CEDAR REALTY TRUST, INC.
Form 10-K
March 07, 2013
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2012

OR

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

COMMISSION FILE NUMBER: 001-31817

CEDAR REALTY TRUST, 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
7-1/4% Series B 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 ¨ No x

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 ¨ No x

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 x No ¨

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 x No ¨

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. x

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	¨	Accelerated filer	x
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	Smaller reporting company	¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

Based on the closing sales price on June 30, 2012 of $5.05 per share, the aggregate market value of the voting stock held by non-affiliates of the registrant was approximately $345,457,000.

The number of shares outstanding of the registrant s Common Stock $.06 par value was 71,794,750 on February 28, 2013.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the registrant s definitive proxy statement relating to its 2013 annual meeting of shareholders are incorporated by reference into Part III of this Annual Report on Form 10-K.

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Part I.

Items 1 and 2. Business and Properties

General

Cedar Realty Trust, Inc. (the Company), organized in 1984, is a fully-integrated real estate investment trust which focuses primarily on ownership and operation of grocery-anchored shopping centers straddling the Washington DC to Boston corridor. At December 31, 2012, the Company owned and managed a portfolio of 67 operating properties (excluding properties held for sale/conveyance) totaling approximately 9.8 million square feet of gross leasable area (GLA). The portfolio was 91.9% occupied and 92.7% leased at December 31, 2012.

In keeping with its stated goal of reducing overall leverage to an appropriate level by selling non-core assets, the Company determined in 2011 (1) to completely exit the Ohio market, principally the Discount Drug Mart portfolio of drugstore/convenience centers, and concentrate on the region straddling the Washington DC to Boston corridor, (2) to concentrate on grocery-anchored strip centers, by disposing of its mall and single-tenant/triple-net-lease properties, (3) to focus on improving operations and performance at the Company s remaining properties, and (4) to reduce development activities, by disposing of certain development projects, land acquired for development, and other non-core assets.

On October 10, 2012, the Company concluded definitive agreements with RioCan Real Estate Investment Trust (RioCan) to exit the 20% Cedar / 80% RioCan joint venture that owned 22 retail properties. On October 12, 2012, the Company concluded definitive agreements with Homburg Invest Inc. (HII) relating to the application of the buy/sell provisions of the joint venture agreements for each of the nine properties owned by the joint venture. See Management s Discussion and Analysis of Financial Condition and Results of Operations Significant Transactions below for additional information relating to these transactions.

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 real estate portfolio consisting primarily of grocery-anchored shopping centers straddling the Washington DC to Boston corridor, 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 Realty Trust 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, 2012, the Company owned 99.6% of the Operating Partnership and is its sole general partner. The approximately 281,000 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

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therefore depend on the ability of its tenants to make the payments required by the terms of their leases. The Company focuses its investment activities on grocery-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.

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 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 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.cedarrealtytrust.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.

The Company s Properties

Consolidated Portfolio

The following tables summarize information relating to the Company s consolidated portfolio as of December 31, 2012:

State	Number of properties	GLA	Percentage of GLA
Pennsylvania	31	5,241,641	53.4%
Massachusetts	8	1,308,908	13.3%
Connecticut	6	1,049,125	10.7%
Maryland	7	835,972	8.5%
Virginia	11	817,392	8.3%
New Jersey	3	373,065	3.8%
New York	1	194,082	2.0%
Total consolidated portfolio	67	9,820,185	100.0%

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Tenant Concentration

Tenant	Number of stores	GLA	% of GLA	Annualized base rent	Annualized base rent per sq. ft.	Percentage annualized base rents
Top twenty tenants (a):						
Giant Foods	14	912,000	9.3%	$ 13,789,000	$ 15.12	12.8%
LA Fitness	7	282,000	2.9%	4,447,000	15.77	4.1%
Farm Fresh	6	364,000	3.7%	3,909,000	10.74	3.6%
Stop & Shop	4	271,000	2.8%	2,805,000	10.35	2.6%
Dollar Tree	19	194,000	2.0%	1,928,000	9.94	1.8%
Food Lion	7	243,000	2.5%	1,925,000	7.92	1.8%
Staples	5	104,000	1.1%	1,701,000	16.36	1.6%
Shop Rite	2	118,000	1.2%	1,695,000	14.36	1.6%
Redner s	4	202,000	2.1%	1,514,000	7.50	1.4%
United Artist	1	78,000	0.8%	1,411,000	18.09	1.3%
Shaw s	2	125,000	1.3%	1,389,000	11.11	1.3%
Marshall s	6	170,000	1.7%	1,366,000	8.04	1.3%
Shoppers Food Warehouse	2	120,000	1.2%	1,237,000	10.31	1.2%
Ukrop s	1	63,000	0.6%	1,163,000	18.46	1.1%
Kohl s Department Store	2	149,000	1.5%	1,113,000	7.47	1.0%
Carmike Cinema	1	45,000	0.5%	1,034,000	22.98	1.0%
Giant Eagle	1	84,000	0.9%	922,000	10.98	0.9%
Wal-Mart	2	150,000	1.5%	838,000	5.59	0.8%
Dick s Sporting Goods	1	56,000	0.6%	812,000	14.50	0.8%
Rite Aid	5	54,000	0.5%	799,000	14.80	0.7%
Sub-total top twenty tenants	92	3,784,000	38.5%	45,797,000	12.10	42.6%
Remaining tenants	821	5,244,000	53.4%	61,639,000	11.75	57.4%
Sub-total all tenants (b)	913	9,028,000	91.9%	$ 107,436,000	$ 11.90	100.0%
Vacant space	N/A	792,000	8.1%			
Total	913	9,820,000	100.0%			

(a) Several of the tenants listed above share common ownership with other tenants including, without limitation, (i) Giant Foods, Stop & Shop, and Martin s at Glen Allen (GLA of 63,000; annualized base rent of $418,000), and (ii) Farm Fresh, Shaw s, Shop n Save (GLA of 53,000; annualized base rent of $412,000), Shoppers Food Warehouse, and Acme Markets (GLA of 172,000; annualized base rent of $756,000).

(b) Comprised of large tenants (greater than 15,000 sq. ft.) and small tenants as follows:

	GLA	% of GLA	Annualized base rent	Annualized base rent per sq. ft.	Percentage annualized base rents
Large tenants	6,322,000	70.0%	$ 63,681,000	$ 10.07	59.3%
Small tenants	2,706,000	30.0%	43,755,000	16.17	40.7%
Total	9,028,000	100.0%	$ 107,436,000	$ 11.90	100.0%

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Lease Expirations

Year of lease expiration	Number of leases expiring	GLA expiring	Percentage of GLA expiring	Annualized expiring base rents	Annualized expiring base rent per sq. ft.	Percentage of annualized expiring base rents
Month-to-Month	36	92,000	1.0%	$ 1,275,000	$ 13.86	1.2%
2013	120	460,000	5.1%	6,344,000	13.79	5.9%
2014	146	1,269,000	14.1%	12,177,000	9.60	11.3%
2015	148	1,282,000	14.2%	13,852,000	10.80	12.9%
2016	114	922,000	10.2%	10,172,000	11.03	9.5%
2017	113	912,000	10.1%	11,838,000	12.98	11.0%
2018	57	643,000	7.1%	8,533,000	13.27	7.9%
2019	27	332,000	3.7%	3,878,000	11.68	3.6%
2020	34	880,000	9.7%	8,208,000	9.33	7.6%
2021	37	419,000	4.6%	6,262,000	14.95	5.8%
2022	20	139,000	1.5%	1,895,000	13.63	1.8%
2023	16	168,000	1.9%	2,225,000	13.24	2.1%
Thereafter	45	1,510,000	16.7%	20,777,000	13.76	19.3%
All tenants	913	9,028,000	100.0%	$ 107,436,000	$ 11.90	100.0%
Vacant space	N/A	792,000	N/A			
Total portfolio	913	9,820,000	N/A			

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Real Estate Summary

Property description	Percent owned	Year acquired	GLA	Percent occupied	Average base rent per sq. ft. (a)	Major tenants (b)
Connecticut						
Groton Shopping Center	100%	2007	117,186	84.3%	$ 11.65	TJ Maxx
Jordan Lane	100%	2005	177,504	99.2%	10.89	Stop & Shop CW Price Retro Fitness
New London Mall	40%	2009	259,293	94.2%	14.24	Shop Rite Marshalls Homegoods Petsmart AC Moore
Oakland Commons	100%	2007	90,100	100.0%	6.37	Wal-Mart Bristol Ten Pin
Southington Shopping Center	100%	2003	155,842	97.8%	6.85	Wal-Mart NAMCO
The Brickyard	100%	2004	249,200	68.2%	7.58	Home Depot Kohl s
Total Connecticut			**1,049,125**	**88.8%**	**10.15**	
Maryland						
Kenley Village	100%	2005	51,894	73.7%	8.77	Food Lion
Metro Square	100%	2008	71,896	100.0%	18.87	Shoppers Food Warehouse
Oakland Mills	100%	2005	58,224	100.0%	13.39	Food Lion
San Souci Plaza	40%	2009	264,134	78.7%	9.93	Shoppers Food Warehouse Marshalls Maximum Health and Fitness
St. James Square	100%	2005	39,903	100.0%	11.42	Food Lion
Valley Plaza	100%	2003	190,939	100.0%	4.98	K-Mart Ollie s Bargain Outlet Tractor Supply
Yorktowne Plaza	100%	2007	158,982	91.1%	13.32	Food Lion
Total Maryland			**835,972**	**90.0%**	**10.47**	
Massachusetts						
Fieldstone Marketplace	100%	2005/2012	193,970	95.8%	11.36	Shaw s

						Flagship Cinema New Bedford Wine and Spirits
Franklin Village Plaza	100%	2004/2012	304,347	92.6%	20.31	Stop & Shop Marshalls Team Fitness
Kings Plaza	100%	2007	168,243	92.7%	6.15	Work Out World CW Price Ocean State Job Lot Savers

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Property description	Percent owned	Year acquired	GLA	Percent occupied	Average base rent per sq. ft. (a)	Major tenants (b)
Massachusetts (continued)						
Norwood Shopping Center	100%	2006	102,459	98.2%	7.32	Hannaford Brothers Rocky s Ace Hardware Dollar Tree
Price Chopper Plaza	100%	2007	101,824	91.1%	11.00	Price Chopper
The Shops at Suffolk Downs	100%	2005	121,251	86.8%	12.62	Stop & Shop
Timpany Plaza	100%	2007	183,775	97.0%	6.83	Stop & Shop Big Lots Gardner Theater
West Bridgewater Plaza	100%	2007	133,039	96.9%	8.78	Shaw s Big Lots Planet Fitness
Total Massachusetts			**1,308,908**	**93.9%**	**11.57**	
New Jersey						
Carll s Corner	100%	2007	129,582	85.4%	8.85	Acme Markets Peebles
Pine Grove Plaza	100%	2003	86,089	100.0%	10.13	Peebles
Washington Center Shoppes	100%	2001	157,394	93.4%	8.82	Acme Markets Planet Fitness
Total New Jersey			**373,065**	**92.1%**	**9.16**	
New York						
Carman s Plaza	100%	2007	**194,082**	**91.8%**	**17.11**	Pathmark Extreme Fitness Home Goods Department of Motor Vehicle
Pennsylvania						
Academy Plaza	100%	2001	137,662	90.3%	13.63	Acme Markets
Camp Hill	100%	2002	470,117	99.3%	13.56	Boscov s Giant Foods LA Fitness Orthopedic Inst of PA Barnes & Noble Staples

Carbondale Plaza	100%	2004	120,689	100.0%	6.76	Weis Markets Peebles
Circle Plaza	100%	2007	92,171	100.0%	2.74	K-Mart

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Property description	Percent owned	Year acquired	GLA	Percent occupied	Average base rent per sq. ft. (a)	Major tenants (b)
Pennsylvania (cotninued)						
Colonial Commons	100%	2011	466,233	86.5%	12.82	Giant Foods Dick s Sporting Goods L.A. Fitness Ross Dress For Less Marshalls JoAnn Fabrics David s Furniture Office Max
Crossroads II	60%	2008	133,717	92.1%	20.03	Giant Foods
Fairview Commons	100%	2007	42,314	53.3%	9.68	Family Dollar
Fairview Plaza	100%	2003	71,979	100.0%	12.39	Giant Foods
Fort Washington	100%	2002	41,000	100.0%	19.90	LA Fitness
Gold Star Plaza	100%	2006	71,720	82.2%	8.91	Redner s
Golden Triangle	100%	2003	202,943	98.2%	12.47	LA Fitness Marshalls Staples Just Cabinets Aldi
Halifax Plaza	100%	2003	51,510	100.0%	11.89	Giant Foods
Hamburg Commons	100%	2004	99,580	96.4%	6.52	Redner s Peebles
Huntingdon Plaza	100%	2004	142,845	71.9%	5.18	Sears Peebles
Lake Raystown Plaza	100%	2004	142,559	95.7%	12.31	Giant Foods Tractor Supply
Liberty Marketplace	100%	2005	68,200	89.4%	17.56	Giant Foods
Meadows Marketplace	100%	2004/2012	91,518	100.0%	15.43	Giant Foods
Mechanicsburg Giant	100%	2005	51,500	100.0%	21.78	Giant Foods
Newport Plaza	100%	2003	64,489	100.0%	11.55	Giant Foods
Northside Commons	100%	2008	64,710	96.1%	9.89	Redner s Market
Palmyra Shopping Center	100%	2005	111,051	89.2%	6.00	Weis Markets Goodwill
Port Richmond Village	100%	2001	154,908	96.8%	12.51	Thriftway Pep Boys City Stores, Inc.
River View Plaza	100%	2003	226,786	90.5%	18.63	United Artists Avalon Carpet

