland** | **42-1241468** |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification Number) |
| **44 South Bayles Avenue, Port Washington, NY** | **11050-3765** |
| (Address of principal executive offices) | (Zip Code) |

**Registrant s telephone number, including area code: (516) 767-6492**

**Securities registered pursuant to Section 12(b) of the Act:**

| *Title of each class* | *Name of each exchange on which registered* |
|---|---|
| Common Stock, $0.06 par value | New York Stock Exchange |
| 8-7/8% Series A Cumulative Redeemable Preferred Stock, $25.00 Liquidation Value | New York Stock Exchange |

**Securities registered pursuant to Section 12(g) of the Act: None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes o No þ

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes o No þ

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes þ No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Accelerated filer þ Non-accelerated filer o

| | | |
|---|---|---|
| Large accelerated filer o | (Do not check if a smaller reporting company) | Smaller reporting company o |

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No þ

Based on the closing sales price on June 30, 2007 of $14.35 per share, the aggregate market value of the voting stock held by non-affiliates of the registrant was approximately $622,379,000.

The number of shares outstanding of the registrant s Common Stock $.06 par value was 44,462,985 on February 29, 2008.

**DOCUMENTS INCORPORATED BY REFERENCE:**

Portions of the registrant s definitive proxy statement relating to its 2008 annual meeting of shareholders are incorporated herein by reference.

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## SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this Annual Report on Form 10-K constitute 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. Such forward-looking statements include, without limitation, statements containing the words anticipates , believes , expects , intends , future , and words of similar import which express the Company s beliefs, expectations or intentions regarding future performance or future events or trends. While forward-looking statements reflect good faith beliefs, expectations or intentions, they are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, which may cause actual results, performance or achievements to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements as a result of factors outside of the Company s control. Certain factors that might cause such differences include, but are not limited to, the following: real estate investment considerations, such as the effect of economic and other conditions in general and in the Company s market areas in particular; the financial viability of the Company s tenants; the continuing availability of suitable acquisitions, and development and redevelopment opportunities, on favorable terms; the availability of equity and debt capital (including the availability of construction financing) in the public and private markets; the availability of suitable joint venture partners; changes in interest rates; returns from development, redevelopment and acquisition activities may not be at expected levels or at expected times; risks inherent in ongoing development and redevelopment projects including, but not limited to, cost overruns resulting from weather delays, changes in the nature and scope of development and redevelopment efforts, changes in governmental regulations related thereto, and market factors involved in the pricing of material and labor; the need to renew leases or re-let space upon the expiration of current leases; and the financial flexibility to repay or refinance debt obligations when due. The Company does not intend, and disclaims any duty or obligation, to update or revise any forward-looking statements set forth in this report to reflect any change in expectations, change in information, new information, future events or other circumstances on which such information may have been based. See Item 1A. Risk Factors elsewhere herein.

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## Part I.
## Items 1 and 2. Business and Properties
### *General*

Cedar Shopping Centers, Inc. (the Company ), organized in 1984, is a fully-integrated, self-administered and self-managed real estate company, which focuses primarily on ownership, operation, development and redevelopment of supermarket-anchored community shopping centers and drug store-anchored convenience centers. The Company s existing properties are located in nine states, largely in the Northeast and Mid-Atlantic regions. At December 31, 2007, the Company had a portfolio of 118 properties totaling approximately 12.0 million square feet of gross leasable area ( GLA ), including 105 wholly-owned properties comprising approximately 10.7 million square feet and 13 properties owned through joint ventures comprising approximately 1.3 million square feet. At December 31, 2007, the portfolio of wholly-owned properties was comprised of (i) 95 stabilized properties (those properties at least 80% leased and not designated as development/redevelopment properties at December 31, 2007), with an aggregate of 9.2 million square feet of GLA, which were approximately 95% leased, (ii) five development/redevelopment properties with an aggregate of 1.1 million square feet of GLA, which were approximately 66% leased, (iii) four non-stabilized properties with an aggregate of 280,000 square feet of GLA, which are presently being re-tenanted and which were approximately 70% leased, and (iv) one property held for sale with an aggregate of 78,000 square feet of GLA, which was 100% leased. The 13 properties owned in joint venture were all stabilized properties and were 98% leased. The entire 118 property portfolio was approximately 93% leased at December 31, 2007; the 109 property stabilized portfolio (including wholly-owned and in joint venture) was approximately 96% leased at that date. The Company also owns approximately 213 acres in primarily unimproved development parcels. In addition, the Company has a 49% interest in an unconsolidated joint venture which owns a single-tenant office property in Philadelphia, PA.

