CEDAR REALTY TRUST, INC.
Form 10-K
February 23, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2016

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
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

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

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   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   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.

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
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

Based on the closing sales price on June 30, 2016 of $7.43 per share, the aggregate market value of the voting stock held by non-affiliates of the registrant was approximately $606,862,000.

The number of shares outstanding of the registrant's Common Stock $.06 par value was 85,420,135 on February 17, 2017.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the registrant's definitive proxy statement relating to its 2017 annual meeting of shareholders are incorporated by reference into Part III of this Annual Report on Form 10-K.

CEDAR REALTY TRUST, INC.

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Part I.

Items 1 and 2. Business and Properties

General

Cedar Realty Trust, Inc. (the "Company") is a fully-integrated real estate investment trust that focuses primarily on ownership and operation of grocery-anchored shopping centers straddling the Washington, D.C. to Boston corridor. At December 31, 2016, the Company owned and managed a portfolio of 61 operating properties (excluding properties "held for sale") totaling approximately 9.1 million square feet of gross leasable area ("GLA"). The portfolio was 91.9% leased and 89.9% occupied at December 31, 2016.

The Company, organized in 1984, 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, D.C. 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, 2016, the Company owned 99.6% of the Operating Partnership and is its sole general partner. The 351,000 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 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 all these entities, unless the context otherwise requires. The Company's executive offices are located at 44 South Bayles Avenue, Port Washington, New York 11050-3765 (telephone 516-767-6492). The Company also 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. Information on the website is not part of this Form 10-K.

The Company's Properties

The following tables summarize information relating to the Company's portfolio as of December 31, 2016:

State	Number of properties	GLA	Percentage of GLA	
Pennsylvania	26	4,619,100	50.6	%
Massachusetts	8	1,258,300	13.8	%
Connecticut	7	1,133,500	12.4	%
Maryland / Washington, D.C.	7	930,000	10.2	%
Virginia	8	556,300	6.1	%
New Jersey	4	436,900	4.8	%
New York	1	193,700	2.1	%
Total portfolio	61	9,127,800	100.0	%

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	10	643,000	7.0 %	$10,587,000	$ 16.47	9.6 %
LA Fitness	6	240,000	2.6 %	3,994,000	16.64	3.6 %
Shop Rite	3	182,000	2.0 %	2,977,000	16.36	2.7 %
Stop & Shop	3	211,000	2.3 %	2,786,000	13.20	2.5 %
Dollar Tree	22	224,000	2.5 %	2,373,000	10.59	2.1 %
Farm Fresh	4	196,000	2.1 %	2,264,000	11.55	2.0 %
Home Depot	2	253,000	2.8 %	2,101,000	8.30	1.9 %
Big Y	2	106,000	1.2 %	1,926,000	18.17	1.7 %
Staples	5	106,000	1.2 %	1,721,000	16.24	1.6 %
BJ's Wholesale Club	1	118,000	1.3 %	1,683,000	14.26	1.5 %
Marshalls	6	170,000	1.9 %	1,465,000	8.62	1.3 %
United Artist	1	78,000	0.9 %	1,454,000	18.64	1.3 %
Shaw's	2	125,000	1.4 %	1,431,000	11.45	1.3 %
Shoppers Food Warehouse	2	120,000	1.3 %	1,267,000	10.56	1.1 %
Ukrop's Supermarket	1	63,000	0.7 %	1,233,000	19.57	1.1 %
Walmart	3	192,000	2.1 %	1,193,000	6.21	1.1 %
Planet Fitness	5	96,000	1.1 %	1,188,000	12.38	1.1 %
Redner's	3	159,000	1.7 %	1,159,000	7.29	1.0 %
Kohl's	2	147,000	1.6 %	1,113,000	7.57	1.0 %
Home Goods	4	111,000	1.2 %	992,000	8.94	0.9 %
Sub-total top twenty tenants	87	3,540,000	38.8 %	44,907,000	12.69	40.5 %
Remaining tenants	761	4,663,000	51.1 %	65,862,000	14.12	59.5 %
Sub-total all tenants (b)	848	8,203,000	89.9 %	$110,769,000	$ 13.50	100.0 %
Vacant space	N/A	925,000	10.1 %			
Total	848	9,128,000	100.0%			

(a) Several of the tenants listed above share common ownership with other tenants:
(1) Giant Foods, Stop & Shop and Food Lion (GLA of 109,000; annualized base rent of $818,000), (2) Farm Fresh and Shoppers Food Warehouse, (3) Dollar Tree and Family Dollar (GLA of 29,000; annualized base rent of $329,000), (4) Marshalls, Home Goods, and TJ Maxx (GLA of 54,000; annualized base rent of $514,000), and (5) Shaw's and Acme Markets (GLA of 117,000; annualized base rent of $542,000).