Pep Boys

Staples

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Property description	Percent owned	Year acquired	GLA	Percent occupied	Average base rent per sq. ft. (a)	Major tenants (b)
Pennsylvania (cotninued)						
South Philadelphia	100%	2003	283,415	79.3%	14.58	Shop Rite Ross Dress For Less LA Fitness Modell s
Swede Square	100%	2003	100,816	97.0%	16.10	LA Fitness
The Commons	100%	2004	203,426	87.5%	9.34	Bon-Ton Shop n Save TJ Maxx
The Point	100%	2000	268,037	99.0%	12.41	Burlington Coat Factory Giant Foods AC Moore Staples
Townfair Center	100%	2004	218,662	100.0%	9.11	Lowe s Home Centers Giant Eagle Michael s Store
Trexler Mall	100%	2005	339,363	88.7%	9.66	Kohl s Bon-Ton Lehigh Wellness Partners Trexlertown Fitness Club Marshall s
Trexlertown Plaza	100%	2006	316,143	78.9%	13.22	Giant Foods Redner s Big Lots Sears Tractor Supply
Upland Square	60%	2007	391,578	92.8%	16.92	Giant Foods Carmike Cinema LA Fitness Best Buy TJ Maxx Bed, Bath & Beyond A.C. Moore

						Staples
Total Pennsylvania			**5,241,641**	**91.5%**	**12.63**	
Virginia						
Annie Land Plaza	100%	2006	42,500	97.18%	9.39	Food Lion
Coliseum Marketplace	100%	2005	105,998	100.00%	15.97	Farm Fresh Michael s
Elmhurst Square	100%	2006	66,250	89.10%	9.46	Food Lion
General Booth Plaza	100%	2005	71,639	96.65%	12.89	Farm Fresh

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Property description	Percent owned	Year acquired	GLA	Percent occupied	Average base rent per sq. ft. (a)	Major tenants (b)
Virginia (cotninued)						
Kempsville Crossing	100%	2005	94,477	97.30%	11.21	Farm Fresh
Martin s at Glen Allen	100%	2005	63,328	100.00%	6.61	Martin s
Oak Ridge Shopping Center	100%	2006	38,700	100.00%	10.56	Food Lion
Smithfield Plaza	100%	2005/2008	134,664	96.40%	9.23	Farm Fresh Maxway Peebles
Suffolk Plaza	100%	2005	67,216	100.00%	9.40	Farm Fresh
Ukrop s at Fredericksburg	100%	2005	63,000	100.00%	18.47	Ukrop s Supermarket
Virginia Little Creek	100%	2005	69,620	100.00%	11.12	Farm Fresh
Total Virginia			**817,392**	**97.8%**	**11.46**	
Total Consolidated Portfolio			**9,820,185**	**91.9%**	**$ 11.90**	

(a) Average base rent is calculated as the aggregate, annualized contractual minimum rent for all occupied spaces divided by the aggregate GLA of all occupied spaces as of December 31, 2012. Tenant concessions are reflected in this measure except for a limited number of short-term (generally one to three months) free rent concessions provided to new tenants that took occupancy prior to the end of the reporting period but within the concession period. Average base rent would have been $11.79 per square foot if all such free rent concessions were reflected.

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 five-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, Stop & Shop, Inc. and Martin s at Glen Allen, each of which is owned by Ahold N.V., a Netherlands corporation, leased an aggregate of approximately 13%, 13% and 11% of the Company s GLA at December 31, 2012, 2011 and 2010, respectively, and accounted for an aggregate of approximately 15%, 14% and 14% of the Company s total revenues during 2012, 2011 and 2010, respectively. No other tenant leased more than 10% of GLA at December 31, 2012, 2011 or 2010, or contributed more than 10% of total revenues during 2012, 2011 or 2010.

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Executive Offices

The Company s executive offices are located at 44 South Bayles Avenue, Port Washington, New York, in which it presently occupies approximately 14,700 square feet pursuant to a lease from a partnership owned in part by the Company s former Chairman and Chief Executive Officer. The lease expires in February 2020.

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 cleanup 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. Generally, the Company s tenants must comply with environmental laws and meet any remediation requirements. In addition, leases typically impose obligations on tenants to indemnify the Company from any compliance costs the Company may incur as a result of environmental conditions on the property caused by the tenant. However, if a lease does not require compliance, or if a tenant fails to or cannot comply, the Company could be forced to pay these costs.

The Company believes that environmental studies conducted at the time of acquisition with respect to its properties have not revealed environmental liabilities that would have a material adverse effect 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.

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Employees

As of December 31, 2012, the Company had 88 employees (84 full-time and four part-time). The Company believes that its relations with its employees are good.

Item 1A. Risk Factors

Although improving, economic conditions in the U.S. economy in general, and specifically uncertainty in the credit markets and retail environment, could adversely affect our ability to continue to pay dividends or cause us to reduce further the amount of our dividends.

The Company paid dividends totaling $0.20 per share during 2012, reduced from $0.36 per share during 2011. However, as a result of the state of the U.S. economy, constrained capital markets, and the difficult retail environment, there can be no assurance that the Company will not be forced, once again, to reduce or suspend (as done on April 2, 2009 until reinstituted on January 20, 2010) the payment of dividends.

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

Any instability in the credit markets may negatively impact our ability to access 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 grocery-anchored community shopping centers. Our performance therefore is linked to economic conditions in the market for retail space generally.

Our properties consist primarily of grocery-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 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 and/or the value of our properties. Our ability to lease space and negotiate and maintain favorable rents could also be negatively impacted by the state of the U.S. economy. Moreover, the demand for leasing space in our shopping centers 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 experienced, 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. 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

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markets in which we presently operate, any sustained unemployment may have a continuing negative impact on sales by our tenants at our various shopping centers.

There has been ongoing pressure on prices of petroleum products resulting from actual or potential dislocations in the world s supply caused by political turmoil in countries which are major sources or distribution links for such products. This has tended to adversely impact the pricing of gasoline, among other products, in this country, which may cause shoppers to restrict their trips by automobile to shopping centers, reduce their purchases of gasoline and other products from the fuel service stations at several of our properties, as well as reduce their levels of discretionary spending, all of which, in turn, could adversely affect sales at our properties.

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;
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. increased operating costs, including real estate taxes, insurance premiums, utilities, and 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. an inability to arrange property-specific replacement financing for maturing mortgage loans in acceptable amounts and/or on acceptable terms.

Our substantial indebtedness and any constraints on credit may impede our operating performance, and put us at a competitive disadvantage.

Our substantial debt may harm our business and operating results by (1) 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 amounts available for distributions, (2) placing us at a competitive disadvantage compared to competitors that have less debt or debt at more favorable terms, (3) making us more vulnerable to economic and industry downturns and reducing our flexibility in responding to changing business and economic conditions, and (4) limiting our ability to borrow more money for operations or capital expenditures. In addition, increases in interest rates may impede our operating performance and put us at a competitive disadvantage. Further, payments of required debt service or amounts due at maturity, or creation of additional reserves under loan agreements, could adversely affect our liquidity.

If we fail to dispose of properties presently held for sale or reduce our outstanding indebtedness, our financial condition and results of operations may be adversely affected.

We have announced plans to dispose of certain shopping centers and land parcels owned by us and to use the proceeds from the dispositions to reduce our outstanding indebtedness. If we fail to dispose of these properties in a timely fashion or if we do not realize the proceeds presently anticipated from such sales, we will not be able to reduce our outstanding debt as presently planned and we may require new or additional impairment provisions, which would adversely affect our financial condition and results of operations.

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 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 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 a major tenant fails to renew its lease(s) or vacates one or more properties and prevents us from re-leasing such premises by continuing to pay base rent for the balance of the lease terms. In addition, the loss of such a major tenant could result in lease terminations or reductions in rent by other tenants at the affected properties, as provided in their respective leases.

We may be restricted from re-leasing space based on existing exclusivity lease provisions with some of our tenants. In these cases, the 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, which limits the ability of other tenants within that center to sell such merchandise or provide such services. When re-leasing space after a vacancy by one of such other tenants, such lease provisions may limit the number and types of prospective tenants for the

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vacant space. The failure to re-lease space or to re-lease space on satisfactory terms could harm operating results.

Any bankruptcy filings by, or relating to, one of our tenants or a lease guarantor would generally bar efforts by us to collect pre-bankruptcy debts from that tenant, or lease guarantor, unless we receive an order permitting us to do so from the bankruptcy court. A bankruptcy by a tenant or lease guarantor could delay efforts to collect past due balances, and could ultimately preclude full or, in fact, any collection of such sums. If a lease is affirmed by the tenant in bankruptcy, all pre-bankruptcy balances due under the lease must generally be paid in full. However, if a lease is disaffirmed by a tenant in bankruptcy, we would have only an 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 creditors. It is possible, and indeed likely, that we would recover substantially less than, or in fact no portion of, the full value of any unsecured claims we hold, which may in turn harm our financial condition.

Specifically, Giant Food Stores, LLC, Stop & Shop, Inc. and Martin s at Glen Allen, each of which is owned by Ahold N.V., a Netherlands corporation, leased an aggregate of approximately 13% of the Company s GLA at December 31, 2012, and accounted for an aggregate of approximately 15% of the Company s total revenues during 2012. No other tenant leased more than 10% of GLA at December 31, 2012 or contributed more than 10% of total revenues during 2012.

New Technology developments may impact customer traffic at certain tenants stores and ultimately sales at such stores.

We may be adversely affected by developments of new technology which may cause the business of certain of our tenants to become substantially diminished or functionally obsolete, with the result that such tenants may be unable to pay rent, become insolvent, file for bankruptcy protection, close their stores, or terminate their leases. Examples of the potentially adverse effects of new technology on retail businesses include, amongst other things, the advent of on-line movie rentals on video stores, the effect of e-books and small screen readers on book stores, and increased sales of many products on-line .

Substantial recent annual increases in on-line sales have also caused many retailers to sell products on line on their websites with pick-ups at a store or warehouse or through deliveries. With special reference to our principal tenants, on-line grocery orders are available and especially useful in urban areas, but have not yet become a major factor affecting grocers in our portfolio.

Competition may impede our ability to renew leases or re-let spaces as leases expire, which could harm our business and operating results.

We also face competition from similar retail centers within our respective trade areas that may affect our ability to renew leases or re-let space as leases expire. Certain national retail chain bankruptcies and resulting store closings/lease disaffirmations have generally resulted in increased available retail space which, in turn, has resulted in increased competitive pressure to renew tenant leases upon expiration and to find new tenants for vacant space at such properties. 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 tenant and/or capital

improvements to properties beyond those that we would otherwise have planned to make. Any unbudgeted tenant and/or capital improvements we undertake may reduce cash that would otherwise be available for distributions to shareholders. Ultimately, to the extent we are unable to renew leases or re-let space as leases expire, our business and operations could be negatively impacted.

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

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 sell or otherwise transfer any ownership interest, to further mortgage the applicable property, to enter into leases, or to discontinue insurance coverage. Our ability to borrow under our secured revolving credit facilities is subject to compliance with these financial and other covenants, including restrictions on property eligible for collateral, the payment of dividends, and overall restrictions on the amount of indebtedness we can incur. If we breach covenants in our debt agreements, the lenders could declare a default and require us to repay the debt immediately and, if the debt is secured, could take possession of the property or properties securing the loan.

A substantial portion of our properties straddle the Washington DC to Boston corridor, which exposes us to greater economic risks than if our properties were owned in several geographic regions.

Our properties are located largely in the region that straddles the Washington DC to Boston corridor, which exposes us to greater economic risks than if we owned properties in more geographic regions (in particular, 31 of our consolidated properties are located in Pennsylvania). Any adverse economic or real estate developments resulting from the regulatory environment, business climate, fiscal problems or weather in such regions could have an adverse impact on our prospects. 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 markets. High barriers to entry in the Washington DC to Boston corridor due to mature economies, road patterns, density of population, restrictions on development, and high land costs, coupled with large numbers of often overlapping government jurisdictions, may make it difficult for the Company to continue to grow in these areas.

Our success depends on key personnel whose continued service is not guaranteed.

