CEDAR SHOPPING CENTERS INC
Form 10-K
March 15, 2010

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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, 2009

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 whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes o 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):

Large accelerated filer o	Accelerated filer þ	Non-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, 2009 of $4.52 per share, the aggregate market value of the voting stock held by non-affiliates of the registrant was approximately $196,177,000.

The number of shares outstanding of the registrant s Common Stock $.06 par value was 62,007,366 on February 28, 2010.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the registrant s definitive proxy statement relating to its 2010 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 (including an inability to pay rent, filing for bankruptcy protection, closing stores and/or vacating the premises); the continuing availability of acquisition, 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 and potential purchasers of the Company s properties if offered for sale; the ability of the Company s joint venture partner to fund its share of future property acquisitions; changes in interest rates; the fact that returns from acquisition, development and redevelopment 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 relating thereto, and market factors involved in the pricing of material and labor; the need to renew leases or re-let space upon the expiration or termination of current leases and incur applicable required replacement costs; and the financial flexibility of ourselves and our joint venture partners to repay or refinance debt obligations when due and to fund tenant improvements and capital expenditures. 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 real estate investment trust which focuses primarily on ownership, operation, development and redevelopment of supermarket-anchored shopping centers in mid-Atlantic and Northeast coastal states. At December 31, 2009, the Company owned and managed (both wholly-owned and in joint venture) a portfolio of 119 operating properties totaling approximately 13.0 million square feet of gross leasable area (GLA), including 95 wholly-owned properties comprising approximately 9.5 million square feet, 13 properties owned in joint venture (consolidated) comprising approximately 1.7 million square feet, seven properties transferred or to be transferred to a managed joint venture (unconsolidated) comprising approximately 1.2 million square feet, and four ground-up developments comprising approximately 0.6 million square feet. Excluding the four ground-up development properties, the 115 property portfolio was approximately 91% leased at December 31, 2009; the 101 property stabilized portfolio was approximately 95% leased at that date. The Company also owned approximately 196 acres of land parcels, a significant portion of which is under development. In addition, the Company has a 76.3% interest in another unconsolidated joint venture, which it does not manage, which owns a single-tenant office property in Philadelphia, Pennsylvania.

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 preponderant 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), 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, 2009, the Company owned 96.3% of the Operating Partnership and is its sole general partner. The approximately 2,006,000 limited 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 the payments required by the terms of their leases. The

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Company focuses its investment activities on supermarket-anchored community shopping centers. The Company believes that, because of the need of consumers to purchase food and other staple goods and services generally available at such centers, its type of necessities -based properties should provide relatively stable revenue flows even during difficult economic times.

In connection with the transactions with RioCan (more fully described below), the Company will seek to acquire primarily stabilized supermarket-anchored properties in its primary market areas during the next two years in a joint venture owned 20% by the Company. The Company has historically sought opportunities to acquire properties suited for development and/or redevelopment, and, to a lesser extent than in the past, stabilized properties, 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, 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.

Recent Developments and Significant Transactions

Public Offering of Common Stock

On February 5, 2010, the Company concluded a public offering of 7,500,000 shares of its common stock at $6.60 per share, and realized net proceeds after offering expenses of approximately $47.0 million. On March 3, 2010, the underwriters exercised their over-allotment option to the extent of 697,800 shares, and the Company realized additional net proceeds of $4.4 million. In connection with the offering, RioCan (see below) acquired 1,350,000 shares of the Company s common stock, including 100,000 shares acquired in connection with the exercise of the over-allotment option, and the Company realized net proceeds of $8.9 million.

Reinstatement of Dividend

In December 2009, following a review of the state of the economy and the Company s financial position, the Company s Board of Directors determined to resume payment of a quarterly cash dividend in the amount of $0.09 per share ($0.36 per share on an annualized basis) on the Company s common stock, which was paid on January 20, 2010 to shareholders of record as of the close of business on December 31, 2009.