The Company has elected to be taxed as a real estate investment trust ( REIT ) under applicable provisions of the Internal Revenue Code of 1986, as amended (the Code ). To qualify as a REIT under those provisions, the Company must have a significant percentage of its assets invested in, and income derived from, real estate and related sources. The Company s objectives are to provide to its shareholders a professionally managed, diversified portfolio of commercial real estate investments (primarily supermarket-anchored shopping centers and drug store-anchored convenience centers), which will provide substantial cash flow, currently and in the future, taking into account an acceptable modest risk profile, and which will present opportunities for additional growth in income and capital appreciation.

The Company, organized as a Maryland corporation, has established an umbrella partnership structure through the contribution of substantially all of its assets to Cedar Shopping Centers Partnership, L.P. (the Operating Partnership ), organized as a limited partnership under the laws of Delaware. The Company conducts substantially all of its business through the Operating Partnership. At December 31, 2007, the Company owned approximately 95.6% of the Operating Partnership and is its sole general partner. Operating Partnership Units ( OP Units ) are economically equivalent to the Company s common stock and are convertible into the Company s common stock at the option of the holders on a one-to-one basis.

The Company derives substantially all of its revenues from rents and operating expense reimbursements received pursuant to long-term leases. The Company s operating results therefore depend on the ability of its tenants to make payments required by the terms of their leases. The Company focuses its investment activities on supermarket-anchored community shopping centers and drug store-anchored convenience centers. The

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Company believes, because of the need of consumers to purchase food and other staple goods and services generally available at such centers, that the nature of its investments provides relatively stable revenue flows even during challenging economic times.

The Company continues to seek opportunities to acquire stabilized properties and properties suited for development and/or redevelopment activities where it can utilize its experience in shopping center construction, renovation, expansion, re-leasing and re-merchandising to achieve long-term cash flow growth and favorable investment returns. The Company would also consider investment opportunities in regions beyond its present markets in the event such opportunities were consistent with its focus, could be effectively controlled and managed, have the potential for favorable investment returns, and would contribute to increased shareholder value.

The Company, the Operating Partnership, their subsidiaries and affiliated partnerships are separate legal entities. For ease of reference, the terms we , our , us , Company and Operating Partnership (including their respective subsidiaries and affiliates) refer to the business and properties of all these entities, unless the context otherwise requires. The Company s executive offices are located at 44 South Bayles Avenue, Port Washington, New York 11050-3765 (telephone 516-767-6492). The Company also currently maintains property management, construction management and/or leasing offices at several of its shopping-center properties. The Company s website can be accessed at www.cedarshoppingcenters.com, where a copy of the Company s Forms 10-K, 10-Q, 8-K and other filings with the Securities and Exchange Commission ( SEC ) can be obtained free of charge. These SEC filings are added to the website as soon as reasonably practicable. The Company s Code of Ethics, corporate governance guidelines and committee charters are also available on the website. This information is also available by written request to Investor Relations at the executive office address set forth above.

The Company s executive offices at 44 South Bayles Avenue, Port Washington, New York, are located in 8,600 square feet which it leases from a partnership owned 24% by the Company s Chairman; the terms of the leases expire over periods ending in March 2012. The Company believes that the terms of the leases are at fair market value.

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***The Company s Properties***

The following tables summarize information relating to the Company s properties as of December 31, 2007:

| State | Number of properties | GLA | Land | Buildings and improvements | Total cost | Accumulated depreciation | Net book value |
|---|---|---|---|---|---|---|---|
| Pennsylvania | 46 | 5,962,000 | $125,121,000 | $ 619,589,000 | $ 744,710,000 | $ 58,648,000 | $ 686,062,000 |
| Massachusetts | 9 | 1,450,000 | 42,463,000 | 186,913,000 | 229,376,000 | 11,430,000 | 217,946,000 |
| Virginia | 13 | 734,000 | 27,019,000 | 93,947,000 | 120,966,000 | 8,129,000 | 112,837,000 |
| Connecticut | 6 | 893,000 | 18,532,000 | 99,136,000 | 117,668,000 | 7,978,000 | 109,690,000 |
| Ohio | 26 | 916,000 | 20,806,000 | 87,933,000 | 108,739,000 | 7,182,000 | 101,557,000 |
| New Jersey | 4 | 976,000 | 13,896,000 | 70,917,000 | 84,813,000 | 4,787,000 | 80,026,000 |
| Maryland | 6 | 605,000 | 12,636,000 | 56,283,000 | 68,919,000 | 3,700,000 | 65,219,000 |
| New York | 6 | 278,000 | 15,261,000 | 44,277,000 | 59,538,000 | 985,000 | 58,553,000 |
| Michigan | 1 | 117,000 | 360,000 | 2,152,000 | 2,512,000 | 234,000 | 2,278,000 |
| Total property portfolio | 117 | 11,931,000 | 276,094,000 | 1,261,147,000 | 1,537,241,000 | 103,073,000 | 1,434,168,000 |
| Land held for development | n/a | n/a | 37,062,000 | 11,258,000 | 48,320,000 | 62,000 | 48,258,000 |
| Total operating portfolio | 117 | 11,931,000 | $313,156,000 | $1,272,405,000 | $1,585,561,000 | $103,135,000 | $1,482,426,000 |
| Property held for sale | 1 | 78,000 | $ 2,443,000 | $ 9,775,000 | $ 12,218,000 | $ 486,000 | $ 11,732,000 |
| Total portfolio | 118 | 12,009,000 | | | | | |

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| Tenant | Number of stores | GLA | Percentage of GLA | Annualized base rent | Annualized base rent per sq ft | Percentage annualized base rents |
|---|---|---|---|---|---|---|
| **Top ten tenants (a):** | | | | | | |
| Giant Foods (c) | 19 | 1,134,000 | 9.4% | $ 16,641,000 | $14.67 | 13.9% |
| Discount Drug Mart | 17 | 430,000 | 3.6% | 4,009,000 | 9.32 | 3.4% |
| Farm Fresh (c) | 6 | 364,000 | 3.0% | 3,768,000 | 10.35 | 3.2% |
| Stop & Shop (c) | 4 | 271,000 | 2.3% | 2,644,000 | 9.76 | 2.2% |
| Shaw s (c) | 4 | 241,000 | 2.0% | 2,631,000 | 10.92 | 2.2% |
| CVS | 13 | 137,000 | 1.1% | 2,490,000 | 18.18 | 2.1% |
| LA Fitness | 4 | 168,000 | 1.4% | 2,422,000 | 14.42 | 2.0% |
| Staples | 7 | 151,000 | 1.3% | 2,091,000 | 13.85 | 1.8% |
| Food Lion (c) | 7 | 243,000 | 2.0% | 1,921,000 | 7.91 | 1.6% |
| Rite Aid/Eckerd | 13 | 141,000 | 1.2% | 1,696,000 | 12.03 | 1.4% |
| **Sub-total top ten tenants** | 94 | 3,280,000 | 27.3% | 40,313,000 | 12.29 | 33.8% |
| **Remaining tenants** | 1,132 | 7,830,000 | 65.2% | 79,004,000 | 10.09 | 66.2% |
| **Sub-total all tenants** | 1,226 | 11,110,000 | 92.5% | 119,317,000 | 10.74 | 100.0% |
| **Vacant space (b)** | n/a | 899,000 | 7.5% | n/a | n/a | n/a |
| **Total (including vacant space)** | 1,226 | 12,009,000 | 100.0% | $119,317,000 | $ 9.94 | n/a |

(a) Based on annualized base rent; data includes leases at the property held for sale.

(b) Includes vacant space at properties undergoing development and/or redevelopment activities.

(c) Several of the tenants listed above share common ownership with other tenants including, without limitation, (i) Giant Foods and Stop & Shop,

(ii) Farm Fresh, Shop n Save (GLA of 53,000), Shaw s and Acme (GLA of 172,000), and (iii) Food Lion and Hannaford (GLA of 43,000).