Our success depends on the efforts of key personnel, whose continued service is not guaranteed. Key personnel could be lost because we could not offer, among other things, competitive compensation programs. The loss of services of key personnel could materially and adversely affect our operations because of diminished relationships with lenders, sources of equity capital, construction companies, and existing and prospective tenants, and the ability to conduct our business and operations without material disruption.

Natural disasters and severe weather conditions could have an adverse impact on our cash flow and operating results.

Some of our properties could be subject to potential natural or other disasters. In addition, we may acquire properties that are located in areas which are subject to natural disasters. Properties could also be affected by increases in the frequency or severity of hurricanes or other storms, whether such increases are caused by global climate changes or other factors. The occurrence of natural disasters or severe weather conditions can increase investment costs to repair or replace damaged properties, increase operating costs, increase future property insurance costs, and/or negatively impact the tenant demand for lease space. If insurance is unavailable to us, or is unavailable on acceptable terms, or if our insurance is not adequate to cover business interruption or losses from such events, our earnings, liquidity and/or capital resources could be adversely affected.

Potential losses may not be covered by insurance.

Potential losses may not be covered by insurance. We carry comprehensive liability, fire, flood, extended coverage and rental loss insurance under a blanket policy covering all of our properties. 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 losses such as from war, nuclear accidents, and nuclear, biological and chemical occurrences from terrorist s acts. Some of the insurance, such as that covering losses due to wind, floods and earthquakes, is 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 losses that are uninsured or that exceed 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 could harm the demand for, and the value of, our properties.

Future terrorist attacks, such as the attacks that occurred in New York, Pennsylvania and Washington, DC 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 be subject to substantial cost increases. To the extent that our tenants are impacted by future attacks, their ability to continue to honor obligations under their existing leases could be adversely affected.

If we fail to continue as a REIT, our distributions will not be deductible, and our income will be subject to taxation, thereby reducing earnings available for distribution.

If we do not continue to qualify as a REIT, our distributions will not be deductible, and our income will be subject to taxation, reducing earnings available for distribution. We have elected to be taxed as a REIT under the 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. In addition, if we did not continue to qualify as a REIT, we may also be

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subject to state and local income taxes in certain of the jurisdictions in which our properties are located.

We intend to make distributions to shareholders 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, borrow funds or pay a portion of the dividend in common stock to meet the 90% distribution requirement of the Code. Certain assets generate substantial differences between taxable income and income recognized in accordance with accounting principles generally accepted in the United States (GAAP). Such assets include, without limitation, operating real estate that was 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 Code requirement to distribute a substantial portion of our otherwise net taxable income in order to maintain REIT status could cause us to (1) distribute amounts that could otherwise be used for future acquisitions, capital expenditures or repayment of debt, (2) borrow on unfavorable terms, (3) sell assets on unfavorable terms, or (4) pay a portion of our common dividend in common stock. If we fail to obtain debt or equity capital in the future, it could limit our operations and 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 tax legislation which reduced the maximum tax rate for dividends payable to individuals from 35% to 15% (through 2012). For years beginning in 2013, the maximum tax rate for dividends payable to individuals is 39.6% and dividends from REITS do not qualify for the new reduced rate of 20%. In addition, certain high income individuals may be subject to an additional 3.8% tax on certain investment income, including dividends and capital gains. Although this legislation does not adversely affect the taxation of REITs or the dividends paid deduction for REITs, the more favorable rates applicable to regular corporate dividends could cause investors to perceive investments in REITs to be relatively less attractive than investments in the stock of corporations that pay dividends qualifying for reduced rates of tax which, in turn, could adversely affect the value of the stock of REITs.

We could incur significant costs related to government regulation and litigation over environmental matters and various other federal, state and local regulatory requirements.

We could incur significant costs related to government regulations 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 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 cleanup 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 properties, we are potentially liable for removal or remediation costs, as well as certain other related costs and liabilities, including governmental fines, injuries to persons, and damage to property.

We may incur significant costs complying with the Americans with Disabilities Act of 1990, as amended, and similar laws, which require that all public accommodations meet federal

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requirements related to access and use by disabled persons, and with various other federal, state and local regulatory requirements, such as state and local fire and life safety requirements.

The Company believes environmental studies conducted at the time of acquisition with respect to all of our properties did not reveal any material environmental liabilities, and we are unaware of any subsequent environmental matters that would have created a material liability. We believe that our properties are currently in material compliance with applicable environmental, as well as non-environmental, statutory and regulatory requirements. If one or more of our properties were not in compliance with such federal, state and local laws, we could be required to incur additional costs to bring the property into compliance. If we incur substantial costs to comply with such requirements, our business and operations could be adversely affected. If we fail to comply with such requirements, we might incur governmental fines or private damage awards. We cannot presently determine whether existing requirements will change or whether future requirements will require us to make significant unanticipated expenditures that will adversely impact our business and operations.

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 and Maryland law contain provisions that may delay, defer or prevent a change of control transaction and depress the price of our common stock. The charter, subject to certain exceptions, authorizes 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, but may not grant an exemption from the ownership limit to any proposed transferee whose direct or indirect ownership 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 continue to qualify as, or to be, a REIT. This 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 interests of shareholders. Our Board of Directors has waived the ownership limit to permit each of Inland American Real Estate Trust, Inc. (Inland), RioCan Real Estate Investment Trust (RioCan), and Cohen and Steers Capital Management, Inc. to acquire up to 14%, 16% and 15%, respectively, of our stock. Upon the sale by RioCan in February 2013 of all of its holdings, our waiver terminated. In addition, Inland has agreed to various voting restrictions and standstill provisions.

We may authorize and issue stock and OP Units without shareholder approval. Our charter authorizes the Board of Directors to issue additional shares of common or preferred stock, to issue additional OP Units, to classify or reclassify any unissued shares of common or preferred stock, and to set the preferences, rights and other terms of such classified or unclassified shares. In connection with obtaining shareholder approval to increase the number of authorized shares of preferred stock, we have agreed not to use our preferred stock for anti-takeover purposes or in connection with a shareholder rights plan unless we obtain shareholder approval. Certain provisions of the Maryland General Corporation Law (the 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:

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1. business combination provisions that, subject to limitations, prohibit certain business combinations between us and an interested stockholder (defined generally as any person or an affiliate thereof who beneficially owns 10% or more of the voting power of our shares) 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

2. 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 shareholders 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, the 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.

Item 1B. Unresolved Staff Comments: None

Item 3. Legal Proceedings

The Company is not presently involved in any litigation, nor, to its knowledge, is any litigation threatened against the Company or its subsidiaries, which is either not covered by the Company s liability insurance, or, in management s opinion, would result in a material adverse effect on the Company s financial position or results of operations.

Item 4. Mine Safety Disclosures: Not applicable

Directors and Executive Officers of the Company

Information regarding the Company s directors and executive officers is set forth below:

Name	Age	Position
Bruce J. Schanzer	44	Chief Executive Officer and President, Director
Roger M. Widmann	73	Chairman of the Board of Directors
James J. Burns	73	Director
Pamela N. Hootkin	65	Director
Paul G. Kirk Jr.	75	Director
Everett B. Miller III	67	Director
Philip R. Mays	45	Chief Financial Officer
Brenda J. Walker	60	Vice President Chief Operating Officer

Bruce J. Schanzer has been President, Chief Executive Officer and a director of the Company since June 2011. Prior thereto and since 2007, Mr. Schanzer was employed by Goldman Sachs & Co., with his most recent position being a managing director in the real estate investment banking group. From 2001 to 2007, he was employed by Merrill Lynch, with his last position being vice president in their real estate investment banking group. Earlier in his career, Mr. Schanzer practiced real estate law for six years in New York. Mr. Schanzer received a B.A.

from Yeshiva University, an M.B.A. from the University of Chicago, and a J.D. from the Benjamin N. Cardozo School of Law, where he was a member of the Law Review.

Roger M. Widmann, a director since October 2003, the non-executive Chairman of the Board since June 2011, and a member of the Compensation and Nominating/Corporate Governance Committees, is an investment banker. He was a principal of the investment banking firm of Tanner & Co., Inc. from 1997 to 2004. From 1986 to 1995, Mr. Widmann was a senior managing director of Chemical Securities, Inc., a subsidiary of Chemical Banking Corporation (now JPMorgan Chase Corporation). Prior to joining Chemical Securities, Inc., Mr. Widmann was a founder and managing director of First Reserve Corporation, the largest independent energy investing firm in the U.S. Previously, he was senior vice president with the investment banking firm of Donaldson, Lufkin & Jenrette, responsible for the firm s domestic and international investment banking business. He had also been a vice president with New Court Securities (now Rothschild, Inc.). He was a director of Lydall, Inc. (listed on the New York Stock Exchange), a manufacturer of thermal, acoustical and filtration materials, from 1974 to 2004, and its chairman from 1998 to 2004. He is a director of Standard Motor Products, Inc. (listed on the New York Stock Exchange), a manufacturer of automobile replacement parts, is Chairman of Keystone National Group, a fund of private equity funds, and is Chairman and CEO of Cutwater Associates LLC, a corporate advisory firm. He is also a senior moderator of the Aspen Seminar at The Aspen Institute and Vice Chairman of Oxfam America. Mr. Widmann received an B.A. from Brown University and a J.D. from the Columbia University School of Law.

James J. Burns, a director since 2001 and a member of the Audit (Chair) and Nominating/Corporate Governance Committees, was chief financial officer and senior vice president of Reis, Inc. (formerly Wellsford Real Properties, Inc.) from December 2000 until March 2006, and vice chairman from April 2006 until March 2009, when he entered into a consulting role at that company (where he continues to have the primary responsibility for income tax reporting and compliance). He joined Reis in October 1999 as chief accounting officer upon his retirement from Ernst & Young LLP in September 1999. At Ernst & Young LLP, Mr. Burns was a senior audit partner in the E&Y Kenneth Leventhal Real Estate Group for 22 years. Since 2000, Mr. Burns has also served as a director of One Liberty Properties, Inc., a real estate investment trust listed on the New York Stock Exchange. Mr. Burns is a certified public accountant and a member of the American Institute of Certified Public Accountants. Mr. Burns received a B.A. and M.B.A. from Baruch College of the City University of New York.

Pamela N. Hootkin, a director since June 2008 and a member of the Audit and Compensation Committees, retired at the end of April 2012 from her position as senior vice president at PVH Corp. (formerly Phillips-Van Heusen Corporation), a position she held since since May 2010. She joined PVH Corp. in 1988 as vice president, treasurer and corporate secretary; in 1999 she became vice president, treasurer and director of investor relations, and in June 2007 she became senior vice president, treasurer and director of investor relations. From 1986 to 1988, Ms. Hootkin was vice president and chief financial officer of Yves Saint Laurent Parfums, Inc. From 1975 to 1986, she was employed by Squibb Corporation in various capacities, with her last position being vice president and treasurer of a division of Squibb. Ms. Hootkin is a board member of Safe Horizon, New York (a not-for-profit organization) where she also serves on the executive, finance and audit committees. Ms. Hootkin received a B.A. from the State University of New York at Binghamton and a M.A. from Boston University.

Paul G. Kirk, Jr., a director from 2005 to September 2009, when he resigned as the result of his appointment as a United States Senator for Massachusetts to the seat previously held by

the late Senator Edward M. Kennedy, and re-elected to the Board in June 2010, is a member of the Compensation and Nominating/Corporate Governance (Chair) Committees, and is a retired partner of the law firm of Sullivan & Worcester, LLP of Boston, MA. He was a member of the firm from 1977 through 1990. He also serves as Chairman and CEO of Kirk & Associates, Inc., a business advisory and consulting firm, and currently serves on the Board of Directors of the Hartford Financial Services Group, Inc. He has previously served on the Boards of Directors of Rayonier, Incorporated (a real estate investment trust listed on the New York Stock Exchange) (1994 to 2011), ITT Corporation (1989 to 1997) and Bradley Real Estate, Inc. (1991 to 2000), a real estate investment trust that was subsequently acquired by Heritage Property Investment Trust, Inc. Mr. Kirk was a founding Director of the John F. Kennedy Library Foundation and served as its Chairman from 1992 to 2009. He was a founding Director of the Commission on Presidential Debates and served as its Co-Chairman from 1987 to 2009. From 1985 to 1989, Mr. Kirk served as Chairman of the Democratic Party of the U.S., and from 1983 to 1985 as its Treasurer. A graduate of Harvard College and Harvard Law School, Mr. Kirk is past-Chairman of the Harvard Board of Overseers Nominating Committee and of the Harvard Board of Overseers Committee to Visit the Department of Athletics. He has received many awards for civic leadership and public service, including honorary doctors of law degrees from Stonehill College and the Southern New England School of Law.