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RioCan

On October 26, 2009, the Company entered into definitive agreements with RioCan Real Estate Investment Trust of Toronto, Canada, a publicly-traded Canadian real estate investment trust listed on the Toronto Stock Exchange (RioCan), pursuant to which the Company (1) sold to RioCan 6,666,666 shares of the Company s common stock at $6.00 per share in a private placement for an aggregate of $40 million (RioCan agreeing that it would not sell any of such shares for a period of one year), (2) issued to RioCan warrants to purchase 1,428,570 shares of the Company s common stock at an exercise price of $7.00 per share, exercisable over a two-year period, (3) entered into an 80% (RioCan) and 20% (Cedar) joint venture (i) initially for the purchase of seven supermarket-anchored properties presently owned by the Company, and (ii) then to acquire additional primarily supermarket-anchored properties in the Company s primary market areas during the next two years, in the same joint venture format, and (4) entered into a standstill agreement with respect to increases in RioCan s ownership of the Company s common stock for a three-year period. In addition, subject to certain exceptions, the Company has agreed that it will not issue any new shares of common stock unless RioCan is offered the right to purchase an additional number of shares that will maintain its pro rata percentage ownership, on a fully diluted basis. In connection with the formation of the joint venture, the Company recorded an impairment charge of $23.6 million relating to the seven properties transferred or to be transferred to the joint venture.

The private placement investment by RioCan and the issuance of the warrants by the Company were concluded on October 30, 2009. Two of the properties (Blue Mountain Commons located in Harrisburg, Pennsylvania and Sunset Crossing located in Dickson City, Pennsylvania) were transferred to the joint venture on December 10, 2009, resulting in proceeds to the Company of approximately $33 million (in connection with the closing, a repayment of $25.9 million was required under the Company s secured revolving development property credit facility). The remaining five properties are subject to mortgage loans payable aggregating approximately $94 million. Two of the properties (Columbus Crossing Shopping Center located in Philadelphia, Pennsylvania and Franklin Village Plaza located in Franklin, Massachusetts) were transferred to the joint venture in January and February 2010, resulting in net proceeds to the Company of approximately $16 million. The remaining three properties (Loyal Plaza Shopping Center located in Williamsport, Pennsylvania, Shaw s Plaza located in Raynham, Massachusetts, and Stop & Shop Plaza located in Bridgeport, Connecticut) are to be transferred during the first half of 2010, resulting in net proceeds to the Company of an additional approximately $16 million.

In connection with the transfers of the seven properties to the joint venture and the private placement transactions, the Company will have received aggregate net proceeds of approximately $105 million, after estimated closing and transaction costs, which have been or will be used to repay/reduce the outstanding balances under the Company s secured revolving credit facilities.

Amended and Restated Credit Facility

On November 10, 2009, the Company closed an amended and restated secured revolving stabilized property credit facility in the amount of $265 million (subsequently increased to $285 million), with Bank of America, N.A. continuing as administrative agent, together with three other lead lenders and other participating banks. The facility, as amended, is expandable to $400 million subject to certain conditions, including acceptable collateral. This amended and restated facility replaced the existing facility that was due to expire on January 30, 2010, and will continue to be available to fund acquisitions, certain development and redevelopment activities, capital expenditures, mortgage repayments, dividend distributions, working capital and other general corporate purposes. The new facility has a maturity date of January 31, 2012, subject to a one-year extension option. As a result of the application of the net proceeds from, among other things, the transfers of two of the remaining properties to the RioCan joint venture and the sales of shares of the Company s common stock in February and March 2010, the Company s availability under this facility has increased to approximately $104 million as of March 3, 2010.

Joint Venture With PCP

On January 30, 2009, a newly-formed 40% Company-owned joint venture acquired the New London Mall in New London, Connecticut, an approximate 259,000 square foot supermarket-anchored shopping center, for a purchase price of approximately $40.7 million. The purchase price included the assumption of an existing $27.4 million first mortgage bearing interest at 4.9% per annum and maturing in 2015. The total joint venture partnership contribution was approximately $14.0 million, of which the Company s 40% share ($5.6 million) was funded from its secured revolving stabilized property credit facility. The Company is the managing partner of the venture and receives certain acquisition, property management, construction management and leasing fees. In addition, the Company will be entitled to a promote fee structure, pursuant to which its profits participation would be increased to 44% if the venture reaches certain income targets. The Company s joint venture partners are affiliates of Prime Commercial Properties PLC (PCP), a London-based real estate/development company.

On February 10, 2009, a second newly-formed (also with affiliates of PCP) 40% Company-owned joint venture acquired San Souci Plaza in California, Maryland, an approximate 264,000 square foot supermarket-anchored shopping center, for a purchase price of approximately $31.8 million. The purchase price included the assumption of an existing $27.2 million first mortgage bearing interest at 6.2% per annum and maturing in 2016. The total joint venture partnership contribution was approximately $5.8 million, of which the Company s 40% share ($2.3 million) was funded from its secured revolving stabilized property credit facility. The Company is the managing partner of the venture and receives certain acquisition, property management, construction management and leasing fees. In addition, the Company will be entitled to a promote fee structure, pursuant to which its profits participation would be increased to 44% if the venture reaches certain income targets.