(b) Comprised of large tenants (15,000 or more GLA) and small tenants as follows:

	Occupied GLA	Percentage of occupied GLA	Annualized base rent	Annualized base rent per sq. ft.	Percentage annualized base rents
Large tenants	5,740,000	70.0 %	$62,856,000	$ 10.95	56.7 %
Small tenants	2,463,000	30.0 %	47,913,000	19.45	43.3 %
Total	8,203,000	100.0 %	$110,769,000	$ 13.50	100.0 %

Lease Expirations

Year of lease expiration	Number of leases expiring	GLA expiring	Percentage of GLA expiring		Annualized expiring base rents	Annualized expiring base rents per sq. ft.	Percentage of annualized expiring base rents	
Month-To-Month	53	232,000	2.8	%	$3,648,000	$ 15.72	3.3	%
2017	106	827,000	10.1	%	11,196,000	13.54	10.1	%
2018	125	960,000	11.7	%	14,244,000	14.84	12.9	%
2019	119	858,000	10.5	%	10,956,000	12.77	9.9	%
2020	118	1,502,000	18.3	%	17,712,000	11.79	16.0	%
2021	118	991,000	12.1	%	14,376,000	14.51	13.0	%
2022	58	381,000	4.6	%	5,376,000	14.11	4.9	%
2023	22	154,000	1.9	%	2,076,000	13.48	1.9	%
2024	30	581,000	7.1	%	7,716,000	13.28	7.0	%
2025	29	476,000	5.8	%	6,588,000	13.84	5.9	%
2026	27	214,000	2.6	%	3,348,000	15.64	3.0	%
2027	14	157,000	1.9	%	1,932,000	12.31	1.7	%
Thereafter	29	870,000	10.6	%	11,601,000	13.33	10.5	%
All tenants	848	8,203,000	100.0	%	$110,769,000	$ 13.50	100.0	%
Vacant space	N/A	925,000	N/A					
Total portfolio	848	9,128,000	N/A					

Real Estate Summary

Property Description	Year acquired	GLA	Percent occupied	Average base rent per leased sq. ft.	Major Tenants (a) Name	GLA
Connecticut						
Big Y Shopping Center	2013	101,105	100.0 %	$ 23.00	Big Y	63,817
Brickyard Plaza	2004	227,598	94.2 %	8.90	Home Depot	103,003
					Kohl's	58,966
					Michaels	21,429
					Petsmart	20,405
Groton Shopping Center	2007	121,825	89.7 %	11.85	TJ Maxx	30,000
					Goodwill	21,306
					Aldi	17,825
Jordan Lane	2005	177,504	99.2 %	11.47	Stop & Shop	60,632
					Fallas	39,280
					Cardio Fitness	20,283
New London Mall	2009	259,566	88.1 %	14.70	Shop Rite	64,017
					Marshalls	30,627
					Home Goods	25,432
					Petsmart	23,500
					A.C. Moore	20,932
Oakland Commons	2007	90,100	100.0 %	6.37	Walmart	54,911
					Bristol Ten Pin	35,189
Southington Center	2003	155,842	98.5 %	7.38	Walmart	95,482
					NAMCO	20,000
Total Connecticut		1,133,540	94.7 %	11.76		
Maryland / Washington, D.C.						
East River Park	2015	150,107	93.2 %	21.26	Safeway	40,000
					District of Columbia	34,400
Metro Square	2008	71,896	100.0 %	19.96	Shoppers Food Warehouse	58,668
Oakland Mills	2005	58,224	100.0 %	14.44	Weis Markets	43,470
San Souci Plaza (b)	2009	264,134	78.4 %	10.67	Shoppers Food Warehouse	61,466
					Marshalls	27,000
					Maximum Health and Fitness	15,612
Shoppes at Arts District	2016	35,676	100.0 %	35.74	Busboys and Poets	9,889
					Yes! Organic Market	7,169
Valley Plaza	2003	190,939	95.8 %	5.61	K-Mart	95,810
					Ollie's Bargain Outlet	41,888
					Tractor Supply	32,095
Yorktowne Plaza	2007	158,982	85.8 %	13.24	Food Lion	37,692
Total Maryland / Washington, D.C.		929,958	89.5 %	13.90		
Massachusetts						

Fieldstone Marketplace	2005/2012	151,995	92.4	%	11.52	Shaw's	68,000
						New Bedford Wine and Spirits	15,180
Franklin Village Plaza	2004/2012	303,144	89.9	%	21.48	Stop & Shop	75,000
						Marshalls	26,890
						Team Fitness	15,807
Kings Plaza	2007	168,243	95.2	%	6.77	Work Out World	42,997
						Fallas	28,504
						Ocean State Job Lot	20,300
						Savers	19,339
Norwood Shopping Center	2006	97,756	98.2	%	10.20	Big Y	42,598
						Planet Fitness	18,830
						Dollar Tree	16,798
The Shops at Suffolk Downs	2005	121,320	100.0	%	14.14	Stop & Shop	74,977
Timpany Plaza	2007	183,775	92.7	%	7.69	Tops	59,947
						Big Lots	28,027
						Gardner Theater	27,576
Webster Plaza	2007	98,984	62.6	%	13.90	Planet Fitness	18,681
West Bridgewater Plaza	2007	133,039	94.0	%	8.73	Shaw's	57,315
						Pump N Jump	25,000
						Planet Fitness	15,000
Total Massachusetts		1,258,256	91.2	%	12.64		