Everett B. Miller, III, a director since 1998 and a member of the Audit and Compensation (Chair) Committees, has been since July 2012 the Director of the Real Estate Bureau of the New York State Common Retirement Fund. In July 2012, Mr. Miller resigned his position as a member of the Real Estate Advisory Committee of the New York State Common Retirement Fund, a position he held since March 2003, in order to accept his current position. He retired at the end of 2011 from his position as vice president of alternative investments at the YMCA Retirement Fund, a position he held since September 2003. Prior to his retirement in May 2002 from Commonfund Realty, Inc., a registered investment advisor, Mr. Miller was the chief operating officer of that company from 1997 until May 2002. From January 1995 through March 1997, Mr. Miller was the Principal Investment Officer for Real Estate and Alternative Investment at the Office of the Treasurer of the State of Connecticut. Prior thereto, Mr. Miller was employed for eighteen years at affiliates of Travelers Realty Investment Co., at which his last position was senior vice president. Mr. Miller received a B.S. from Yale University.

Philip R. Mays has been Chief Financial Officer of the Company since June 2011. From May 2005 until June 2011, Mr. Mays was employed by Federal Realty Investment Trust, a publicly-traded equity REIT specializing in shopping centers, where he initially served as Controller, was subsequently promoted to Chief Accounting Officer in September 2006, and again to Vice President, Chief Accounting Officer in February 2007. Prior to joining Federal Realty, he was Vice President of Finance and Corporate Controller for CRIIMI MAE, Inc. from June 2004 until May 2005. Earlier in his career, Mr. Mays held various accounting and finance positions, including seven years as an accountant at Ernst & Young, LLP, with his last position being senior manager, and where he supervised audits and assisted clients in the real estate, construction and hospitality industries, including publicly-traded REITs. Mr. Mays is a certified public accountant and a member of the American Institute of Certified Public Accountants. Mr. Mays received a B.S. degree from Jacksonville University, Florida.

Brenda J. Walker has been a vice president of the Company since 1998, was elected Chief Operating Officer in 2009, was a director from 1998 until June 2008, and was treasurer from April 1998 until November 1999. She was an executive officer since 1992 of the real estate management companies, and their respective predecessors and affiliates, which were merged into the Company in 2003. Ms. Walker has been involved in real estate-related finance, property and

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asset management for more than thirty-five years. Ms. Walker received a B.A. from Lincoln University, Pennsylvania.

Part II.

Item 5. Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Dividend Information

A corporation electing REIT status is required to distribute at least 90% of its REIT taxable income , as defined in the Code, to continue qualification as a REIT. In keeping with its stated goal of reducing overall leverage, and in order to maximize financial flexibility, the Company paid dividends totaling $0.20 per share during 2012, reduced from $0.36 per share during 2011. While the Company intends to continue paying regular quarterly dividends, future dividend declarations will continue to be at the discretion of the Board of Directors, and will depend on the cash flow and financial condition of the Company, capital requirements, annual distribution requirements under the REIT provisions of the Code, and such other factors as the Board of Directors may deem relevant.

Market Information

The Company had 71,817,310 shares of common stock outstanding held by approximately 700 shareholders of record at December 31, 2012. The Company believes it has more than 5,000 beneficial holders of its common stock. The Company s shares trade on the NYSE under the symbol CDR . The following table sets forth, for each quarter for the last two years, (1) the high, low, and closing prices of the Company s common stock, and (2) dividends paid:

Quarter ended	Market price range			Dividends
2012	**High**	**Low**	**Close**	**paid**
March 31	$ 5.30	$ 4.35	$ 5.12	$ 0.05
June 30	5.45	4.53	5.05	0.05
September 30	5.80	4.65	5.28	0.05
December 31	5.73	4.60	5.28	0.05
2011				
March 31	$ 6.58	$ 5.26	$ 6.03	$ 0.09
June 30	6.27	4.82	5.15	0.09
September 30	5.44	3.01	3.11	0.09
December 31	4.71	2.65	4.31	0.09

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Stockholder Return Performance Presentation

The following line graph sets forth for the period January 1, 2008 through December 31, 2012 a comparison of the percentage change in the cumulative total stockholder return on the Company s common stock compared to the cumulative total return of the Russell 2000 index and the National Association of Real Estate Investment Trusts Equity REIT Total Return Index. The graph assumes that the shares of the Company s common stock were bought at the price of $100 per share and that the value of the investment in each of the Company s common stock and the indices was $100 at the beginning of the period. The graph further assumes the reinvestment of dividends when paid.

	Period Ending					
Index	01/01/08	12/31/08	12/31/09	12/31/10	12/31/11	12/31/12
Cedar Realty Trust, Inc.	100.00	75.14	74.32	71.65	53.18	67.76
Russell 2000	100.00	66.21	84.20	106.82	102.36	119.09
NAREIT All Equity REIT Index	100.00	62.27	79.70	101.98	110.42	132.18

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Item 6. Selected Financial Data (a)

	Years ended December 31,				
	2012	**2011**	**2010**	**2009**	**2008**
Operations data:					
Total revenues	$ 140,583,000	$ 134,828,000	$ 130,998,000	$ 139,818,000	$ 126,551,000
Expenses:					
Property operating expenses	40,551,000	44,035,000	41,599,000	40,283,000	34,860,000
General and administrative	14,277,000	10,740,000	9,537,000	10,158,000	8,586,000
Management transition charges and employee termination costs	1,172,000	6,875,000			
Impairment charges	5,779,000	7,148,000	2,493,000	23,636,000	
Acquisition transaction costs and terminated projects	116,000	1,436,000	3,958,000	4,367,000	855,000
Depreciation and amortization	44,540,000	43,105,000	34,735,000	42,715,000	36,969,000
Total expenses	106,435,000	113,339,000	92,322,000	121,159,000	81,270,000
Operating income	34,148,000	21,489,000	38,676,000	18,659,000	45,281,000
Non-operating income and expense:					
Interest expense	(41,966,000)	(41,746,000)	(45,559,000)	(41,548,000)	(36,557,000)
Interest income	191,000	349,000	21,000	63,000	271,000
Equity in income of unconsolidated joint ventures	1,481,000	1,671,000	484,000	1,098,000	956,000
Gain (loss) on exit from unconsolidated joint ventures	30,526,000	(7,961,000)			
Gain on sales	997,000	130,000		521,000	
Total non-operating income and expense	(8,771,000)	(47,557,000)	(45,054,000)	(39,866,000)	(35,330,000)
Income (loss) before discontinued operations	25,377,000	(26,068,000)	(6,378,000)	(21,207,000)	9,951,000
Income (loss) from discontinued operations	8,638,000	(82,446,000)	(37,806,000)	4,196,000	10,847,000
Net income (loss)	34,015,000	(108,514,000)	(44,184,000)	(17,011,000)	20,798,000
Less, net loss (income) attributable to noncontrolling interests					
Minority interests in consolidated joint ventures	(4,335,000)	2,507,000	1,613,000	(772,000)	(2,157,000)
Limited partners interest in Operating Partnership	26,000	2,446,000	1,282,000	912,000	(468,000)
Net income (loss) attributable to Cedar Realty Trust, Inc.	29,706,000	(103,561,000)	(41,289,000)	(16,871,000)	18,173,000
Preferred stock dividends and redemption costs	(19,817,000)	(14,200,000)	(10,196,000)	(7,876,000)	(7,877,000)
Net income (loss) attributable to common shareholders	$ 9,889,000	$ (117,761,000)	$ (51,485,000)	$ (24,747,000)	$ 10,296,000
Per common share (basic and diluted) attributable to common shareholders:					
Continuing operations	$ 0.07	$ (0.61)	$ (0.24)	$ (0.60)	$ (0.01)
Discontinued operations	0.06	(1.18)	(0.57)	0.06	0.24
	$ 0.13	$ (1.79)	$ (0.81)	$ (0.54)	$ 0.23
Amounts attributable to Cedar Realty Trust, Inc. common shareholders, net of limited partners interest					
Income (loss) from continuing operations	$ 5,935,000	$ (39,348,000)	$ (15,623,000)	$ (27,711,000)	$ (85,000)
Income (loss) from discontinued operations	3,954,000	(78,413,000)	(35,862,000)	2,964,000	10,381,000

Net income (loss)	$ 9,889,000	$ (117,761,000)	$ (51,485,000)	$ (24,747,000)	$ 10,296,000
Dividends to common shareholders	$ 14,402,000	$ 24,705,000	$ 17,749,000	$ 9,742,000	$ 40,027,000
Per common share	$ 0.2000	$ 0.3600	$ 0.2700	$ 0.2025	$ 0.9000
Weighted average number of common shares basic and diluted	68,017,000	66,387,000	63,843,000	46,234,000	44,475,000

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Item 6. Selected Financial Data (a) (continued)

	Years ended December 31,				
	2012	2011	2010	2009	2008
Balance sheet data:					
Real estate, net	$ 1,222,743,000	$ 1,167,275,000	$ 1,126,370,000	$ 1,140,876,000	$ 1,038,825,000
Real estate to be transferred to a joint venture				139,743,000	194,952,000
Real estate held for sale/conveyance	77,793,000	211,679,000	355,102,000	399,122,000	426,217,000
Investment in unconsolidated joint ventures		44,743,000	52,466,000	14,113,000	4,976,000
Other assets	69,367,000	88,466,000	88,549,000	91,264,000	70,058,000
Total assets	$ 1,369,903,000	$ 1,512,163,000	$ 1,622,487,000	$ 1,785,118,000	$ 1,735,028,000
Mortgages and loans payable	$ 761,216,000	$ 753,060,000	$ 680,718,000	$ 797,146,000	$ 769,902,000
Mortgage loans payable real estate to be transferred to a joint venture				94,018,000	77,307,000
Mortgage loans payable real estate held for sale/conveyance	23,258,000	124,888,000	159,395,000	161,283,000	166,264,000
Other liabilities	63,679,000	73,827,000	76,850,000	106,269,000	116,361,000
Total liabilities	848,153,000	951,775,000	916,963,000	1,158,716,000	1,129,834,000
Noncontrolling interest limited partners mezzanine OP Units	623,000	4,616,000	7,053,000	12,638,000	14,257,000
Equity:					
Cedar Realty Trust, Inc. shareholders equity	513,656,000	493,843,000	630,066,000	538,456,000	523,521,000
Noncontrolling interests	7,471,000	61,929,000	68,405,000	75,308,000	67,416,000
Total equity	521,127,000	555,772,000	698,471,000	613,764,000	590,937,000
Total liabilities and equity	$ 1,369,903,000	$ 1,512,163,000	$ 1,622,487,000	$ 1,785,118,000	$ 1,735,028,000
Other data:					
Funds From Operations (FFO) (b)	$ 26,717,000	$ 26,520,000	$ 29,510,000	$ 51,776,000	$ 56,859,000
Cash flows provided by (used in):					
Operating activities	$ 50,588,000	$ 39,246,000	$ 41,702,000	$ 51,942,000	$ 60,815,000
Investing activities	$ 50,114,000	$ (64,241,000)	$ (29,834,000)	$ (70,026,000)	$ (151,390,000)
Financing activities	$ (105,250,000)	$ 22,899,000	$ (14,866,000)	$ 27,017,000	$ 75,517,000
Square feet of GLA	9,820,000	9,566,000	8,989,000	8,782,000	7,827,000
Percent occupied	91.9%	91.6%	90.5%	91.2%	92.4%
Average annualized base rent per square foot	$ 11.90	$ 11.52	$ 11.33	$ 10.90	$ 10.66

(a) The data presented reflect certain reclassifications of prior period amounts to conform to the 2012 presentation, principally to reflect the sale and/or as held for sale/conveyance of certain operating properties and the treatment thereof as discontinued operations . The reclassifications had no impact on the previously-reported net income attributable to common shareholders or earnings per share.

(b) See Items 7 Management Discussion and Analysis of Financial Condition and Results of Operations for a reconciliation of FFO to net income(loss) attributable to common shareholders.

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Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the Company s consolidated financial statements and related notes thereto included elsewhere in this report.

Executive Summary

The Company is a fully-integrated real estate investment trust which focuses primarily on ownership and operation of grocery-anchored shopping centers straddling the Washington DC to Boston corridor. At December 31, 2012, the Company owned and managed a portfolio of 67 operating properties (excluding properties held for sale/conveyance) totaling approximately 9.8 million square feet of gross leasable area (GLA). The portfolio was 91.9% occupied at December 31, 2012.

In keeping with its stated goal of reducing overall leverage to an appropriate level by selling non-core assets, the Company determined in 2011 (1) to completely exit the Ohio market, principally the Discount Drug Mart portfolio of drugstore/convenience centers, and concentrate on the region that straddles the Washington DC to Boston corridor, (2) to concentrate on grocery-anchored strip centers, by disposing of its mall and single-tenant/triple-net-lease properties, (3) to focus on improving operations and performance at the Company s remaining properties, and (4) to reduce development activities, by disposing of certain development projects, land acquired for development, and other non-core assets.

On October 10, 2012, the Company concluded definitive agreements with RioCan to exit the 20% Cedar / 80% RioCan joint venture that owned 22 retail properties. On October 12, 2012, the Company concluded definitive agreements with HII relating to the application of the buy/sell provisions of the joint venture agreements for each of the nine properties owned by the joint venture. See Significant Transactions below for additional information relating to these transactions.

