

CEDAR SHOPPING CENTERS INC

Form 424B1

October 24, 2003

PROSPECTUS

13,500,000 Shares

Cedar Shopping Centers, Inc.

Common Stock

Cedar Shopping Centers, Inc. is a real estate investment trust, or REIT, that focuses on the ownership, operation and redevelopment of neighborhood and community shopping centers.

We are offering 13,500,000 shares of our common stock. We will receive all of the net proceeds from the sale of these shares.

Through October 23, 2003, our common stock was traded on the Nasdaq SmallCap Market under the symbol CEDR. We announced a 1-for-6 reverse stock split which was effective October 19, 2003. On October 23, 2003, the last reported sale price of our common stock on the Nasdaq SmallCap Market was \$12.50 per share. Our common stock has been approved for listing on the New York Stock Exchange, Inc., subject to official notice of issuance, under the symbol CDR.

In connection with this offering, we will be changing our distribution policy and intend to commence the making of quarterly distributions.

To assist us in complying with certain federal income tax requirements applicable to REITs, our charter and bylaws contain certain restrictions relating to the ownership and transfer of our common stock, including an ownership limit of 9.9% of our total outstanding common stock. See Material Provisions of Maryland Law and of Our Charter and Bylaws for a discussion of these restrictions.

Investing in our common stock involves risks that are described in the Risk Factors section beginning on page 17 of this prospectus. Some risks include:

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

We have substantial debt obligations that may impede our operating performance, putting us at a competitive disadvantage that may result in losses.

Since 2000, we have incurred net operating losses and if we are not able to achieve and maintain profitability, the market price of our common stock could decrease.

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

Adverse market conditions and competition may impede our ability to renew leases or re-let space.

Prior to the consummation of this offering, we were externally managed by entities controlled by our executive officers; we do not have any operating history as a REIT which is self-administered and self-managed.

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

	<u>Per Share</u>	<u>Total</u>
Public offering price	\$11.50	\$155,250,000
Underwriting discount	\$.7188	\$9,703,800
Proceeds, before expenses, to us	\$10.7812	\$145,546,200

The underwriters also may purchase up to an additional 2,025,000 shares from us at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus to cover overallocments.

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

The shares of common stock will be ready for delivery on or about October 29, 2003.

Merrill Lynch & Co.

Legg Mason Wood Walker
Incorporated

Raymond James

The date of this prospectus is October 23, 2003.

[Photos of six facades of certain tenants and two aerial views of shopping centers]

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You should rely only on the information contained in this prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where that offer or sale is not permitted. You should assume that the information appearing in this prospectus is accurate only as of the date on the front cover of this prospectus. Our business, financial condition, results of operations and prospects may have changed since that date.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements contained in Prospectus Summary, Risk Factors, Distribution Policy, Management's Discussion and Analysis of Financial Condition and Results of Operations, Business and Properties, Investment Policies and Policies With Respect to Certain Activities and elsewhere in this prospectus constitute forward-looking statements. Forward-looking statements relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. In some cases, you can identify forward-looking statements by terms such as may, will, should, expects, plans, anticipates, believes, estimates, potential or the negative of these terms or other comparable terminology.

The forward-looking statements contained in this prospectus reflect our current views about future events and are subject to risks, uncertainties, assumptions and changes in circumstances that may cause our actual results to differ significantly from those expressed in any forward-looking statement. The factors that could cause actual results to differ materially from expected results include changes in economic, business, competitive market and regulatory conditions. For more information regarding risks that may cause our actual results to differ materially from any forward-looking statements, see Risk Factors. We do not intend and disclaim any duty or obligation to update or revise any industry information or forward-looking statements set forth in this prospectus to reflect new information, future events or otherwise.

PROSPECTUS SUMMARY

The following summary highlights information contained elsewhere in this prospectus. This summary is not complete and does not contain all of the information that you should consider before investing in our common stock. References in this prospectus to we, our, us and our company refer to Cedar Shopping Centers, Inc., a Maryland corporation, together with our consolidated subsidiaries, including Cedar Shopping Centers Partnership, L.P., a Delaware limited partnership of which we are the sole general partner and which we refer to in this prospectus as the operating partnership. All share and per share information set forth in this prospectus has been adjusted to reflect our 2-for-1 stock split which was effective July 7, 2003 and our 1-for-6 reverse stock split which was effective October 19, 2003. You should read the entire prospectus, including Risk Factors and our historical and pro forma consolidated financial statements and related notes appearing elsewhere in this prospectus, before deciding to invest in our common stock. Unless otherwise indicated, this prospectus assumes that the underwriters' overallotment option is not exercised.

Cedar Shopping Centers, Inc.