Property Description	Year acquired	GLA	Percent occupied		Average base rent per leased sq. ft.	Major Tenants (a) Name	GLA
New Jersey							
Carll's Corner	2007	129,582	46.3	%	13.05	Peebles	18,858
Glenwood Village	2016	63,844	89.9	%	19.51	Super Foodtown	28,505
Pine Grove Plaza	2003	86,089	91.9	%	11.21	Peebles	24,963
Washington Center Shoppes	2001	157,394	92.3	%	9.67	Acme Markets	66,046
						Planet Fitness	20,742
Total New Jersey		436,909	78.2	%	12.27		
New York							
Carman's Plaza	2007	193,736	50.6	%	20.38	Home Goods	25,806
						Department of Motor Vehicle	19,310
Pennsylvania							
Academy Plaza	2001	137,415	88.4	%	14.67	Acme Markets	50,918
Camp Hill	2002	463,967	98.6	%	14.89	Boscov's	159,040
						Giant Foods	92,939
						LA Fitness	45,000
						Orthopedic Inst of PA	40,904
						Barnes & Noble	24,908
						Staples	20,000
Colonial Commons	2011	461,914	97.8	%	14.64	Giant Foods	67,815
						Dick's Sporting Goods	56,000
						LA Fitness	41,325
						Home Goods	31,436
						Ross Dress For Less	30,000
						Marshalls	27,000
						JoAnn Fabrics	25,500
						David's Furniture	24,970
						Office Max	23,500
						Old Navy	15,500
Crossroads II (b)	2008	133,717	93.9	%	20.22	Giant Foods	78,815
Fairview Commons	2007	52,964	66.7	%	11.34	Grocery Outlet	16,650
Fort Washington Center	2002	41,000	100.0	%	21.83	LA Fitness	41,000
Gold Star Plaza	2006	71,720	97.8	%	9.18	Redner's	48,920
Golden Triangle	2003	202,790	94.6	%	13.49	LA Fitness	44,796
						Marshalls	30,000
						Staples	24,060
						Just Cabinets	18,665
						Aldi	15,242
Halifax Plaza	2003	51,510	100.0	%	12.97	Giant Foods	32,000
Hamburg Square	2004	99,580	88.4	%	6.54	Redner's	56,780
						Peebles	19,683

Lawndale Plaza	2015	93,040	98.8	%	18.32	Shop Rite	63,342
Maxatawny Marketplace	2011	59,939	100.0	%	12.35	Giant Foods	53,914
Meadows Marketplace	2004/2012	91,518	96.5	%	15.74	Giant Foods	67,907
Mechanicsburg Center	2005	51,500	100.0	%	22.57	Giant Foods	51,500
Newport Plaza	2003	64,489	100.0	%	12.65	Giant Foods	43,400
Northside Commons	2008	69,136	100.0	%	10.11	Redner's	53,019
Palmyra Shopping Center	2005	111,051	91.7	%	7.60	Weis Markets	46,912
						Goodwill	18,104
Port Richmond Village	2001	154,908	79.0	%	14.40	Thriftway	40,000
						Pep Boys	20,615
Quartermaster Plaza	2014	456,602	92.4	%	14.38	Home Depot	150,000
						BJ's Wholesale Club	117,718
						Planet Fitness	23,146
						Staples	20,388
						Petsmart	19,089

Property Description	Year acquired	GLA	Percent occupied		Average base rent per leased sq. ft.	Major Tenants (a) Name	GLA
Pennsylvania (continued)							
River View Plaza	2003	236,217	87.1	%	20.13	United Artists	77,700
						Avalon Carpet	25,000
						Pep Boys	22,000
						Staples	18,000
South Philadelphia	2003	283,415	74.9	%	14.74	Shop Rite	54,388
						Ross Dress For Less	31,349
						LA Fitness	31,000
						Modell's	20,000
Swede Square	2003	100,816	95.5	%	18.15	LA Fitness	37,200
The Commons	2004	203,426	64.7	%	10.74	Bon-Ton	54,500
						TJ Maxx	24,404
The Point	2000	268,037	96.0	%	13.01	Burlington Coat Factory	76,665
						Giant Foods	76,627
						A.C. Moore	24,890
						Staples	24,000
Trexler Mall	2005	337,297	96.4	%	9.93	Kohl's	88,248
						Bon-Ton	62,000
						Lehigh Wellness Partners	33,227
						Oxyfit Gym	28,870
						Marshalls	28,488
						Home Goods	28,181
Trexlertown Plaza	2006	321,129	73.9	%	13.83	Giant Foods	78,335
						Hobby Lobby	57,512
						Big Lots	33,824
						Tractor Supply	19,097
Total Pennsylvania		4,619,097	90.3	%	14.12		
Virginia							
Coliseum Marketplace	2005	106,648	100.0	%	16.92	Farm Fresh	57,662
						Michaels	23,981
Elmhurst Square	2006	66,254	94.3	%	10.59	Food Lion	38,272
Fredericksburg Way	2005	63,000	100.0	%	19.58	Ukrop's Supermarket	63,000
General Booth Plaza	2005	71,639	93.3	%	13.93	Farm Fresh	53,758
Glen Allen Shopping Center	2005	63,328	100.0	%	7.14	Publix	63,328
Kempsville Crossing	2005	79,512	92.7	%	11.40	Walmart	41,975
						Farm Fresh	16,938
Oak Ridge Shopping Center	2006	38,700	92.2	%	10.90	Food Lion	33,000
Suffolk Plaza	2005	67,216	100.0	%	9.90	Farm Fresh	67,216
Total Virginia		556,297	96.9	%	12.95		
Total (91.9% leased at December 31, 2016)		9,127,793	89.9	%	$ 13.50 (c)		

(a) Major tenants are determined as tenants with 15,000 or more sq.ft. of GLA, tenants at single-tenant properties, or the largest tenant at a property, based on GLA.

(b) The Company has a 40% ownership interest in the San Souci Plaza joint venture and a 60% ownership interest in the Crossroads II joint venture. Based on partnership promotes, additional equity interests, and/or other terms of the related joint venture agreements, the Company currently recognizes the results of operations of these joint ventures in excess of its stated percentage ownership.