The Company, organized as a Maryland corporation, has established an umbrella partnership structure through the contribution of substantially all of its assets to Cedar Realty Trust 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, 2012, the Company owned 99.6% of the Operating Partnership and is its sole general partner. The approximately 281,000 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 Company focuses its investment activities on grocery-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.

Significant Transactions

As discussed above, the Company developed a disposition plan with the stated goal of reducing overall leverage to an appropriate level by selling non-core assets. 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 to be assumed by the buyers (or conveyed to the mortgagee), have been reclassified as held for sale/conveyance on the Company s consolidated balance sheets at December 31, 2012 and December 31, 2011. In addition, the properties results of operations have been classified as discontinued operations for all periods presented.

The following table details the acquisitions and dispositions of properties during 2012:

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Acquisitions of noncontrolling interests in consolidated properties

Property	Location	GLA	Date Acquired	Purchase Price
Meadows Marketplace (a)	Hershey, PA	91,518	10/12/2012	$ 13,375,000
Fieldstone Marketplace (a)	New Bedford, MA	193,970	10/12/2012	13,955,000
				$ 27,330,000

Acquisition of unconsolidated joint venture property

Property	Location	GLA	Date Acquired	Purchase Price
Franklin Village Plaza (b)	Franklin, MA	304,347	10/10/2012	$ 75,127,000

Dispositions of consolidated properties

Property	Location	GLA	Date Sold	Sales Price
Hilliard Discount Drug Mart Plaza	Hilliard, OH	40,988	2/7/2012	$ 1,434,000
First Merit Bank at Akron	Akron, OH	3,200	2/23/2012	633,000
Grove City Discount Drug Mart Plaza	Grove City, OH	40,848	3/12/2012	1,925,000
CVS at Naugatuck (50% interest)	Naugatuck, CT	13,225	3/20/2012	3,350,000
CVS at Bradford	Bradford, PA	10,722	3/30/2012	967,000
CVS at Celina	Celina, OH	10,195	3/30/2012	1,449,000
CVS at Erie	Erie, PA	10,125	3/30/2012	1,278,000
CVS at Portage Trail	Akron, OH	10,722	3/30/2012	1,061,000
Rite Aid at Massillon	Massillon, OH	10,125	3/30/2012	1,492,000
Kingston Plaza	Kingston, NY	5,324	4/12/2012	1,182,000
Stadium Plaza	East Lansing, MI	77,688	5/3/2012	5,400,000
Blue Mountain Commons (land parcel)	Harrisburg. PA	N/A	6/19/2012	102,000
Oregon Pike (land parcel)	Lancaster, PA	N/A	6/28/2012	1,100,000
Trindle Springs (land parcel)	Mechanicsburg, PA	N/A	7/20/2012	800,000
Aston (land parcel)	Aston, PA	N/A	7/27/2012	1,365,000
Homburg Joint Venture (20 % interest in seven properties)	Various	560,772	10/12/2012	23,642,000
The Point at Carlisle	Carlisle, PA	182,859	10/15/2012	7,350,000
Wyoming (land parcel)	Wyoming, MI	N/A	11/16/2012	1,000,000
Total				$ 55,530,000

Dispositions of unconsolidated joint venture properties

Property	Location	GLA	Date Sold	Sales Price
Cedar/RioCan Joint Venture (20% interest in 21 properties)	Various	3,406,927	10/10/2012	$ 119,521,000

(a) As a result of acquiring the remaining 80% interest in these properties, the Company now owns a 100% interest.
(b) See below for information relating to the Company s exit from the Cedar/RioCan joint venture.

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On October 10, 2012, the Company concluded definitive agreements with RioCan Real Estate Investment Trust (RioCan) to exit the 20% Cedar / 80% RioCan joint venture that owns 22 retail properties. Pursuant to the agreements, the Company exchanged its 20% interest in the joint venture for (1) a 100% ownership interest in Franklin Village Plaza, located in Franklin, Massachusetts, at an agreed-upon value of approximately $75.1 million, including the assumption of related in-place mortgage financing of approximately $43.1 million, and (2) approximately $41.6 million in cash, which was initially used to reduce the outstanding balance under the Company s Credit Facility. The Company continued to manage the properties acquired by RioCan subject to a management agreement which was terminated effective January 31, 2013.

On October 12, 2012, the Company concluded definitive agreements with Homburg Invest Inc. (HII) relating to the application of the buy/sell provisions of the joint venture agreements for each of the nine properties owned by the joint venture. Pursuant to the agreements, the Company acquired HII s 80% ownership in Meadows Marketplace, located in Hershey, Pennsylvania, and Fieldstone Marketplace, located in New Bedford, Massachusetts, for approximately $27.3 million, including the assumption of related in-place mortgage financing of $21.8 million, giving the Company a 100% ownership interest in these two properties. In addition, the Company sold to HII its 20% ownership interest in the remaining seven joint venture properties for approximately $23.6 million, including the assumption of related in-place mortgage financing of $14.5 million. The Company s property management agreements for the sold properties terminated upon the closing of the sale.

Impairment charges and other write-offs are summarized as follows:

	Years ended December 31,		
	2012	**2011**	**2010**
Impairment charges Ohio property loan and land parcels (2012), land parcels (2011) and properties transferred to Cedar/RioCan joint venture (2010) (a)	$ 5,779,000	$ 7,148,000	$ 2,493,000
Loss on exit from unconsolidated joint venture (b)	$	$ 7,961,000	$
Impairment charges, net properties held for sale/conveyance (c)	$ 4,000	$ 88,458,000	$ 39,822,000

(a) Included in operating income in the accompanying statements of operations.
(b) Represents the write-off of an investment in an unconsolidated joint venture, and is included in non-operating income and expense in the accompanying statements of operations.
(c) Included in discontinued operations in the accompanying statements of operations.

Credit Facility

On January 26, 2012, the Company entered into a $300 million secured credit facility (the Credit Facility). The Credit Facility amends, restates and consolidates the Company s prior $185 million stabilized property revolving credit facility and its $150 million development property credit facility that were due to expire on January 31, 2012 and June 13, 2012, respectively. See Liquidity below for additional details.

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Summary of Critical Accounting Policies

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States (GAAP) requires the Company to make estimates and judgments that affect the reported amounts of assets and liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. On an ongoing basis, management evaluates its estimates, including those related to revenue recognition and the allowance for doubtful accounts receivable, real estate investments and purchase accounting allocations related thereto, asset impairment, and derivatives used to hedge interest-rate risks. Management s estimates are based both on information that is currently available and on various other assumptions management believes to be reasonable under the circumstances. Actual results could differ from those estimates and those estimates could be different under varying assumptions or conditions.

The Company has identified the following critical accounting policies, the application of which requires significant judgments and estimates:

Revenue Recognition

Rental income with scheduled rent increases is recognized using the straight-line method over the respective terms of the leases. The aggregate excess of rental revenue recognized on a straight-line basis over base rents under applicable lease provisions is included in straight-line rents receivable on the consolidated balance sheet. Leases also generally contain provisions under which the tenants reimburse the Company for a portion of property operating expenses and real estate taxes incurred; such income is recognized in the periods earned. In addition, certain operating leases contain contingent rent provisions under which tenants are required to pay a percentage of their sales in excess of a specified amount as additional rent. The Company defers recognition of contingent rental income until those specified targets are met.

The Company must make estimates as to the collectability of its accounts receivable related to base rent, straight-line rent, expense reimbursements and other revenues. Management analyzes accounts receivable by considering tenant creditworthiness, current economic conditions, and changes in tenants payment patterns when evaluating the adequacy of the allowance for doubtful accounts receivable. These estimates have a direct impact on net income, because a higher bad debt allowance would result in lower net income, whereas a lower bad debt allowance would result in higher net income.

Real Estate Investments

Real estate investments are carried at cost less accumulated depreciation. The provision for depreciation is calculated using the straight-line method based on estimated useful lives. Expenditures for maintenance, repairs and betterments that do not materially prolong the normal useful life of an asset are charged to operations as incurred. Expenditures for betterments that substantially extend the useful lives of real estate assets are capitalized.

Real estate investments include costs of development and redevelopment activities, and construction in progress. Capitalized costs, including interest and other carrying costs during the construction and/or renovation periods, are included in the cost of the related asset and charged to operations through depreciation over the asset s estimated useful life. The Company is required to make subjective estimates as to the useful lives of its real estate assets for purposes of determining the amount of depreciation to reflect on an annual basis. These assessments have a

direct impact on net income. A shorter estimate of the useful life of an asset would have the effect of increasing depreciation expense and lowering net income, whereas a longer estimate of the useful life of an asset would have the effect of reducing depreciation expense and increasing net income.

A variety of costs are incurred in the acquisition, development and leasing of a property, such as pre-construction costs essential to the development of the property, development costs, construction costs, interest costs, real estate taxes, salaries and related costs, and other costs incurred during the period of development. After a determination is made to capitalize a cost, it is allocated to the specific component of a project that is benefited. The Company ceases capitalization on the portions substantially completed and occupied, or held available for occupancy, and capitalizes only those costs associated with the portions under construction. The Company considers a construction project as substantially completed and held available for occupancy upon the completion of tenant improvements, but not later than one year from cessation of major development activity. Determination of when a development project is substantially complete and capitalization must cease involves a degree of judgment. The effect of a longer capitalization period would be to increase capitalized costs and would result in higher net income, whereas the effect of a shorter capitalization period would be to reduce capitalized costs and would result in lower net income.

The Company allocates the fair value of real estate acquired to land, buildings and improvements. In addition, the fair value of in-place leases is allocated to intangible lease assets and liabilities. The fair value of the tangible assets of an acquired property is determined by valuing the property as if it were vacant, which value is then allocated to land, buildings and improvements based on management s determination of the relative fair values of such assets. In valuing an acquired property s intangibles, factors considered by management include an estimate of carrying costs during the expected lease-up periods, such as real estate taxes, insurance, other operating expenses, and estimates of lost rental revenue during the expected lease-up periods based on its evaluation of current market demand. Management also estimates costs to execute similar leases, including leasing commissions, tenant improvements, legal and other related costs.

The values of acquired above-market and below-market leases are recorded based on the present values (using discount rates which reflect the risks associated with the leases acquired) of the differences between the contractual amounts to be received and management s estimate of market lease rates, measured over the terms of the respective leases that management deemed appropriate at the time of the acquisitions. Such valuations include a consideration of the non-cancellable terms of the respective leases as well as any applicable renewal period(s). The fair values associated with below-market rental renewal options are determined based on the Company s experience and the relevant facts and circumstances that existed at the time of the acquisitions. The values of above-market leases are amortized to rental income over the terms of the respective non-cancelable lease periods. The portion of the values of below-market leases associated with the original non-cancelable lease terms are amortized to rental income over the terms of the respective non-cancelable lease periods. The portion of the values of the leases associated with below-market renewal options that are likely of exercise are amortized to rental income over the respective renewal periods. The value of other intangible assets (including leasing commissions, tenant improvements, etc.) is amortized to expense over the applicable terms of the respective leases. If a lease were to be terminated prior to its stated expiration or not renewed, all unamortized amounts relating to that lease would be recognized in operations at that time.

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Management is required to make subjective assessments in connection with its valuation of real estate acquisitions. These assessments have a direct impact on net income, because (1) above-market and below-market lease intangibles are amortized to rental income, and (2) the value of other intangibles is amortized to expense. Accordingly, higher allocations to below-market lease liability and other intangibles would result in higher rental income and amortization expense, whereas lower allocations to below-market lease liability and other intangibles would result in lower rental income and amortization expense.

Management reviews each real estate investment for impairment whenever events or circumstances indicate that the carrying value of a real estate investment may not be recoverable. The review of recoverability is based on an estimate of the future cash flows that are expected to result from the real estate investment s use and eventual disposition. These estimates of cash flows consider factors such as expected future operating income, trends and prospects, as well as the effects of leasing demand, competition and other factors. If an impairment event exists due to the projected inability to recover the carrying value of a real estate investment, an impairment loss is recorded to the extent that the carrying value exceeds estimated fair value. A real estate investment held for sale is carried at the lower of its carrying amount or estimated fair value, less the cost of a potential sale. Depreciation and amortization are suspended during the period the property is held for sale. Management is required to make subjective assessments as to whether there are impairments in the value of its real estate properties. These assessments have a direct impact on net income, because an impairment loss is recognized in the period that the assessment is made.

New Accounting Pronouncements

See Note 2 of Notes to Consolidated Financial Statements included in Item 8 below for information relating to new accounting pronouncements.