Discontinued Operations

During 2009, the Company sold, or has treated as held for sale , nine of its drug store/convenience centers, located in Ohio and New York, aggregating 304,000 square feet of GLA, including the 6,000 square foot McDonalds/Waffle House, located in Medina, Ohio, the 10,000 square foot CVS property located in Westfield, New York, the 24,000 square foot Staples property located in Oswego, New York, the 32,000 square foot Discount Drug Mart Plaza located in Hudson, Ohio, the 38,000 square foot Discount Drug Mart Plaza located in Dover, Ohio, the 84,000 square foot Gabriel Brothers property located in Kent, Ohio, the 40,000 square foot Discount Drug Mart Plaza located in Carrollton, Ohio, the 20,000 square foot Pondside Plaza located in Geneseo, New York, and the 50,000 square foot Discount Drug Mart Plaza located in Powell, Ohio. The aggregate of the sales prices for the

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nine properties is approximately $27.1 million, and the properties are subject to property-specific mortgage loans payable of approximately $17.7 million. In connection with these transactions, the Company recorded impairment charges aggregating $3.6 million, and has realized gain on sales of $557,000. The carrying values of the assets and liabilities of these properties, principally the net book values of the real estate and the related mortgage loans payable, have been reclassified as held for sale on the Company s consolidated balance sheets at December 31, 2009 and 2008. In addition, the properties results of operations have been classified as discontinued operations for all periods presented.

The Company s Properties

The following tables summarize information relating to the Company s properties as of December 31, 2009:

ate	Number of properties	GLA (Sq. ft.)	Land	Building and improvements	Total cost	Accumulated depreciation	Net book value	Unconsolidated joint venture managed properties	Real t b trans to a ven
vania	52	6,645,891	$ 168,934,000	$ 682,691,000	$ 851,625,000	$ 87,970,000	$ 763,655,000	$ 8,638,000	$ 53,4
husetts	8	1,486,033	27,231,000	111,261,000	138,492,000	10,851,000	127,641,000		76,8
icut	9	1,217,789	33,426,000	127,299,000	160,725,000	16,032,000	144,693,000		9,5
	13	815,969	28,878,000	101,903,000	130,781,000	15,249,000	115,532,000		
	21	717,344	18,246,000	78,798,000	97,044,000	11,119,000	85,925,000		
d	8	940,904	30,564,000	87,416,000	117,980,000	9,337,000	108,643,000		
sey	4	825,276	13,764,000	74,865,000	88,629,000	9,615,000	79,014,000		
rk	3	226,043	13,809,000	37,652,000	51,461,000	3,147,000	48,314,000		
n	1	77,688	2,443,000	9,813,000	12,256,000	1,295,000	10,961,000		
ng o	119	12,952,937	337,295,000	1,311,698,000	1,648,993,000	164,615,000	1,484,378,000	8,638,000	139,7
under ment held e on and ment	n/a	n/a	20,873,000	5,456,000	26,329,000		26,329,000		
rtfolio	119	12,952,937	$ 358,168,000	$ 1,317,154,000	$ 1,675,322,000	$ 164,615,000	$ 1,510,707,000	8,638,000	$ 139,7
olidated nture aged [(a)]								5,475,000	
lidated ntures								$ 14,113,000	

(a) The Company has a 76.3% interest in an unconsolidated joint venture, which it does not manage, which owns a single-tenant office property located in Philadelphia, PA.