(c) 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, 2016. 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 $13.41 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 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.

Excluding properties held for sale or sold, Giant Food Stores, LLC, Stop & Shop, Inc. and Food Lion, LLC, each of which is owned by Ahold N.V., a Netherlands corporation, leased an aggregate of approximately 11% of the Company's GLA at December 31, 2016, and accounted for an aggregate of approximately 12% of the Company's total revenues during 2016. No other tenant leased more than 10% of GLA at December 31, 2016, or contributed more than 10% of total revenues during 2016.

Executive Offices

The Company's executive offices are located at 44 South Bayles Avenue, Port Washington, New York, pursuant to a lease which expires in February 2020.

Competition

The Company believes that competition for the acquisition and operation of grocery-anchored shopping 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 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 and/or indemnification, 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 did not reveal any material environmental liabilities for which the Company is responsible and 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.

Employees

As of December 31, 2016, the Company had 70 employees (69 full-time and one part-time). The Company believes that its relations with its employees are good.

Item 1A. Risk Factors
Set forth below are the risk factors that we believe are material to our investors. Each of these risk factors could adversely affect our business operating results and/or financial condition, as well as adversely affect the value of our common stock and other securities. In addition to the following disclosures, please refer to the other information contained in this Annual Report on Form 10-K including the accompanying consolidated financial statements and the related notes. This section contains forward-looking statements. You should refer to the explanation of the qualifications and limitation on forward-looking statements appearing elsewhere in this Annual Report on Form 10-K.

These risks factors are not exhaustive. We operate in a competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for us to predict all risk factors, nor can we assess the impact of all risk factors on our business or the extent to which any factor, or combination of factors, may affect our business. Investors should also refer to our quarterly reports on Form 10-Q and current reports on Form 8-K for future periods for material updates to these risk factors.

Risks Related to Our Properties and Our Business

Our properties consist primarily of grocery-anchored shopping centers. Our performance therefore is linked to economic conditions in the market for retail space generally.

Our properties consist primarily of grocery-anchored 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, the impact of internet sales on the demand for retail space, ongoing consolidation in the retail sector, and 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. Any sustained levels of high unemployment can be expected to have a serious negative impact on consumer spending and sales by tenants at our shopping centers.

In addition, increases in energy costs in this country 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.

The geographic concentration of our properties in the Washington, D.C. to Boston corridor exposes us to greater economic risks than if the distribution of our properties encompassed a broader region.

Our properties are located largely in the region that straddles the Washington, D.C. to Boston corridor, which exposes us to greater economic risks than if our properties were more diversely located (in particular, 26 of our 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.

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:

- local oversupply, increased competition or declining demand for real estate;
- local economic conditions, which may be adversely impacted by plant closings, business layoffs, industry slow downs, weather conditions, natural disasters and other factors;
- 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;
- vacancies or an inability to rent space on acceptable terms;
- increased operating costs, including real estate taxes, insurance premiums, utilities, costs associated with the need to periodically renovate and re-lease space, and repairs and maintenance;
- volatility and/or increases in interest rates, or the non-availability of funds in the credit markets in general;
- increased costs of complying with current, new or expanded governmental regulations;
- the relative illiquidity of real estate investments;
- changing market demographics;
- changing traffic patterns; and
- an inability to refinance maturing debt in acceptable amounts and/or on acceptable terms.

The level of our indebtedness and any constraints on credit may impede our operating performance, and put us at a competitive disadvantage.

The level of our indebtedness 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. Our organizational documents do not limit the level or amount of debt that we may incur, no do we have a policy limiting our debt to any particular level.

Economic conditions in the U.S. economy in general, and any 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.

We paid dividends totaling $0.20 per share during each of 2016, 2015 and 2014. However, any downturn in the state of the U.S. economy, weakness in capital markets and/or difficult retail environment may cause us to reduce or suspend the payment of dividends.

Any volatility or 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, we may be compelled to dilute the interests of existing shareholders that could also adversely reduce the trading price of our common stock.

We may be exposed to additional risks through our hedging activities, including the risks that a counterparty will not perform and that the hedge will not yield the economic benefits we anticipate.

To manage our exposure to variable interest rate risk, we use derivative instruments that involve risk, such as the risk that counterparties may fail to honor their obligations under these arrangements, or that these arrangements may not be effective in

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reducing our exposure to interest rate changes. There can be no assurance that our hedging arrangements will qualify for hedge accounting or that our hedging activities will have the desired beneficial impact on our results of operations. If we decide to terminate a hedging agreement, there could be significant costs and cash requirements involved to fulfill our obligations under the hedging agreement. Failure to effectively hedge against interest rate changes may adversely affect our results of operations.

In addition, under the REIT qualification provisions of the Code, income we could receive from certain hedging transactions may be treated as non-qualifying income for purposes of the REIT gross income tests. As a result of these rules, we may need to limit or entirely avoid otherwise advantageous hedging techniques.

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. Excluding properties held for sale or sold, no tenant leased more than 10% of GLA at December 31, 2016 or contributed more than 10% of total revenues during 2016, except for Giant Food Stores, LLC, Stop & Shop, Inc. and Food Lion, LLC, each of which is owned by Ahold N.V., a Netherlands corporation, which leased an aggregate of approximately 11% of our GLA at December 31, 2016, and accounted for an aggregate of approximately 12% of our total revenues, during 2016.

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

We face potential material adverse effects from tenant bankruptcies.