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Results of Operations

Comparison of 2012 to 2011

	2012	2011	Change Dollars	Percent
Revenues	$ 140,583,000	$ 134,828,000	$ 5,755,000	4.3%
Property operating expenses	40,551,000	44,035,000	(3,484,000)	-7.9%
Property operating income	100,032,000	90,793,000	9,239,000	10.2%
General and administrative	(14,277,000)	(10,740,000)	(3,537,000)	32.9%
Management transition charges and employee termination costs	(1,172,000)	(6,875,000)	5,703,000	n/a
Impairment charges	(5,779,000)	(7,148,000)	1,369,000	n/a
Acquisition transaction costs and terminated projects	(116,000)	(1,436,000)	1,320,000	n/a
Depreciation and amortization	(44,540,000)	(43,105,000)	(1,435,000)	3.3%
Interest expense	(39,359,000)	(41,746,000)	2,387,000	-5.7%
Accelerated write-off of deferred financing costs	(2,607,000)		(2,607,000)	n/a
Interest income	191,000	349,000	(158,000)	-45.3%
Equity in income of unconsolidated joint ventures	1,481,000	1,671,000	(190,000)	-11.4%
Gain (loss) on exit from unconsolidated joint ventures	30,526,000	(7,961,000)	38,487,000	n/a
Gain on sales	997,000	130,000	867,000	n/a
Income (loss) from continuing operations	25,377,000	(26,068,000)	51,445,000	
Discontinued operations:				
Income from operations	3,963,000	5,128,000	(1,165,000)	-22.7%
Impairment charges, net	(4,000)	(88,458,000)	88,454,000	n/a
Gain on sales	4,679,000	884,000	3,795,000	n/a
Net income (loss)	34,015,000	(108,514,000)	142,529,000	
Net income (loss) attributable to noncontrolling interests	4,309,000	(4,953,000)	9,262,000	
Net income (loss) attributable to Cedar Realty Trust, Inc.	$ 29,706,000	$ (103,561,000)	$ 133,267,000	

Properties held in both periods. The Company held 65 properties (excluding properties held for sale/conveyance) throughout 2012 and 2011.

Revenues were higher primarily as a result of increases in (1) lease termination income ($3.0 million), (2) rental revenues and expense recoveries at properties acquired in the fourth quarter of 2012 and first quarter of 2011 ($1.8 million), and (3) rental revenues and expense recoveries at ground-up development properties ($1.7 million), offset by a decrease in expense recoveries at the Company s other operating properties ($1.0 million), due to lower property operating expenses.

Property operating expenses were lower primarily as a result of decreases in (1) payroll and related benefits and costs ($1.9 million), (2) snow removal costs ($1.8 million), and (3) administrative costs ($0.6 million), offset by an increase in real estate taxes ($0.9 million).

General and administrative expenses were higher primarily as a result of (1) increases in payroll and related benefits and costs ($2.5 million), and (2) costs related to share-based compensation ($1.0 million).

Management transition charges and employee termination costs in 2012 reflect separation arrangements and terminations of employment agreements relating primarily to employee headcount reductions instituted in connection with recent property dispositions and the exit from the Cedar/RioCan joint venture. Such costs consist of (1) severance and benefits ($0.7 million), (2) accelerated vesting of share-based compensation grants ($0.4 million), and (3) other costs ($0.1 million). Management transition charges and employee termination costs in 2011 relate to the retirement of the Company s then Chairman of the Board, Chief Executive Officer and President, and the end of the employment of the Company s then Chief Financial Officer, and include (1) an aggregate of approximately $3.7 million in cash severance payments (including the cost of related payroll taxes and benefits), (2) the write off of all amounts related to the vesting of restricted share-based compensation grants (an aggregate of approximately $2.0 million), and (3) approximately $1.2 million of other non-recurring costs, primarily professional fees and expenses related to the hiring of a new President/Chief Executive Officer and Chief Financial Officer.

Impairment charges in 2012 relate to (1) the write-off of the Ohio property loan receivable ($4.4 million), and (2) certain land parcels treated as held for sale/conveyance ($1.3 million). Impairment charges in 2011 relate to certain land parcels treated as held for sale/conveyance .

Acquisition transaction costs and terminated projects in 2012 include costs incurred related to property acquisitions. Acquisition transaction costs and terminated projects in 2011 include (1) costs incurred related to a property acquisition, and (2) the termination of several redevelopment projects that the Company determined would not go forward.

Depreciation and amortization expenses were higher primarily as a result of (1) the acquisition of a property in October 2012 ($0.7 million), (2) improvements being placed in service at ground-up development and redevelopment properties ($0.7 million), and (3) the write-off of tenant improvements for a tenant who vacated during 2012 ($0.3 million), offset by the completion of scheduled depreciation and amortization. ($0.2 million)

Interest expense decreased primarily as a result of (1) lower amortization of deferred financing costs related to the new credit facility entered into during the first quarter of 2012 ($2.2 million), (2) a decrease in the overall outstanding principal balance of debt ($1.0 million), and (3) a decrease in the overall weighted average interest rate ($0.5 million), offset by a decrease in capitalized interest ($1.3 million).

Accelerated write-off of deferred financing costs in 2012 relates to the write-off of unamortized fees associated with the Company s terminated stabilized property and development property credit facilities.

Equity in income of unconsolidated joint ventures was lower in 2012 as a result of lost revenues from the tenant at the then redevelopment joint venture in Philadelphia, Pennsylvania vacating the premises in April 2011 ($0.3 million), offset by an increase in operating results from the Cedar/RioCan joint venture through the date the Company concluded exit agreements, as more fully discussed elsewhere in this report ($0.1 million).

Gain (loss) on exit from unconsolidated joint ventures in 2012 relates to the exit from the Cedar/RioCan joint venture, as more fully discussed elsewhere in this report. Gain (loss) on exit from unconsolidated joint ventures in 2011 represents the write-off of an investment in an unconsolidated joint venture relating to the Company s decision not to go forward with the

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development of two adjacent properties in Philadelphia, Pennsylvania. The impairment loss for the wholly-owned property is included in loss from discontinued operations.

Gain on sales in 2012 and 2011 relate principally to sales of land parcels treated as held for sale/conveyance as part of the Company s 2011 business plan, as more fully discussed elsewhere in this report.

Discontinued operations for 2012 and 2011 include the results of operations, net impairment charges and gain on sales for certain properties sold or treated as held for sale/conveyance , as part of the Company s 2011 business plan, as more fully discussed elsewhere in this report.

Comparison of 2011 to 2010

			Change	
	2011	2010	Dollars	Percent
Revenues	$ 134,828,000	$ 130,998,000	$ 3,830,000	2.9%
Property operating expenses	44,035,000	41,599,000	2,436,000	5.9%
Property operating income	90,793,000	89,399,000	1,394,000	1.6%
General and administrative	(10,740,000)	(9,537,000)	(1,203,000)	12.6%
Management transition charges and employee termination costs	(6,875,000)		(6,875,000)	n/a
Impairment charges	(7,148,000)	(2,493,000)	(4,655,000)	n/a
Acquisition transaction costs and terminated projects	(1,436,000)	(3,958,000)	2,522,000	n/a
Depreciation and amortization	(43,105,000)	(34,735,000)	(8,370,000)	24.1%
Interest expense	(41,746,000)	(43,007,000)	1,261,000	-2.9%
Accelerated write-off of deferred financing costs		(2,552,000)	2,552,000	n/a
Interest income	349,000	21,000	328,000	1561.9%
Equity in income of unconsolidated joint ventures	1,671,000	484,000	1,187,000	245.2%
Loss on exit from unconsolidated joint venture	(7,961,000)		(7,961,000)	n/a
Gain on sales	130,000		130,000	n/a
(Loss) from continuing operations	(26,068,000)	(6,378,000)	(19,690,000)	
Discontinued operations:				
Income from operations	5,128,000	1,846,000	3,282,000	177.8%
Impairment charges	(88,458,000)	(39,822,000)	(48,636,000)	n/a
Gain on sales	884,000	170,000	714,000	n/a
Net (loss)	(108,514,000)	(44,184,000)	(64,330,000)	
Net (loss) attributable to noncontrolling interests	(4,953,000)	(2,895,000)	(2,058,000)	
Net (loss) attributable to Cedar Realty Trust, Inc.	$ (103,561,000)	$ (41,289,000)	$ (62,272,000)	

Properties held in both periods. The Company held 65 properties (excluding properties held for sale/conveyance) throughout 2011 and 2010.

Revenues were higher primarily as a result of increases in (1) revenues from a property acquired in 2011 ($5.9 million), (2) base rent and tenant recoveries at ground-up development properties ($1.3 million), (3) base rent and tenant recoveries at other operating properties ($1.2 million), and (4) base rent and tenant recoveries at redevelopment properties ($1.0 million), off-

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set by decreases in (5) revenues from properties transferred to the Cedar/RioCan joint venture in 2010 ($3.3 million), (6) amortization of intangible lease liabilities ($1.2 million), (7) fees earned from unconsolidated joint ventures ($0.8 million), and (8) straight-line rents ($0.4 million).

Property operating expenses were higher primarily as a result of increases in (1) expenses at a property acquired in 2011 ($1.9 million), (2) payroll and related expenses ($0.7 million), (3) snow removal costs ($0.3 million), (4) real estate taxes ($0.2 million), and (5) other operating expenses ($0.2 million), off-set by decreases in (6) expenses at properties transferred to the Cedar/RioCan joint venture in 2010 ($0.8 million), and (7) the provision for doubtful accounts ($0.2 million).

General and administrative expenses were higher primarily as a result of increases in (1) payroll and payroll related expenses ($0.3 million), (2) a legal settlement received in the Company s favor in 2010 in excess of a legal settlement received in the Company s favor in 2011 ($0.5 million), (3) accounting and other professional fees ($0.2 million), (4) information technology costs ($0.2 million), (5) rent expense ($0.1 million), and (6) other costs ($0.2 million).

Management transition charges and employee termination costs in 2011 relate to the retirement of the Company s then Chairman of the Board, Chief Executive Officer and President, and the end of the employment of the Company s then Chief Financial Officer, and include (1) an aggregate of approximately $3.7 million in cash severance payments (including the cost of related payroll taxes and benefits), (2) the write off of all amounts related to the vesting of share-based compensation grants (an aggregate of approximately $2.0 million), and (3) approximately $1.2 million of other non-recurring costs, primarily professional fees and expenses related to the hiring of a new President/Chief Executive Officer and Chief Financial Officer.

Impairment charges for 2011 relate principally to certain land parcels treated as held for sale , as more fully discussed elsewhere in this report. Impairment charges for 2010 relate principally to certain of the properties initially transferred to the Cedar/RioCan joint venture.

Acquisition transaction costs and terminated projects were lower in 2011 primarily due to fees to the Company s advisor accrued in 2010 related to Cedar/RioCan joint venture transactions.

Depreciation and amortization expenses increased primarily as a result of the change in use of a building, at a redevelopment project, which was scheduled to be demolished in 2012. Other factors contributing to the increase included (1) additional depreciation expense at ground-up and redevelopment properties as improvements have been placed into service, and (2) increases related to capital improvements at other operating properties.

Interest expense decreased primarily as a result of (1) lower amortization of deferred financing costs, principally related to the accelerated write-off of deferred financing costs in September 2010 ($1.4 million), (2) lower outstanding borrowings under the Company s credit facilities ($1.1 million), and (3) higher capitalized interest ($0.3 million), off-set by (4) an increase in mortgage interest expense as a result of property acquisitions and property-specific financings ($1.5 million).

Accelerated write-off of deferred financing costs in 2010 resulted from the Company, at its option, reducing the commitments under the stabilized property credit facility from $285.0 million to $185.0 million.

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Equity in income of unconsolidated joint ventures was higher in 2011 primarily as a result of an increase in operating results from the Cedar/RioCan joint venture, due principally to lower acquisition transaction costs in 2011 compared to those incurred in 2010, offset by nominal operating results in 2011 as compared with 2010 from the joint venture redevelopment property in Philadelphia (as more fully discussed elsewhere in this report).

Loss on exit from unconsolidated joint venture in 2011 represents the write-off of an investment in an unconsolidated joint venture relating to the Company s decision not to go forward with the development of two adjacent properties in Philadelphia, Pennsylvania. The impairment loss for the wholly-owned property is included in loss from discontinued operations.

Discontinued operations for 2011 and 2010 include the results of operations, impairment charges and gain on sales for certain properties sold or treated as held for sale/conveyance , as more fully discussed elsewhere in this report.

Same-Property Net Operating Income

Same-property net operating income (same-property NOI) is a widely-used non-GAAP financial measure for REITs that the Company believes, when considered with financial statements prepared in accordance with GAAP, is useful to investors as it provides an indication of the recurring cash generated by the Company s properties by excluding certain non-cash revenues and expenses, as well as other infrequent items such as lease termination income which tends to fluctuate more than rents from year to year. Properties are included in same-property NOI if they are owned and operated for the entirety of both periods being compared, except for properties undergoing significant redevelopment and expansion until such properties have stabilized, and properties classified as held for sale/conveyance . Consistent with the capital treatment of such costs under GAAP, tenant improvements, leasing commissions and other direct leasing costs are excluded from same-property NOI.