| Year of lease expiration (a) | Number of leases expiring | GLA expiring | Percentage of GLA expiring | Annualized expiring base rents | Annualized expiring base rents per sq ft | Percentage of annualized expiring base rents |
|---|---|---|---|---|---|---|
| Month-To-Month | 71 | 179,000 | 1.6% | $ 1,953,000 | $ 10.91 | 1.6% |
| 2008 | 169 | 627,000 | 5.6% | 7,063,000 | 11.26 | 5.9% |
| 2009 | 195 | 1,168,000 | 10.5% | 10,565,000 | 9.05 | 8.9% |
| 2010 | 165 | 1,273,000 | 11.5% | 12,314,000 | 9.67 | 10.3% |
| 2011 | 136 | 912,000 | 8.2% | 9,685,000 | 10.62 | 8.1% |
| 2012 | 151 | 793,000 | 7.1% | 8,777,000 | 11.07 | 7.4% |
| 2013 | 68 | 522,000 | 4.7% | 5,555,000 | 10.64 | 4.7% |
| 2014 | 41 | 654,000 | 5.9% | 6,083,000 | 9.30 | 5.1% |
| 2015 | 44 | 512,000 | 4.6% | 5,273,000 | 10.30 | 4.4% |
| 2016 | 39 | 557,000 | 5.0% | 5,640,000 | 10.13 | 4.7% |
| 2017 | 32 | 483,000 | 4.3% | 6,111,000 | 12.65 | 5.1% |
| Thereafter | 115 | 3,430,000 | 30.9% | 40,298,000 | 11.75 | 33.8% |
| | 1,226 | 11,110,000 | 100.0% | 119,317,000 | 10.74 | 100.0% |
| Vacant space (b) | n/a | 899,000 | n/a | n/a | n/a | n/a |
| Total portfolio | 1,226 | 12,009,000 | n/a | $119,317,000 | $ 9.94 | n/a |

(a) Data includes leases at the property held for sale.

(b) Includes vacant space at

properties presently undergoing development and/or redevelopment activities.

The terms of the Company s retail leases vary from tenancies at will to 25 years, excluding extension options. Anchor tenant leases are typically for 10 to 25 years, with one or more extension options available to the lessee upon expiration of the initial lease term. By contrast, smaller store leases are typically negotiated for 5-year terms. The longer terms of major tenant leases serve to protect the Company against significant vacancies and to assure the presence of strong tenants which draw consumers to its centers. The shorter terms of smaller store leases allow the Company under appropriate circumstances to adjust rental rates periodically for non-major store space and, where possible, to upgrade or adjust the overall tenant mix.

Most leases contain provisions requiring tenants to pay their pro rata share of real estate taxes and certain operating costs. Some leases also provide that tenants pay percentage rent based upon sales volume generally in excess of certain negotiated minimums.

Giant Food Stores, LLC ( Giant Foods ), which is owned by Ahold N.V., a Netherlands corporation, leased approximately 9.4% of the Company s GLA at December 31, 2007 and accounted for approximately 13% of the Company s total revenues during 2007 (Giant Foods, in combination with Stop & Shop, Inc. which is also owned by Ahold N.V., accounted for approximately 15% of the Company s total revenues during 2007). No other tenant leased more than 10% of GLA at December 31, 2007, or contributed more than 10% of total revenues during 2007. No individual property had a net book value equal to more than 10% of total assets at December 31, 2007.

Depreciation on all the Company s properties is calculated using the straight-line method over the estimated useful lives of the respective real properties and improvements, which range from three to forty years.

***Acquisitions in 2007***

During 2007, the Company acquired 20 shopping and convenience centers containing approximately 1.9 million sq. ft. of GLA for an aggregate purchase price of approximately $294.9 million. The Company also acquired four tracts of land for development. The parcels, located in Pennsylvania (three) and Connecticut (one), aggregated approximately 18 acres, and cost an aggregate of approximately $3.3 million. Information relating to the acquired properties is summarized as follows:

| **Property** | **Number of properties** | **GLA** | **Acquisition cost (i)** |
|---|---|---|---|
| WP Realty properties | 6 | 866,000 | $ 125,754,000 |
| Caldwell properties (ii) | 5 | 354,000 | 92,926,000 |
| Carll s Corner/Timpany Plaza | 2 | 314,000 | 37,953,000 |
| Price Chopper | 1 | 102,000 | 21,941,000 |
| | 14 | 1,636,000 | 278,574,000 |
| Other operating properties (iii) | 6 | 309,000 | 40,066,000 |
| Total operating properties | 20 | 1,945,000 | 318,640,000 |
| Land held for development | 4 | 17.87 acres | 3,275,000 |
| Total properties acquired | | | $ 321,915,000 |

(i) Amounts include purchase accounting

allocations totaling approximately $23.7 million.

(ii) These properties were subsequently contributed to a joint venture (see below).