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. In addition, we may be unable to replace the tenant at current rental rates. 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, and would be required to write off any straight-line rent receivable recorded for such tenant, which may in turn harm our financial condition.

Our redevelopment activities may not yield anticipated returns, which would harm our operating results and reduce funds available for distributions to shareholders.

Redevelopment projects entail considerable risks, including:

- Time lag between commencement and completion, leaving us exposed to higher-than-estimated construction costs, including labor and material costs;
- Time lag between commencement and completion, leaving us exposed to changes in the overall rental market ;
- Failure or inability to obtain construction or permanent financing on favorable terms;
- Expenditure of money and time on projects that may never be completed;
- Inability to secure key anchor or other tenants;
- Inability to achieve projected rental rates or anticipated pace of lease-up;
- Delays in completion relating to weather, labor disruptions, construction or zoning delays; and
- Higher costs incurred than originally estimated.

In addition, properties we redevelop or acquire may fail to achieve the occupancy or rental rates we project, within the time frames we project, at the time we make the decision to invest, which may result in the properties' failure to achieve the returns we projected. Our pre-acquisition evaluation of the physical condition of each new investment may not detect certain defects or identify necessary repairs until after the property is acquired, which could significantly increase our total acquisition costs or decrease cash flow from the property. Moreover, our investigation of a property or building prior to our acquisition, and any representations we may receive from the seller of such building or property, may fail to reveal various liabilities, which could reduce the cash flow from the property or increase our acquisition cost.

The failure of our redevelopment projects to yield their anticipated return could have a material adverse effect on our business and operating results.

“New Technology” developments may negatively impact our tenants and our business.

We may be adversely affected by developments in 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, among other things, the effect of “e-books” and small screen readers on book stores, and increased sales of many products on-line.

Recent annual increases in online sales have also caused many retailers to sell products online on their websites with pick-ups at a store or warehouse or through deliveries, which may have the effect of decreasing the reported amount of their in-store sales and the amount of rent we are able to collect from them. With respect to grocer tenants, on-line grocery orders have become increasingly available, particularly in urban areas, but have not yet become a major factor affecting grocers in our portfolio. We cannot predict with certainty how growth in internet sales will impact the demand for space at our properties or how much revenue will be generated at “bricks and mortar” store locations in the future. If we are unable to anticipate and respond promptly to trends in retailer and consumer behavior, our occupancy levels and financial results could suffer.

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

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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. Our unsecured credit facilities and 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 unsecured revolving credit facility is subject to compliance with these financial and other covenants, including restrictions on the maximum availability, which is based on the adjusted net operating income of designated unencumbered properties, 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, take possession of the property or properties securing the loan.

Mortgage debt obligations expose us to the possibility of foreclosure, which could result in the loss of our investment in a property or group of properties subject to mortgage debt.

If a property or group of properties is mortgaged to secure payment of debt and we are unable to meet mortgage payments, the holder of the mortgage or lender could foreclose on the property, resulting in a loss of our investment. Alternatively, if we decide to sell assets in the current market to raise funds to repay matured debt, it is possible that these properties will be disposed of at a loss.

Our properties may be subject to impairment charges

On a periodic basis, we assess whether there are any indicators that the value of its held-for-use real estate assets and other investments may be impaired. Held-for-use real estate assets are impaired only if the estimate of the aggregate future cash flows (undiscounted and without interest charges) to be generated by the property are less than the carrying value of the property. The estimate of cash flows considers factors such as expected future operating income, capital expenditures, trends and prospects, the effects of demand, competition and other factors. If we are evaluating the potential sale of an asset or development alternatives, the future cash flow considerations include the most likely course of action at the balance sheet date based on current plans, intended holding periods and available market information including a market discount rate applied to the estimated future proceeds. We are required to make subjective assessments as to whether there are impairments in the value of our real estate assets and other investments. These assessments have a direct impact on our earnings because recording an impairment charge results in an immediate negative adjustment to earnings. There can be no assurance that we will not take additional charges in the future related to the impairment of our assets. Any future impairment could have a material adverse effect on our results of operations in the period in which the charge is taken.

Our capital migration strategy entails various risks

We intend to sell properties and reinvest those proceeds in the acquisition of higher quality properties in our target markets, the development and redevelopment of our properties, or use the proceeds to pay down debt. While we hope to minimize the dilutive effect of these sales on our earnings, in the near term the returns on the disposed assets are

likely to exceed the returns we are able to achieve through the reinvestment of those proceeds. Also, in the event we are unable to sell these assets for amounts equal to or in excess of their current carrying values, we would be required to recognize an impairment charge. Any such impairment charges or earnings dilution could materially and adversely affect our business, financial condition, operating results and cash flows and the market price of our publicly traded securities.

Competition and saturation in our existing markets may limit our ability for further growth in these geographic regions.

Numerous commercial developers and real estate companies compete with us seeking properties for acquisition in our existing target markets. This competition may operate to reduce the properties available for acquisition in these markets, increase the cost of the properties we acquire, reduce the rate of return on these properties, and interfere with our ability to attract and retain tenants.

High barriers to entry in the Washington, D.C. 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 us to continue to grow in these areas.

Future acquisitions may result in disruptions to our business, may strain management resources and may result in earnings per share and shareholder dilution.

If we acquire a business involving multiple properties, we will be required to integrate the operations, personnel and accounting and information systems of the acquired business and train, retain and motivate any key personnel from the acquired business. In addition, acquisitions of or investments in companies may cause disruptions in our operations and divert management's attention away from day-to-day operations, which could impair our relationships with our current tenants and employees. The issuance of equity or debt securities in connection with any acquisition or investment could be substantially dilutive to our shareholders.