Same-property NOI should not be considered as an alternative to net income prepared in accordance with GAAP or as a measure of liquidity. Further, same-property NOI is a measure for which there is no standard industry definition and, as such, it is not consistently defined or reported on among the Company s peers, and thus may not provide an adequate basis for comparison between REITs. The following table reconciles same-property NOI to the Company s consolidated operating income.

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	Years ended December 31,	
	2012	2011
Consolidated operating income	$ 34,148,000	$ 21,489,000
Add:		
General and administrative	14,277,000	10,740,000
Management transition charges and employee termination costs	1,172,000	6,875,000
Impairment charges	5,779,000	7,148,000
Acquisition transaction costs and terminated projects	116,000	1,436,000
Depreciation and amortization	44,540,000	43,105,000
Corporate costs included in property expenses	6,990,000	9,434,000
Less:		
Management fee income	(2,754,000)	(2,755,000)
Straight-line rents	(986,000)	(1,199,000)
Amortization of intangible lease liabilities	(5,364,000)	(5,736,000)
Internal management fees charged to properties	(3,056,000)	(3,034,000)
Other (a)	(2,761,000)	
Consolidated NOI	92,101,000	87,503,000
Less NOI related to properties not defined as same-property	(20,867,000)	(17,021,000)
Same-property NOI	$ 71,234,000	$ 70,482,000
Number of same properties		59
Same-property occupancy, end of period	93.6%	93.2%
Same-property average base rent, end of period	$ 11.28	$ 11.23

(a) Primarily lease termination income.

Same-property NOI for 2012 increased approximately 1.1% over 2011 as a result, principally, of (1) a 40 bps increase in occupancy, and (2) a modest increase in average base rent at the properties. The comparative results were negatively impacted by replacing the dark anchor at Oakland Commons, located in Bristol, Connecticut. By excluding the down time impact prior to Wal-Mart taking possession of the space, same-property NOI would have increased to 1.8%.

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Leasing Activity

The following is a summary of the Company s leasing activity during the year ended December 31, 2012 for the consolidated portfolio:

	Leases signed	GLA	New rent per sq.ft. ($)	Prior rent per sq.ft. ($)	Cash basis % change	Tenant improvement per sq.ft. ($) (a)
Renewals	111	486,000	13.14	12.20	7.7%	0.00
New Leases	48	229,000	14.48	n/a	n/a	9.23
Total (b)	159	715,000	13.57	n/a	n/a	2.95

(a) Includes tenant allowance and landlord work. Excludes first generation space.
(b) For 2012, combined legal fees and lease commissions averaged $2.49 per square foot.

Liquidity and Capital Resources

The Company funds operating expenses and other short-term liquidity requirements, including debt service, tenant improvements, leasing commissions, preferred and common dividend distributions and distributions to minority interest partners, if made, primarily from its operations. The Company may also use its revolving credit facility for these purposes. The Company expects to fund long-term liquidity requirements for property acquisitions, redevelopment costs, remaining development costs, capital improvements, joint venture contributions, and maturing debt initially with its credit facility, and ultimately through a combination of issuing and/or assuming additional mortgage debt, the sale of equity securities, the issuance of additional OP Units, and the sale of properties. Although the Company believes it has access to secured financing, there can be no assurance that the Company will have the availability of mortgage financing on completed development projects, additional construction financing, or proceeds from the refinancing of existing debt.

Debt is comprised of the following at December 31, 2012:

		Interest rates	
Description	Balance outstanding	Weighted - average	Range
Fixed-rate mortgages (a)	$ 544,799,000	5.6%	3.1% - 7.5%
Variable-rate mortgage	60,417,000	3.0%	
Total property-specific mortgages	605,216,000	5.3%	
Corporate Credit Facility:			
Revolving facility	81,000,000	2.8%	
Term loan	75,000,000	2.8%	
	$ 761,216,000	4.8%	

(a) At December 31, 2012, the Company had approximately $31.4 million of mortgage loans payable subject to interest rate swaps which converted LIBOR-based variable rates to fixed annual rates ranging from 5.2% to 6.5% per annum.

As noted above, in January 2012, the Company entered into a new $300 million Credit Facility, comprised of a four-year $75 million term loan and a three-year $225 million revolving

credit facility, subject to collateral in place. Subject to customary conditions, the term loan and the revolving credit facility may both be extended for one additional year at the Company s option. Under an accordion feature, the Credit Facility can be increased to $500 million, subject to customary conditions, collateral in place and lending commitments from participating banks. The Credit Facility contains financial covenants including, but not limited to, maximum debt leverage, minimum interest coverage, minimum fixed charge coverage, and minimum net worth. In addition, the Credit Facility contains restrictions including, but not limited to, limits on indebtedness, certain investments and distributions. The Credit Facility is available to fund acquisitions, redevelopment and remaining development activities, capital expenditures, mortgage repayments, dividend distributions, working capital and other general corporate purposes. Borrowings under the Credit Facility are priced at LIBOR plus 250 bps (a weighted-average of 2.8% per annum at December 31, 2012) and can range from LIBOR plus 200 to 300 bps based on the Company s leverage ratio. As of December 31, 2012, the Company has $81.0 million outstanding under the revolving credit portion of the Credit Facility, and had $81.8 million available for additional borrowings as of that date.

Property-specific mortgage loans payable at December 31, 2012 consisted of fixed-rate notes totaling $544.8 million, with a weighted average interest rate of 5.6%, and a LIBOR-based variable-rate note totaling $60.4 million, with an effective interest rate of 3.0% per annum at that date. For 2013, the Company has approximately $4.4 million of scheduled debt principal amortization payments and $114.6 million of scheduled balloon payments.

Total mortgage loans payable and secured credit facilities have an overall weighted average interest rate of 4.8% and mature at various dates through 2029. The terms of several of the Company s mortgage loans payable require the Company to deposit certain replacement and other reserves with its lenders. Such restricted cash is generally available only for property-level requirements for which the reserves have been established, and is not available to fund other property-level or Company-level obligations.

In February 2013, the Company concluded a public offering of 2.3 million shares of its Series B Preferred Stock (including 0.3 million shares relating to the exercise by the underwriters of their over-allotment option) and realized net proceeds, after offering expenses, of approximately $54.7 million. At the same time, the Company announced that it would redeem all the remaining 1.4 million shares of its Series A Preferred Stock, requiring a total cash outlay of approximately $35.4 million.

In order to continue qualifying as a REIT, the Company is required to distribute at least 90% of its REIT taxable income , as defined in the Internal Revenue Code of 1986, as amended (the Code). The Company paid dividends totaling $0.20 per share during 2012, reduced from $0.36 per share during 2011. While the Company intends to continue paying regular quarterly dividends, future dividend declarations will continue to be at the discretion of the Board of Directors, and will depend on the cash flow and financial condition of the Company, capital requirements, annual distribution requirements under the REIT provisions of the Code, and such other factors as the Board of Directors may deem relevant.

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Contractual obligations and commercial commitments

The following table sets forth the Company s significant debt repayment, interest and operating lease obligations at December 31, 2012:

	Maturity Date						
	2013	**2014**	**2015**	**2016**	**2017**	**Thereafter**	**Total**
Debt: (a)							
Mortgage loans payable (b)	$ 119,050,000	$ 107,786,000	$ 73,766,000	$ 139,939,000	$ 63,384,000	$ 101,291,000	$ 605,216,000
Credit Facility (c)			81,000,000	75,000,000			156,000,000
Interest payments (d)	34,032,000	27,668,000	20,641,000	14,619,000	5,620,000	20,379,000	122,959,000
Operating lease obligations	1,501,000	1,515,000	1,530,000	1,539,000	1,057,000	10,020,000	17,162,000
Total	$ 154,583,000	$ 136,969,000	$ 176,937,000	$ 231,097,000	$ 70,061,000	$ 131,690,000	$ 901,337,000

(a) Does not include approximately $23.3 million applicable to discontinued operations (See Note 4 of notes to Consolidated Financial Statements).

(b) Mortgage loans payable for 2013 includes $59.7 million applicable to property-specific financing which is subject to a one-year extension option.

(c) The revolving facility and the term loan are each subject to a one-year extension option.

(d) Represents interest payments expected to be incurred on the Company s consolidated debt obligations as of December 31, 2012, including capitalized interest.

For variable-rate debt, the rate in effect at December 31, 2012 is assumed to remain in effect until the maturities of the respective obligations.

Net Cash Flows

	2012	**2011**	**2010**
Cash flows provided by (used in):			
Operating activities	$ 50,588,000	$ 39,246,000	$ 41,702,000
Investing activities	$ 50,114,000	$ (64,241,000)	$ (29,834,000)
Financing activities	$ (105,250,000)	$ 22,899,000	$ (14,866,000)

Operating Activities

Net cash provided by operating activities, before net changes in operating assets and liabilities was $53.6 million, $48.0 million and $49.8 million for the years ended December 31, 2012, 2011 and 2010, respectively. The amounts for 2012 include $3.0 million of lease termination income and $0.6 million for management transition charges and employee termination costs. The amounts for 2011 include $4.5 million for management transition charges and employee termination costs. The net changes in operating assets and liabilities (($3.1) million in 2012, ($8.7) million in 2011, and ($8.1) million in 2010) were primarily the result of collections of receivables and the timing of payments of accounts payable and accrued liabilities.

Investing Activities

During 2012, the Company had net proceeds from the exit from the Cedar/RioCan unconsolidated joint venture ($41.6 million), proceeds from sales of properties treated as discontinued operations ($34.9 million), distributions of capital from the Cedar/RioCan joint venture ($2.8 million), and a decrease in constructions escrows and other ($2.4 million), offset by expenditures for property improvements ($31.5 million). During 2011, the Company acquired a grocery-anchored shopping center and incurred expenditures for property improvements (an

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aggregate of $92.2 million), had an increase in construction escrows and other ($6.2 million) and made investments in the Cedar/RioCan joint venture ($4.3 million), offset by proceeds from sales of properties treated as discontinued operations ($30.6 million), net proceeds relating to the properties transferred to the Cedar/RioCan joint venture ($3.5 million) and distribution of capital from the Cedar/RioCan joint venture ($4.3 million). During 2010, the Company made investments in the Cedar/RioCan joint venture ($51.4 million), acquired a single-tenant office property and incurred expenditures for property improvements (an aggregate of $30.2 million), and had an increase in construction escrows and other ($3.4 million), offset by proceeds from the transfers of five properties to the Cedar/RioCan joint venture ($31.0 million), distributions of capital from the Cedar/RioCan joint venture ($21.5 million), and the sales of properties treated as discontinued operations ($2.7 million).

Financing Activities

During 2012, the Company had redemptions and repurchases of the 8.875% Series A cumulative Redeemable Preferred Stock ($124.9 million), repayments of mortgage obligations ($79.6 million), preferred and common stock distributions ($29.2 million), net repayments under its credit facilities ($10.3 million), the purchase of joint venture minority interests share ($6.1 million), the payment of debt financing costs ($4.9 million) and distributions to noncontrolling interests (minority interest and limited partners $4.3 million), offset by net proceeds from the sale of the 7.25% Series B Cumulative Redeemable Preferred Stock ($124.4 million) and proceeds from mortgage financings ($30.0 million). During 2011, the Company received proceeds from mortgage refinancings ($45.8 million), net advances from its revolving credit facilities ($33.7 million), proceeds from the sale of common stock ($4.3 million), and had a contribution from a consolidated joint venture minority interest ($0.3 million), offset by preferred and common stock distributions ($38.9 million), repayment of mortgage obligations ($17.4 million), distributions to noncontrolling interest (minority interest and limited partners $3.8 million), and the payment of debt financing costs ($1.1 million). During 2010, the Company had net repayments to its revolving credit facilities ($125.1 million), preferred and common stock distributions ($31.9 million), repayment of mortgage obligations ($20.9 million), termination payments relating to interest rate swaps ($5.5 million), distributions paid to noncontrolling interests (minority interest and limited partners $4.2 million), redemptions of OP Units ($3.4 million), and the payment of debt financing costs ($2.0 million), offset by the proceeds from sales of preferred and common stock ($141.2 million), the proceeds of mortgage financings ($27.0 million), and the proceeds from the exercise of the RioCan warrant ($10.0 million).

Funds From Operations

Funds From Operations FFO is a widely-recognized non-GAAP financial measure for REITs that the Company believes, when considered with financial statements prepared in accordance with GAAP, is useful to investors in understanding financial performance and providing a relevant basis for comparison among REITs. In addition, FFO is useful to investors as it captures features particular to real estate performance by recognizing that real estate generally appreciates over time or maintains residual value to a much greater extent than do other depreciable assets. Investors should review FFO, along with GAAP net income, when trying to understand a REIT s operating performance. The Company considers FFO an important supplemental measure of its operating performance and believes that it is frequently used by securities analysts, investors and other interested parties in the evaluation of REITs.