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Tenant (a)	Number of stores	GLA	Percentage of GLA	Annualized base rent	Annualized Base rent per sq. ft.	Percentage of annualized base rents
Top ten tenants (b):						
Giant Foods (c)	22	1,328,000	10.3%	21,503,000	$ 16.19	16.0%
Discount Drug Mart	6	364,000	2.8%	3,880,000	10.66	2.9%
Farm Fresh (c)	5	325,000	2.5%	3,494,000	10.75	2.6%
Stop & Shop (c)	14	346,000	2.7%	3,280,000	9.48	2.4%
CVS	4	241,000	1.9%	2,716,000	11.27	2.0%
Shaw s (c)	4	168,000	1.3%	2,496,000	14.86	1.9%
L.A. Fitness	10	113,000	0.9%	2,335,000	20.66	1.7%
Staples	7	243,000	1.9%	1,921,000	7.91	1.4%
Food Lion (c)	7	145,000	1.1%	1,821,000	12.56	1.4%
Burlington Coat Factory	2	118,000	0.9%	1,599,000	13.55	1.2%
Sub-total top ten tenants (d)	81	3,391,000	26.2%	45,045,000	13.28	33.5%
Remaining tenants	1,195	8,282,000	63.9%	89,510,000	10.81	66.5%
Sub-total all tenants	1,276	11,673,000	90.1%	134,555,000	11.53	100.0%
Vacant space (e)	n/a	1,280,000	9.9%	n/a	n/a	n/a
Total (including vacant space)	1,276	12,953,000	100.0%	134,555,000	10.39	n/a

(a) Incudes unconsolidated managed joint venture properties.

(b) Based on annualized base rent.

(c) Several of the tenants listed above share common ownership with other tenants including, without limitation,

(1) Giant Foods and Stop & Shop, (2) Farm Fresh, Shaw s, Shop n Save (GLA of 53,000; annualized base rent of $495,000), Shoppers Food Warehouse (GLA of 120,000; annualized base rent of $1,206,000) and Acme (GLA of 172,000; annualized base rent of $756,000), and (3) Food Lion and Hannaford (GLA of 43,000; annualized base rent of $405,000).

(d) Includes tenants at ground-up development properties.

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

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Year of lease expiration (a)	Tenants with 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	83	214,000	1.8%	$ 2,823,000	$ 13.19	2.1%
2010	166	804,000	6.9%	9,833,000	12.23	7.3%
2011	180	1,016,000	8.7%	11,571,000	11.39	8.6%
2012	177	846,000	7.2%	9,808,000	11.59	7.3%
2013	143	755,000	6.5%	9,268,000	12.28	6.9%
2014	150	1,357,000	11.6%	12,903,000	9.51	9.6%
2015	104	1,052,000	9.0%	9,796,000	9.31	7.3%
2016	49	607,000	5.2%	5,873,000	9.68	4.4%
2017	37	487,000	4.2%	6,191,000	12.71	4.6%
2018	42	778,000	6.7%	8,878,000	11.41	6.6%
2019	37	562,000	4.8%	6,127,000	10.90	4.6%
2020	29	932,000	8.0%	7,621,000	8.18	5.7%
Thereafter	79	2,263,000	19.4%	33,863,000	14.96	25.0%
All tenants (b)	1,276	11,673,000	100.0%	134,555,000	11.53	100.0%
Vacant space (c)	n/a	1,280,000	n/a	n/a	n/a	n/a
Total portfolio	1,276	12,953,000	n/a	$ 134,555,000	$ 10.39	n/a

(a) Incudes unconsolidated managed joint venture properties.

(b) Includes tenants at ground-up development properties.

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

The terms of the Company s retail leases generally vary from tenancies at will to 25 years, excluding renewal options. Anchor tenant leases are typically for 10 to 25 years, with one or more renewal 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, insurance 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 10%, 9% and 9% of the Company s GLA at December 31, 2009, 2008 and 2007, respectively, and accounted for approximately 12%, 12% and 13% of the Company s total revenues during 2009, 2008 and 2007, respectively. Giant Foods, in combination with Stop & Shop, Inc., which is also owned by Ahold N.V., accounted for approximately 15%, 15% and 15% of the Company s total revenues during 2009, 2008 and 2007, respectively.

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Of these amounts, 3%, respectively, were attributable to Giant Foods revenues at the seven properties transferred or to be transferred to the RioCan joint venture, for each of the periods presented. No other tenant leased more than 10% of GLA at December 31, 2009, 2008 or 2007, or contributed more than 10% of total revenues during 2009, 2008 or 2007. No individual property had a net book value equal to more than 10% of total assets at December 31, 2009, 2008 or 2007.

Depreciation on all of 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.

The Company s executive offices are located at 44 South Bayles Avenue, Port Washington, New York, in which it presently occupies approximately 8,600 square feet leased from a partnership owned 43.6% by the Company s Chairman. Under the terms of the lease, as amended, which will expire in February 2020, the Company will add an additional 6,400 square feet by the end of 2010. The Company believes that the terms of its lease are at market.

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 lease terms, the presence of anchor tenants, the mix, quality and sales results of other tenants, and maintenance, appearance, access and traffic patterns 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

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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, 2009, the Company had 102 employees (95 full-time and 7 part-time). The Company believes that its relations with its employees are good.