Commercial real estate investments are relatively illiquid.

Real estate investments are relatively illiquid. Our ability to promptly sell one or more properties in our portfolio in response to changing economic, financial and investment conditions is limited. The real estate market is affected by many factors, such as general economic conditions, supply and demand, availability of financing, interest rates and other factors that are beyond our control. We cannot be certain that we will be able to sell any property for the price and other terms we seek, or that any price or other terms offered by a prospective purchaser would be acceptable to us. We also cannot estimate with certainty the length of time needed to find a willing purchaser and to complete the sale of a property. We may be required to expend funds to correct defects or to make improvements before a property can be sold. Factors that impede our ability to dispose of properties could adversely affect our financial condition and operating results.

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.

Property ownership through joint ventures could limit our control of those investments and reduce their expected return.

As of December 31, 2016, we owned two of our operating properties through consolidated joint ventures. Our joint ventures, and joint ventures we may enter into in the future, may involve risks not present with respect to our wholly owned properties, including the following:

- We may share decision-making authority with our joint venture partners regarding certain major decisions affecting the ownership or operation of the joint venture and the joint venture property, such as, but not limited to, (1) additional capital contribution requirements, (2) signing of major leases, (3) obtaining debt financing, and (4) obtaining consent prior to the sale or transfer of our interest in the joint venture to a third party, which may prevent us from taking actions that are opposed by our joint venture partners;
- Our joint venture partners might become bankrupt or fail to fund their share of required capital contributions, which may increase our financial commitment to the joint venture;

- Our joint venture partners may have business interests or goals with respect to the property that conflict with our business interests and goals, which could increase the likelihood of disputes regarding the ownership, management or disposition of the property;
- Disputes may develop with our joint venture partners over decisions affecting the property or the joint venture, which may result in litigation or arbitration that would increase our expenses and distract our officers and/or trustees from focusing their time and effort on our business, and possibly disrupt the day-to-day operations of the property such as by delaying the implementation of important decisions until the conflict is resolved; and
- The activities of a joint venture could adversely affect our ability to qualify as a REIT.

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 related to war, nuclear accidents, and nuclear, biological and chemical occurrences from terrorist's acts. Some of the insurance, such as those 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. The availability of insurance coverage may decrease and the prices for insurance may increase as a consequence of significant losses incurred by the insurance industry and other factors outside our control. As a result, we may be unable to renew or duplicate our current insurance coverage in adequate amounts or at reasonable prices. In addition, insurance companies may no longer offer coverage against certain types of losses, such as losses due to terrorist acts and toxic mold, or, if offered, the expense of obtaining these types of insurance may not be justified. 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. Tenants may not properly maintain their insurance policies or have the ability to pay the deductibles associated with such policies. 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.

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

All real property and the operations conducted on real property are subject to federal, state and local laws, ordinances and regulations relating to hazardous materials, environmental protection and human health and safety. Accordingly, we or our tenants may be required to investigate and clean up certain hazardous or toxic substances released on properties we own or operate, and also may be required to pay other related costs. Our leases typically impose obligations on our tenants to indemnify us for any compliance costs we may incur as a result of environmental conditions on the property caused by the tenant. If a tenant fails to or is unable to comply, we could be forced to pay these costs. If not addressed, environmental conditions could impair our ability to sell or re-lease the affected properties in the future, result in lower sales prices or rent payments, and restrict our ability to borrow funds using the affected properties as collateral.

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, remediation 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. We may be liable without regard to whether we knew of, or were responsible for, the environmental contamination and with respect to properties we have acquired, whether the contamination occurred before or after the acquisition.

We believe environmental studies conducted at the time of acquisition with respect to all of our properties did not reveal any material environmental liabilities for which the Company is responsible, and we are unaware of any subsequent environmental matters that would have created a material liability. If one or more of our properties were not in compliance with federal, state and local laws, including environmental 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 additionally incur governmental fines or private damage awards. There can be no assurance that existing

requirements will not change or that future requirements will not require us to make significant unanticipated expenditures that will adversely impact our business and operations.

The Americans with Disabilities Act of 1990 (the "ADA") could require us to take remedial steps with respect to our properties.

Our existing properties, as well as properties we may acquire, may be required to comply with Title III of the ADA. We may incur significant costs to comply with the ADA, as amended, and similar laws, which require that all public accommodations meet federal 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.

We face risks relating to cybersecurity attacks, loss of confidential information and other business disruptions.

We rely extensively on computer systems to manage our business and process transactions. Our business is at risk from and may be impacted by cybersecurity attacks, including attempts to gain unauthorized access to our confidential data and other electronic security breaches. Such cyber-attacks can range from individual attempts to gain unauthorized access to our information technology systems to more sophisticated security threats. While we employ a number of measures to prevent, detect and mitigate these threats including password protection, backup servers and annual penetration testing, there is no guarantee such efforts will be successful in preventing a cyber-attack. Cybersecurity incidents, depending on their nature and scope, could potentially lead to the compromise of confidential information, improper use of our systems and networks, manipulation and destruction of data, system downtimes and operational disruptions, which in turn could adversely affect our reputation, competitiveness and results of operations. In the event a security breach or failure results in the disclosure of sensitive tenant or other third-party data, or the transmission of harmful/malicious code to third parties, we could be subject to liability or claims.