(iii) These six properties, acquired individually and not as part of a portfolio, had acquisition costs of less than $20.0 million each.

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***Joint Venture Arrangements***

Effective April 5, 2007, the Company entered into a joint venture agreement for the construction and development of an estimated 700,000 sq. ft. shopping center in Pottsgrove, Pennsylvania, approximately 40 miles northwest of Philadelphia. Total project costs, including purchase of the land parcels, are estimated at $105 million. The Company is committed to paying a development fee of $2.0 million and providing up to $17.5 million of equity capital for a 60% interest in the joint venture, with a preferred rate of return of 9.25% per annum on such amounts. The Company consolidates this joint venture as it is a variable interest entity and the Company is the primary income or loss beneficiary.

On December 6, 2007, the Company completed the formation of a joint venture with a wholly-owned U.S. subsidiary of Homburg Invest Inc., a publicly-traded Canadian corporation listed on the Toronto and Euronext Amsterdam Stock Exchanges ( Homburg ), pursuant to an April 2, 2007 agreement, with respect to four shopping centers owned and managed by the Company at the time the agreement was entered into and five shopping centers acquired by the Company on April 4, 2007 (the Caldwell properties); the aggregate valuation for the nine properties was approximately $170 million. Richard Homburg, a director of the Company, is Chairman and CEO of Homburg. In connection with the joint venture transaction, the independent members of the Company s Board of Directors obtained appraisals in support of the transfer values of the then-owned properties. The Company holds a 20% interest in, and is the sole general partner of, the joint venture and Homburg, through such subsidiary, acquired the remaining 80% interest. In connection with the transaction, the Company received $53.2 million, including closing costs and preliminary adjustments, which was used to reduce the outstanding balance on its secured revolving credit facility. Homburg is entitled to certain fees with respect to funding its interest in the joint venture, up to a maximum of $958,000, payable by the Company ($479,000 of such fees have been paid through December 31, 2007). The Company is entitled to a promote structure, applicable separately to each property, which, if certain targets are met, will permit the Company between 40% and 50% of the returns in excess of a leveraged 9.25% threshold. Additionally, the Company will receive fees for ongoing property management, leasing, construction management, acquisitions, dispositions, financings and refinancings. The joint venture transaction does not qualify as a sale for financial reporting purposes; accordingly, the Company continues to consolidate the properties.

***Competition***

The Company believes that competition for the acquisition and operation of retail shopping and convenience centers is highly fragmented. It faces competition from institutional investors, public and private REITs, owner-operators engaged in the acquisition, ownership and leasing of shopping centers, as well as from numerous local, regional and national real estate developers and owners in each of its markets. It also faces competition in leasing available space at its properties to prospective tenants. Competition for tenants varies depending upon the characteristics of each local market in which the Company owns and manages properties. The Company believes that the principal competitive factors in attracting tenants in its market areas are location, price and other terms, the presence of anchor tenants, the mix and quality of other tenants, and maintenance and appearance of its properties.

***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 property owned, leased, managed or otherwise operated by such person, and may be held liable to a governmental entity or to third parties for property damage, and for investigation and clean up costs in connection with such 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 conditions, may adversely affect the owner s, lessor s or operator s ability to sell or rent such property or to arrange financing using such property as collateral. In connection with the ownership, operation and management of real estate, the Company may potentially become liable for removal or remediation costs, as well as certain other related costs and liabilities, including governmental fines and injuries to persons and/or property.

The Company believes that environmental studies conducted at the time of acquisition with respect to all of its properties have not revealed environmental liabilities that would have a material adverse affect on its business, results of operations or liquidity. However, no assurances can be given that existing environmental studies with respect to any of the properties reveal all environmental liabilities, that any prior owner of or tenant at a property did not create a material environmental condition not known to the Company, or that a material environmental condition does not otherwise exist at any one or more of its properties. If a material environmental condition does in fact exist, it could have an adverse impact upon the Company s financial condition, results of operations and liquidity.

***Employees***

As of December 31, 2007, the Company had 91 employees (84 full-time and 7 part-time). The Company believes that its relations with its employees are good.