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The Company computes FFO in accordance with the White Paper published by the National Association of Real Estate Investment Trusts (NAREIT), which defines FFO as net income applicable to common shareholders (determined in accordance with GAAP), excluding impairment charges, gains or losses from debt restructurings and sales of properties, plus real estate-related depreciation and amortization, and after adjustments for partnerships and joint ventures (which are computed to reflect FFO on the same basis). FFO does not represent cash generated from operating activities and should not be considered as an alternative to net income applicable to common shareholders or to cash flow from operating activities. FFO is not indicative of cash available to fund ongoing cash needs, including the ability to make cash distributions. Although FFO is a measure used for comparability in assessing the performance of REITs, as the NAREIT White Paper only provides guidelines for computing FFO, the computation of FFO may vary from one company to another. The following table sets forth the Company s calculations of FFO for 2012, 2011 and 2010:

	2012	2011	2010
Net income (loss) attributable to common shareholders	$ 9,889,000	$ (117,761,000)	$ (51,485,000)
Add (deduct):			
Real estate depreciation and amortization	44,335,000	48,156,000	46,279,000
Limited partners interest	(26,000)	(2,446,000)	(1,282,000)
Impairment charges, net	5,783,000	95,606,000	42,315,000
(Gain) loss on exit from unconsolidated joint ventures	(30,526,000)	7,961,000	
(Gain) on sales	(5,676,000)	(884,000)	(170,000)
Consolidated minority interests:			
Share of income	4,335,000	(2,507,000)	(1,613,000)
Share of FFO	(4,562,000)	(5,918,000)	(6,846,000)
Unconsolidated joint ventures:			
Share of income	(1,481,000)	(1,671,000)	(484,000)
Share of FFO	4,646,000	5,984,000	2,796,000
FFO	$ 26,717,000	$ 26,520,000	$ 29,510,000

Inflation

Inflation has been relatively low in recent years and has not had a significant detrimental impact on the Company s results of operations. Should inflation rates increase in the future, substantially all of the Company s tenant leases contain provisions designed to partially mitigate the negative impact of inflation in the near term. Such lease provisions include clauses that require tenants to reimburse the Company for real estate taxes and many of the operating expenses it incurs. Significant inflation rate increases over a prolonged period of time may have a material adverse impact on the Company s business.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

One of the principal market risks facing the Company is interest rate risk on its credit facilities. The Company may, when advantageous, hedge its interest rate risk by using derivative financial instruments. The Company is not subject to foreign currency risk.

The Company is exposed to interest rate changes primarily through (1) the variable-rate credit facilities used to maintain liquidity, fund capital expenditures and ground-up development/redevelopment activities, and expand its real estate investment portfolio, (2) property-specific variable-rate construction financing, and (3) other property-specific variable-rate mortgages. The Company s objectives with respect to interest rate risk are to limit the impact of interest rate changes on operations and cash flows, and to lower its overall borrowing costs. To achieve these objectives, the Company may borrow at fixed rates and may enter into derivative financial instruments such as interest rate swaps, caps, etc., in order to mitigate its interest rate risk on a related variable-rate financial instrument. The Company does not enter into derivative or interest rate transactions for speculative purposes. At December 31, 2012, the Company had approximately $31.4 million of mortgage loans payable subject to interest rate swaps which converted LIBOR-based variable rates to fixed annual rates ranging from 5.2% to 6.5% per annum. At that date, the Company had accrued liabilities of $1.6 million (included in accounts payable and accrued liabilities on the consolidated balance sheet) relating to the fair value of interest rate swaps applicable to these mortgage loans payable.

At December 31, 2012, long-term debt consisted of fixed-rate mortgage loans payable and variable-rate debt (including the Company s variable-rate Credit Facility). The average interest rate on the $544.8 million of fixed-rate indebtedness outstanding was 5.6%, with maturities at various dates through 2029. The average interest rate on the $216.4 million of variable-rate debt (including $156.0 million in advances under the Company s Credit Facility) was 2.9%. The $81.0 million revolving credit segment of the new facility matures in January 2015, and the $75.0 million term loan segment matures in January 2016, each subject to a one-year extension option. With respect to the $216.4 million of variable-rate debt outstanding at December 31, 2012, if interest rates either increase or decrease by 1%, the Company s interest cost would increase or decrease respectively by approximately $2.2 million per annum.

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All other schedules have been omitted because the required information is not present, is not present in amounts sufficient to require submission of the schedule, or is included in the consolidated financial statements or notes thereto.

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of

Cedar Realty Trust, Inc.

We have audited the accompanying consolidated balance sheets of Cedar Realty Trust, Inc. (the Company) as of December 31, 2012 and 2011, and the related consolidated statements of operations and comprehensive income (loss), equity, and cash flows for each of the three years in the period ended December 31, 2012. Our audits also included the financial statement schedule listed in the Index at Item 8. These financial statements and schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Cedar Realty Trust, Inc. at December 31, 2012 and 2011, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2012, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Cedar Realty Trust, Inc. s internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 7, 2013 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

New York, New York

March 7, 2013

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CEDAR REALTY TRUST, INC.

Consolidated Balance Sheets

	December 31, 2012	December 31, 2011
Assets		
Real estate:		
Land	$ 282,383,000	$ 268,182,000
Buildings and improvements	1,178,111,000	1,095,754,000
	1,460,494,000	1,363,936,000
Less accumulated depreciation	(237,751,000)	(196,661,000)
Real estate, net	1,222,743,000	1,167,275,000
Real estate held for sale/conveyance	77,793,000	211,679,000
Investment in unconsolidated joint venture		44,743,000
Cash and cash equivalents	7,522,000	12,070,000
Restricted cash	13,752,000	14,707,000
Receivables	18,289,000	25,660,000
Other assets	7,310,000	12,358,000
Other assets real estate held for sale/conveyance		2,299,000
Deferred charges, net	22,494,000	21,372,000
Total assets	$ 1,369,903,000	$ 1,512,163,000
Liabilities and equity		
Mortgage loans payable	$ 605,216,000	$ 586,743,000
Mortgage loans payable real estate held for sale/conveyance	23,258,000	124,888,000
Secured credit facilities	156,000,000	166,317,000
Accounts payable and accrued liabilities	28,179,000	32,404,000
Unamortized intangible lease liabilities	30,508,000	35,017,000
Unamortized intangible lease liabilities real estate held for sale/conveyance	4,992,000	6,406,000
Total liabilities	848,153,000	951,775,000
Noncontrolling interest limited partners mezzanine OP Units	623,000	4,616,000
Commitments and contingencies		
Equity:		
Cedar Realty Trust, Inc. shareholders equity:		
Preferred stock ($.01 par value, 12,500,000 shares authorized):		
Series A ($25.00 per share liquidation value, 1,410,000 and 6,400,000, shares authorized, respectively, 1,408,000 and 6,400,000 shares, issued and outstanding, respectively)	34,882,000	158,575,000
Series B ($25.00 per share liquidation value, 7,500,000 and 0 shares authorized, respectively, 5,429,000 and 0 shares, issued and, outstanding, respectively)	128,787,000	
Common stock ($.06 par value, 150,000,000 shares authorized, 71,817,000 and 67,928,000 shares, issued and outstanding, respectively)	4,309,000	4,076,000
Treasury stock (3,822,000 and 1,313,000 shares, respectively, at cost)	(21,702,000)	(10,528,000)
Additional paid-in capital	748,194,000	718,974,000
Cumulative distributions in excess of net income	(378,254,000)	(373,741,000)
Accumulated other comprehensive loss	(2,560,000)	(3,513,000)
Total Cedar Realty Trust, Inc. shareholders equity	513,656,000	493,843,000

Noncontrolling interests:		
Minority interests in consolidated joint ventures	6,081,000	56,511,000
Limited partners OP Units	1,390,000	5,418,000
Total noncontrolling interests	7,471,000	61,929,000
Total equity	521,127,000	555,772,000
Total liabilities and equity	$ 1,369,903,000	$ 1,512,163,000

See accompanying notes to consolidated financial statements.

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CEDAR REALTY TRUST, INC.

Consolidated Statements of Operations

	Years ended December 31,		
	2012	**2011**	**2010**
Revenues:			
Rents	$ 108,260,000	$ 105,008,000	$ 101,624,000
Expense recoveries	26,302,000	26,810,000	25,588,000
Other	6,021,000	3,010,000	3,786,000
Total revenues	140,583,000	134,828,000	130,998,000
Expenses:			
Operating, maintenance and management	23,037,000	27,457,000	25,499,000
Real estate and other property-related taxes	17,514,000	16,578,000	16,100,000
General and administrative	14,277,000	10,740,000	9,537,000
Management transition charges and employee termination costs	1,172,000	6,875,000	
Impairment charges	5,779,000	7,148,000	2,493,000
Acquisition transaction costs and terminated projects	116,000	1,436,000	3,958,000
Depreciation and amortization	44,540,000	43,105,000	34,735,000
Total expenses	106,435,000	113,339,000	92,322,000
Operating income	34,148,000	21,489,000	38,676,000
Non-operating income and expense:			
Interest expense	(39,359,000)	(41,746,000)	(43,007,000)
Accelerated write-off of deferred financing costs	(2,607,000)		(2,552,000)
Interest income	191,000	349,000	21,000
Equity in income of unconsolidated joint ventures	1,481,000	1,671,000	484,000
Gain (loss) on exit from unconsolidated joint ventures	30,526,000	(7,961,000)	
Gain on sales	997,000	130,000	
Total non-operating income and expense	(8,771,000)	(47,557,000)	(45,054,000)
Income (loss) from continuing operations	25,377,000	(26,068,000)	(6,378,000)
Discontinued operations:			
Income from operations	3,963,000	5,128,000	1,846,000
Impairment charges, net	(4,000)	(88,458,000)	(39,822,000)
Gain on sales	4,679,000	884,000	170,000
Total discontinued operations	8,638,000	(82,446,000)	(37,806,000)
Net income (loss)	34,015,000	(108,514,000)	(44,184,000)
Less, net (income) loss attributable to noncontrolling interests:			
Minority interests in consolidated joint ventures	(4,335,000)	2,507,000	1,613,000
Limited partners interest in Operating Partnership	26,000	2,446,000	1,282,000
Total net (income) loss attributable to noncontrolling interests	(4,309,000)	4,953,000	2,895,000
Net income (loss) attributable to Cedar Realty Trust, Inc.	29,706,000	(103,561,000)	(41,289,000)
Preferred stock dividends	(14,819,000)	(14,200,000)	(10,196,000)
Preferred stock redemption costs	(4,998,000)		

Net income (loss) attributable to common shareholders	$ 9,889,000	$ (117,761,000)	$ (51,485,000)
Per common share attributable to common shareholders (basic and diluted):			
Continuing operations	$ 0.07	$ (0.61)	$ (0.24)
Discontinued operations	0.06	(1.18)	(0.57)
	$ 0.13	$ (1.79)	$ (0.81)
Amounts attributable to Cedar Realty Trust, Inc. common shareholders, net of noncontrolling interests:			
Income (loss) from continuing operations	$ 5,935,000	$ (39,348,000)	$ (15,623,000)
Income (loss) from discontinued operations	3,954,000	(78,413,000)	(35,862,000)
Net income (loss)	$ 9,889,000	$ (117,761,000)	$ (51,485,000)
Weighted average number of common shares basic and diluted	68,017,000	66,387,000	63,843,000

See accompanying notes to consolidated financial statements.

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CEDAR REALTY TRUST, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Years ended December 31,		
	2012	**2011**	**2010**
Net income (loss)	$ 34,015,000	$ (108,514,000)	$ (44,184,000)
Other comprehensive income (loss):			
Unrealized gain (loss) on change in fair value of cash flow hedges:			
Consolidated	836,000	3,000	(454,000)
Unconsolidated	118,000	(118,000)	
Other comprehensive income (loss)	954,000	(115,000)	(454,000)
Comprehensive income (loss)	34,969,000	(108,629,000)	(44,638,000)
Comprehensive (income)/loss attributable to noncontrolling interests	(4,309,000)	4,961,000	2,935,000
Comprehensive income (loss) attributable to Cedar Realty Trust, Inc.	$ 30,660,000	$ (103,668,000)	$ (41,703,000)

See accompanying notes to consolidated financial statements.

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CEDAR REALTY TRUST, INC.

Consolidated Statement of Equity

Years ended December 31, 2012, 2011 and 2010

	Cedar Realty Trust, Inc. Shareholders								
	Preferred stock		Common stock						
	Shares	$25.00 Liquidation value	Shares	$0.06 Par value	Treasury stock, at cost	Additional paid-in capital	Cumulative distributions in excess of net income	Accumulated other comprehensive (loss)	Total
Balance, December 31, 2009	3,550,000	$ 88,750,000	52,139,000	$ 3,128,000	$ (9,688,000)	$ 621,299,000	$ (162,041,000)	$ (2,992,000)	$ 538,456,000
Net (loss)							(41,289,000)		(41,289,000)
Unrealized loss on change in fair value of cash flow hedges									