We are a REIT that will be fully integrated, self-administered and self-managed upon consummation of this offering. We acquire, own, manage, lease and redevelop primarily neighborhood and community shopping centers. Upon consummation of this offering and completion of the pending acquisitions described below, we will have a portfolio of 23 properties totaling approximately 3.6 million square feet of gross leasable area, or GLA, including 17 wholly-owned centers comprising approximately 2.8 million square feet of GLA and six centers owned through joint ventures, comprising approximately 749,000 square feet of GLA. Upon consummation of this offering and completion of our pending acquisitions, our portfolio, excluding three properties currently under redevelopment, will be approximately 92% leased. We intend to close on these pending acquisitions shortly after consummation of this offering.

We currently own 15 properties totaling approximately 2.5 million square feet of GLA. Our portfolio, excluding two properties under development, was approximately 94% leased as of June 30, 2003. We have entered into agreements to acquire eight other shopping centers, totaling approximately 1.1 million square feet of GLA, for an aggregate purchase price of \$134.5 million.

We conduct our business through Cedar Shopping Centers Partnership, L.P., or the operating partnership, a Delaware limited partnership. Upon consummation of this offering and completion of our pending acquisitions, we will own a 97.65% interest in the operating partnership. Prior to the offering, we owned an approximate 30% interest in the operating partnership.

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

Our Competitive Strengths

We believe that we distinguish ourselves from other owners and operators of community and neighborhood shopping centers on account of the following:

High-Quality Neighborhood and Community Shopping Center Portfolio. Our primary focus is on supermarket-anchored neighborhood and community shopping centers. We believe supermarket anchors attract customers for several trips per week and provide more stable revenues, especially in uncertain economic environments. As of June 30, 2003, approximately 77% of our centers were supermarket-anchored. After this offering and completion of our pending acquisitions, approximately 79% of our centers will be supermarket-anchored.

Redevelopment and Value Enhancement Expertise. We seek to leverage our operating and redevelopment capabilities by acquiring assets that offer redevelopment and value enhancement opportunities. In particular, certain members of our senior management have

successfully completed the redevelopment of The Point Shopping Center and Red Lion Shopping Center. At The Point Shopping Center, for example, we completed a total redevelopment in 2000 at a cost of approximately \$9.1 million that increased revenues from \$1.9 million in 2000 to \$3.1 million for the twelve months ended June 30, 2003 and increased net operating income from \$1.2 million in 2000 to \$2.3 million for the twelve months ended June 30, 2003. In connection with the redevelopment, we replaced a local grocer renting 34,000 square feet at approximately \$5.00 per square foot with a 55,000 square foot Giant Food at \$17.00 per square foot. We are currently redeveloping Camp Hill Mall, Swede Square Shopping Center and Golden Triangle Shopping Center, at an aggregate budgeted project cost of approximately \$30.0 million, and exploring redevelopment opportunities at South Philadelphia Shopping Plaza, Valley Plaza Shopping Center and Halifax Plaza. There can be no assurance that these redevelopments will be completed or that the actual costs will not exceed the budgeted costs.

Pennsylvania as Core Market. Upon consummation of this offering and completion of our pending acquisitions, approximately 84% of our GLA will be located in eastern Pennsylvania, a mature and densely populated region. Based upon the 2000 United States Census, the average population within a three-mile radius of our properties is approximately 128,200 people and the average annual household income in such area is \$51,400. We believe that we benefit from the limited opportunity for new competing developments near our locations and from the high barriers to entry for our asset class in our core markets.

Regional Asset Clusters. Upon consummation of this offering and completion of our pending acquisitions, we expect to have 12 properties, containing 1,465,300 square feet of GLA, in the Philadelphia area, and eight properties, containing 1,681,000 square feet of GLA, in the Harrisburg area. We believe that our local presence in these areas provides us with effective on-the-ground awareness of property availability, tenancing opportunities, demographic trends and evolving traffic patterns. Furthermore, our local presence enables our management team to employ a hands-on approach to administering our properties and satisfying our tenants. Our local management offices in these regions enable us to efficiently and intensively manage our assets and to develop strategic relationships with regional grocers and retailers.

Experienced and Committed Management Team. Our senior management team is comprised of executives with an average of more than 20 years experience in the acquisition, ownership, management, leasing and redevelopment of commercial real estate in the Northeast, including shopping center properties. Senior management is expected to own a 6.7% aggregate equity interest in our company on a fully diluted basis after giving effect to this offering. After giving effect to this offering and our pending acquisitions, over the last twelve months we will have acquired 16 properties, with a combined GLA of 2.2 million square feet, at a total cost of \$134.5 million.

Strong Relationships with Our Tenants. We have strong relationships with our tenants, including Giant Food, the dominant grocer in its trade area. These relationships have led to leasing opportunities with existing tenants that are expanding as well as to acquisition opportunities sourced by tenants.