## Item 1A. Risk Factors

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

Our performance and value are subject to risks associated with real estate assets and with the real estate industry, including, among other things, risks related to adverse changes in national, regional and local economic and market conditions. Our continued ability to make expected distributions to our shareholders 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 and conditions include, but may not be limited to, the following:

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

2. non-payment or deferred payment of rent or other charges by tenants, either as a result of tenant-specific financial ills, or general economic events or circumstances adversely affecting consumer disposable income or credit;

3. vacancies or an inability to rent space on favorable terms;

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

5. increased operating costs, including real estate taxes, insurance premiums, utilities, repairs and maintenance;

6. volatility and/or increases in interest rates, or the non-availability of funds in the credit markets in general;

7. increased costs of complying with current, new or expanded governmental regulations;

8. the relative illiquidity of real estate investments;

9. changing market demographics;

10. changing traffic patterns;

11. as mortgage loans mature, an inability to arrange replacement financing in acceptable amounts or on acceptable terms;

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In addition, periods of economic slowdown or recession, increased interest rates or decreased demand for real estate, or the public perception that any of these events may occur, could result in a decline in rents or an increased incidence of defaults under existing leases, which in turn could adversely affect our business, results of operations, liquidity, per-share trading price of our common stock, and the ability to satisfy our debt service or repayment obligations and to make distributions to our shareholders.

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

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. There can be no assurance 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 without operating disruptions or unanticipated costs. Any failure by us to effectively integrate any future acquisitions into our portfolio could have a material adverse effect on our business and operations.

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 and/or interest rates 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 effect. If any property is not fully occupied or if rental receipts are insufficient to cover operating expenses, we could be required to expend other available funds for that property s operating expenses. If we are unable to maintain profitability, the market price of our common stock could decrease, our business and operations could be negatively impacted, and we may have to reduce, eliminate or suspend our dividend.

***Our substantial indebtedness and constraints on credit may impede our operating performance, as well as our development, redevelopment and acquisition activities, and put us at a competitive disadvantage.***

We intend to incur additional debt in connection with the development and redevelopment of properties owned by us and in connection with future acquisitions of real estate. We also may borrow funds to make distributions to shareholders. Our debt may harm our business and operating results by (i) requiring us to use a substantial portion of our available liquidity to pay required debt service and/or repayments or establish additional reserves, which would reduce the amount available for distributions, (ii) placing us at a competitive disadvantage compared to competitors that have less debt or debt at more favorable terms, (iii) making us more vulnerable to economic and industry downturns and reducing our flexibility in responding to changing business and economic conditions, and (iv) limiting our ability to borrow more money for operations, capital expenditures, or to finance development, redevelopment and acquisition activities in the future. Increases in interest rates may impede our operating performance and put us at a competitive disadvantage. Payments of required debt service or amounts due at maturity, or creation of additional reserves under loan agreements, could adversely affect our liquidity.

In addition to these risks 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 may also not be able to obtain financing to fund our development and redevelopment of properties owned by us and to fund acquisitions. If we are unable to obtain such financing, we may be forced to delay or cancel such development, redevelopment and acquisition activities, which might require us to record a loss, might impair our future growth, and in turn harm our stock price.

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We are also subject to the risk that we will not be able to refinance 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 favorable. If we are not successful in refinancing existing indebtedness, or are otherwise unable to repay our outstanding indebtedness when it becomes due, we may be forced to dispose of properties on disadvantageous terms, which might adversely affect our operating performance, our ability to service other debt, or meet our other obligations, which could in turn harm our stock price.

***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 terms favorable to us.***

Integral to our business strategy has been our ability to expand through acquisitions, which has required us to identify suitable acquisition candidates or investment opportunities that meet our criteria and are compatible with our growth and operating 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 compete with many other entities engaged in real estate investment activities for acquisitions of retail properties, including institutional investors, public and private 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. Further, the number of entities and the amount of funds competing for suitable investment properties may increase. This would result in increased demand for such properties and therefore increased pricing. If we pay higher prices for properties, our profitability could be reduced.

We may also need to limit or restrict the allocation of resources to acquisitions and/or development properties when availability of equity to fund the Company s future operations might be or become scarce or unavailable.

***As substantially all of our revenues are derived from rental income, failure of tenants to pay rent or delays in arranging leases and occupancy at our properties, particularly with respect to anchor tenants, could seriously harm our operating results and financial condition.***

Substantially all of our revenues are derived from rental income from our properties. Our tenants may experience a downturn in their respective businesses and/or in the economy generally at any time that may weaken their financial condition. As a result, any such 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 or other payments when due, or tenant bankruptcies, could result in the termination of tenants leases, which would have a negative impact on our operating results. In addition, adverse market and economic conditions and