Furthermore, it is possible that our computer systems, including our back-up systems, could be subject to damage or interruption from power outages, computer and telecommunications failures, computer viruses, catastrophic events such as fires, hurricanes, earthquakes and tornadoes, and intentional and inadvertent acts and errors by our employees. If our computer systems cease to function properly or are damaged, we may have to make a significant investment to repair or replace them, and we may suffer interruptions in our operations in the interim. Any material interruption in our computer systems or issues with the ongoing implementation of newly adopted IT solutions may have a material adverse effect on our business or results of operations or on our ability to timely and accurately report the results of our operations.

Future terrorist attacks and shooting incidents could harm the demand for, and the value of, our properties.

Future terrorist attacks, such as the number of highly publicized terrorists acts and shootings that have occurred at domestic and international retail properties, 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. If such an incident were to occur at one of our properties, we may be subject to significant liability claims. While we attempt to mitigate this risk through insurance coverage and the employment of third party security services where we feel conditions warrant, we cannot guarantee that losses would not exceed applicable insurance coverages, thereby adversely affecting our results of operations and our ability to meet our obligations, including distributions to our shareholders. 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.

We could be subject to litigation that may negatively impact our cash flows, financial condition and results of operations.

From time to time, we may be a defendant in lawsuits and regulatory proceedings relating to our business. Due to the inherent uncertainties of litigation and regulatory proceedings, we cannot accurately predict the ultimate outcome of any such litigation or proceedings. We could experience a negative impact to our cash flows, financial condition and results of operations due to an unfavorable outcome.

Risks Related to Our Qualification as a REIT and other Tax Matters

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 and substantially all state and local income taxation on that portion of its income that qualifies as REIT taxable

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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, we would be subject to a 4% excise tax if we fail to distribute sufficient income to meet a minimum distribution test based on our ordinary income, capital gain and aggregate undistributed income from prior years. If we did not continue to qualify as a REIT, we would also be subject to state and local income taxes in certain of the jurisdictions in which our properties are located. In addition, tax laws would no longer require us to pay any distributions to our shareholders. Unless we are entitled to relief under specific statutory provisions, we could not elect to be taxed as a REIT again for the four taxable years following the year during which we were disqualified. Even if we qualify as a REIT for federal income tax purposes, we may be subject to certain state and local income and franchise taxes and to federal income and excise taxes on our undistributed taxable income.

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) if necessary, 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.

Complying with REIT requirements may cause us to forego otherwise attractive opportunities and limit our growth opportunities

In order to qualify as a REIT for U.S. federal income tax purposes, we must continually satisfy tests concerning, among other things, our sources of income, the nature of our investments in commercial real estate and related assets, the amounts we distribute to shareholders and the ownership of our stock. We may also be required to make distributions to shareholders at disadvantageous times or when we do not have funds readily available for distribution. Thus, compliance with REIT requirements may hinder our ability to operate solely on the basis of maximizing profits.

Frequent asset sales could trigger adverse tax consequences.

Tax laws applicable to REITs require that we hold our properties for investment, rather than primarily for sale in the ordinary course of business, which may cause us to forego or defer sales of properties that otherwise would be in our best interest. Therefore, we may be unable to adjust our portfolio mix promptly in response to market conditions, which may adversely affect our financial position.

To qualify as a REIT, we must comply with requirements regarding our assets and our sources of income. We may be unable to comply with these requirements, ultimately jeopardizing our qualification as a REIT, or we may be subject to a 100% tax on any resultant gain if we sell assets that are treated as dealer property or inventory.

In addition, the sale of our properties may generate gains for tax purposes which, if not adequately deferred through “like kind exchanges” under Section 1031 of the Code or other tax deference strategies, could require us to pay income taxes or make additional distributions to our shareholders, thus reducing our capital available for investment in other properties, or if the proceeds of such sales are already invested in other properties, require us to obtain additional funds to pay such taxes or make such distributions, in either such case to permit us to maintain our status as a REIT.

Failure to qualify as a domestically-controlled REIT could subject our non-U.S. shareholders to adverse federal income tax consequences.

We will be a domestically-controlled REIT if, at all times during a specified testing period, less than 50% in value of its shares are held directly or indirectly by non-U.S. shareholders. Because our shares are publicly traded, we cannot guarantee that we will, in fact, be a domestically-controlled REIT. If we fail to qualify as a domestically-controlled REIT, our non-U.S. shareholders that otherwise would not be subject to federal income tax on the gain attributable to a sale of our shares would be subject to taxation upon such a sale if either (a) the shares were not considered to be "regularly traded" under applicable Treasury regulations on an established securities market, such as the NYSE, or (b) the shares were considered to be "regularly traded" on an established securities market and the selling non-U.S. shareholder owned, actually or constructively, more than 5% (10% on or after December 18, 2016) in value of the outstanding shares at any time during specified testing periods. If gain on the sale or exchange of our shares was subject to taxation for these reasons, the non-U.S. shareholder would be subject to federal income tax with respect to any gain on a net basis in a manner

similar to the taxation of a taxable U.S. shareholder, subject to any applicable alternative minimum tax and special alternative minimum tax in the case of nonresident alien individuals, and corporate non-U.S. shareholders may be subject to an additional branch profits tax.

We may choose to make distributions in our own stock, in which case you may be required to pay income taxes without receiving any cash dividends.