Item 1A. Risk Factors

Economic conditions in the U.S. economy, instability in the credit markets and the uncertain retail environment could adversely affect our ability to continue to pay dividends or cause us to reduce further the amount of our dividends.

As a result of the current state of the U.S. economy, constrained capital markets, the difficult retail environment and the need to renew the Company s secured revolving stabilized property line of credit facility, on January 29, 2009, our Board of Directors reduced our annual dividend rate on our common stock from $.90 per share to $.45 per share and on April 2, 2009 suspended the payment of dividends. Although the Board recently reinstituted dividends at the annual rate of $.36 per share, there can be no assurance that as a result of economic conditions the Company will not be forced to reduce further, or once again suspend, the payment of dividends.

Volatility and instability in the credit markets could adversely affect our ability to obtain new financing or to refinance existing indebtedness.

There continues to be substantial volatility and instability in the credit markets. We have recently witnessed the near-complete disappearance of commercial mortgage-backed securities (CMBS) as a means of financing real estate. Such CMBS financings, generally at a fixed rate for a period of 10 years, represent the preponderance of fixed-rate financing for the Company s existing stabilized portfolio. It is highly unlikely that a market for such securities and the availability of such loans will be accessible by the Company for an indefinite period, or perhaps ever. Continued uncertainty in the credit markets may negatively impact our ability to access additional debt financing, to arrange property-specific financing or to refinance our existing debt as it matures on favorable terms or at all. As a result, we may be forced to seek potentially less attractive financings, including equity investments on terms that may not be favorable to us. In doing so, the Company may be compelled to dilute the interests of existing shareholders that could also adversely reduce the trading price of our common stock.

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.

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Our properties consist primarily of supermarket-anchored community shopping centers, and our performance therefore is linked to economic conditions in the market for retail space generally. This also means that we are subject to the risks that affect the retail environment generally, including the levels of consumer spending, the willingness of retailers to lease space in our shopping centers, tenant bankruptcies, changes in economic conditions and consumer confidence. A sustained downturn in the U.S. economy and reduced consumer spending could impact our tenants ability to meet their lease obligations due to poor operating results, lack of liquidity or other reasons and therefore decrease the revenue generated by our properties or the value of our properties. Our ability to lease space and negotiate and maintain favorable rents could also be negatively impacted by the current state of the U.S. economy. Moreover, the demand for leasing space in our existing shopping centers as well as our development properties could also significantly decline during a significant downturn in the U.S. economy that could result in a decline in our occupancy percentage and reduction in rental revenues. The U.S. economy has generally experienced during recent months, and is expected to continue to experience, substantial unemployment at rates which approach their highest levels in the country s history. Such levels of reported unemployment may in fact mask more serious unemployment issues, such as persons who have not sought to re-enter the labor force after having been unemployed for substantial periods of time and, further, may not fairly reflect persons who are under-employed or temporarily employed. In addition, the prospects of substantial decreases in the levels of unemployment in the near term do not appear to be positive. Sustained levels of high unemployment can be expected to have a serious negative impact on consumer spending in affected areas. While unemployment levels may vary considerably in different areas of the country, and within the markets in which we presently operate, sustained unemployment may have a continuing negative impact on sales by our tenants at our various shopping centers.

A number of tenants in negotiating or renegotiating leases have sought to limit their payment of base rent, allocable common area charges and real estate taxes. In fact, the Company s collection of common area charges has declined and may decline further as a result of vacancies, default, and tenant resistance.

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. local economic conditions, which may be adversely impacted by plant closings, business layoffs, industry slow-downs, weather conditions, natural disasters and other factors;

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3. 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;
4. vacancies or an inability to rent space on acceptable terms;
5. inability to finance property development, tenant improvements and acquisitions on acceptable terms;
6. increased operating costs, including real estate taxes, insurance premiums, utilities, repairs and maintenance;
7. volatility and/or increases in interest rates, or the non-availability of funds in the credit markets in general;
8. increased costs of complying with current, new or expanded governmental regulations;
9. the relative illiquidity of real estate investments;
10. changing market demographics;
11. changing traffic patterns;
12. an inability to arrange property-specific replacement financing for maturing mortgage loans in acceptable amounts or on acceptable terms;

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. 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 which in turn may harm our stock price. Our debt may harm our business and operating results by (i) requiring us to use a substantial portion of our available liqui