Varied Tenant Base and Limited Near-Term Lease Rollover. We believe that the diversity of our tenants and limited near-term lease rollover enhance our ability to generate stable cash flows over time. Upon consummation of this offering and completion of our pending acquisitions, no single tenant, with the exception of Giant Food, will represent more than 4.5% of our annualized revenues on a pro forma basis for the period ended June 30, 2003. For such period, we had approximately 364 leases with 297 distinct tenants, including national and regional supermarkets, department stores, pharmacies, restaurants and other retailers. Pro forma for this offering and the pending acquisitions, the average lease term for

our neighborhood and community shopping centers will be eight years, with no more than 9% of our total base rent expiring in any single year through 2013.

Strategic Joint Ventures. We have had considerable experience in creating strategic joint ventures in order to mitigate acquisition and development risks, secure marquee anchor tenants, and facilitate financing. Our joint venture partners include affiliates of Kimco Realty Corporation, a leading REIT specializing in the acquisition, development and management of neighborhood and community shopping centers. We serve as managing partner of all of our joint ventures and manage the properties.

Our Business and Growth Strategies

Our business and growth strategies include the following elements:

Internal Growth

Maximizing cash flow from our properties by continuing to enhance the operating performance of each property.

Enhancing yield and productivity of existing properties through hands-on intensive management.

Completing in process redevelopment and lease-up of Camp Hill Mall, Swede Square Shopping Center and Golden Triangle Shopping Center. In 2004, we intend to complete the redevelopment and lease-up of approximately 300,000 square feet at Camp Hill Mall, Swede Square Shopping Center and Golden Triangle Shopping Center. In this regard, at Camp Hill Mall we have executed a new operating lease with Giant Food, an existing tenant, for 65,300 square feet at \$15.00 per square foot, scheduled to commence June 2004. Giant Food's prior lease at this center was for a 42,000 square foot space that was ground leased from us for \$2.37 per square foot. At Golden Triangle we have executed a lease with LA Fitness for 46,000 square feet at \$14.00 per square foot, scheduled to commence December 2004.

Capitalizing on redevelopment opportunities, such as those being explored at South Philadelphia Shopping Plaza, Valley Plaza Shopping Center and Halifax Plaza.

Commencing development of a supermarket-anchored shopping center in 2005 with approximately 100,000 square feet of GLA plus two out parcels at an undeveloped 16.5 acre parcel of land located between Harrisburg and Hershey, Pennsylvania, which we have an option to acquire and is currently zoned for a shopping center.

There can be no assurance that any of the above redevelopment and development projects will be completed or commenced as planned or that the rents payable under executed leases will be indicative of any leases executed in the future.

External Growth

Acquiring additional neighborhood and community shopping centers. We expect to use our line of credit and operating partnership units to fund future acquisitions. We may also pursue suitable joint ventures opportunities.

Acquiring properties that offer value enhancement opportunities.

Identifying acquisition targets through our network of institutional and private real estate investors, lenders, brokers and agents.

Utilizing management expertise to structure sophisticated acquisition transactions.

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Our Properties

Upon consummation of this offering and completion of our pending acquisitions, we will have a portfolio of 23 properties totaling approximately 3.6 million square feet of GLA.

Property	Year Built/ Renovated	Year Acquired	Percentage Owned(%) (Pro Forma)	GLA	Percent Occupied as of June 30, 2003	Major Tenants	Annualized Base Rent(\$)(1)	Annualized Base Rent Per Square Foot(\$)	Percentage of Total Annualized Base Rent(%)
Current Properties									
The Point Shopping Center Harrisburg, PA	1972/ 2000-2001	2000	100	255,400	93%	Burlington Coat Factory Giant Food	2,492,294	9.76	7.84
Port Richmond Village Philadelphia, PA	1988	2001	100	155,000	100%	Thriftway Pep Boys	1,745,077	11.26	5.49
Academy Plaza Philadelphia, PA	1965/1998	2001	100	155,000	100%	Acme Markets	1,681,208	10.85	5.29
Washington Center Shoppes Washington Township, NJ	1979/1995	2001	100	158,000	96%	Acme Markets Powerhouse Gym	1,028,390	6.51	3.24
Loyal Plaza Shopping Center Williamsport, PA	1969/ 1999-2000	2002	25	293,300	92%	K-Mart Giant Food	1,977,741	6.74	6.22
Red Lion Shopping Center Philadelphia, PA	1971/1990 and 1998-2000	2002	20	224,300	94%	Sports Authority Best Buy Staples	2,401,179	10.71	7.56
Camp Hill Mall Camp Hill, PA	1958/1986, 1991 and 2003	2002	100	521,600	70%*	Boscov's Giant Food Barnes & Noble	2,753,419	5.28	8.67
LA Fitness Center Fort Washington, PA	N/A	2002	50	41,000	N/A	LA Fitness Center	N/A	N/A	N/A
Halifax Plaza Halifax, PA	1994	2003	30	54,200	100%	Giant Food Rite Aid	521,361	9.62	1.64
Newport Plaza Newport, PA	1996	2003							