In connection with our qualification as a REIT, we are required to annually distribute to our shareholders at least 90% of our REIT taxable income (which does not equal net income, as calculated in accordance with GAAP), determined without regard to the deduction for dividends paid and excluding net capital gain. In order to satisfy this requirement, we may make distributions that are payable in cash and/or shares of our stock (which could account for up to 90% of the aggregate amount of such distributions) at the election of each shareholder. Taxable shareholders receiving such distributions will be required to include the full amount of such distributions as ordinary dividend income to the extent of our current or accumulated earnings and profits, as determined for U.S. federal income tax purposes. As a result, U.S. shareholders may be required to pay income taxes with respect to such distributions in excess of the cash portion of the distribution received. Accordingly, U.S. shareholders receiving a distribution of our shares may be required to sell shares received in such distribution or may be required to sell other stock or assets owned by them, at a time that may be disadvantageous, in order to satisfy any tax imposed on such distribution. If a U.S. shareholder sells the stock that it receives as part of the distribution in order to pay this tax, the sales proceeds may be less than the amount it must include in income with respect to the distribution, depending on the market price of our stock at the time of the sale. Furthermore, with respect to certain non-U.S. shareholders, we may be required to withhold U.S. tax with respect to such distribution, including in respect of all or a portion of such distribution that is payable in stock, by withholding or disposing of part of the shares included in such distribution and using the proceeds of such disposition to satisfy the withholding tax imposed. In addition, if a significant number of our shareholders determine to sell shares of our stock in order to pay taxes owed on dividend income, such sale may put downward pressure on the market price of our stock.

Various tax aspects of such a taxable cash/stock distribution are uncertain and have not yet been addressed by the Internal Revenue Service (“IRS”). No assurance can be given that the IRS will not impose requirements in the future with respect to taxable cash/stock distributions, including on a retroactive basis, or assert that the requirements for such taxable cash/stock distributions have not been met.

Dividends paid by REITs generally do not qualify for reduced tax rates.

Dividends payable by REITs do not qualify for reduced tax rates under the Code. Currently, the maximum federal individual tax rate for nonqualified dividends payable is 39.6%; qualified dividends from most C corporations received by individuals are subject to a reduced maximum federal rate of 20%. In addition to these rates, certain high income individuals may be subject to an additional 3.8% tax on certain investment income, including dividends and capital gains. As a REIT, our distributions to individual shareholders generally are not eligible for the reduced rates and are, consequently, taxed at ordinary income rates. The more favorable federal tax rates applicable to regular corporate dividends may result in the stock of REITs being perceived to be less attractive than the stock of corporations that pay dividends qualifying for reduced rates of tax, which may adversely affect the value of the stock of REITs.

Changes in accounting standards may adversely impact our financial condition and results of operations.

The Financial Accounting Standards Board ("FASB"), in conjunction with the SEC, has several key projects on their agenda, some of which have already been adopted, that could impact how we currently account for our material transactions, including, but not limited to, lease accounting, revenue recognition, and other accounting

pronouncements disclosed in Note 2 of Notes to Consolidated Financial Statements included in Item 8 below. New accounting standards or pronouncements that will become applicable to us, or changes in the interpretation of existing standards and pronouncements, could have a significant adverse effect on our financial position or results of operations.

Risks Related to Our Organization and Structure

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. 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, in its sole discretion, may exempt a proposed transferee from the ownership limit, but 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. Our Board of Directors has waived the ownership limit to permit certain institutional investors to own common stock in excess of the ownership limit and may grant additional waivers in the future as long as the Company is able to maintain its REIT status. This concentration of ownership could deprive other shareholders of an opportunity to receive a premium for their shares of common stock as part of a sale of our Company and ultimately might affect the market price of our common stock.

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. 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:

- "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
- "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.

Our ability to pay dividends is limited by the requirements of Maryland law.

Our ability to pay dividends on our common stock is limited by the laws of the State of Maryland. Under applicable Maryland law, a Maryland corporation generally may not make a distribution if, after giving effect to the distribution, the corporation would not be able to pay its debts as they become due in the usual course of business, or the value of the corporation's total assets would be less than the sum of its total liabilities plus, unless the corporation's charter provides otherwise, the amount that would be needed, if the corporation were dissolved at the time of the distribution, to satisfy the preferential rights upon dissolution of shareholders whose preferential rights are superior to those receiving the distribution. Accordingly, we generally may not make a distribution on our common stock if, after giving effect to the distribution, we would not be able to pay our debts as they become due in the usual course of business or our total assets would be less than the sum of our total liabilities plus, unless the terms of such class or series provide otherwise, the amount that would be needed to satisfy the preferential rights upon dissolution of the holders of shares of any class or series of preferred stock then outstanding, if any, with preferences senior to those of

our common stock.

Our Board of Directors may change our strategy without shareholder approval.

Our Board of Directors may change our strategy with respect to capitalization, investment, distributions and/or operations. Our Board of Directors may establish investment criteria or limitations as it deems appropriate, but currently does not limit the number or types of properties in which we may seek to invest or the concentration of investments in any one geographic region or the amount of development or redevelopment activity occurring across our portfolio. Although our Board of Directors has no present intention to revise or amend our strategies and policies, it may do so at any time without a vote by our shareholders. Accordingly, the results of decisions made by our Board of Directors and implemented by management could adversely affect our financial condition or results of operations, including our ability to distribute cash to shareholders or qualify as a REIT.

The rights of shareholders to take action against our directors and officers are limited.

Maryland law provides that a director or officer has no liability in that capacity if he or she satisfies his or her duties to us and our shareholders. As permitted by the MGCL, our charter limits the liability of our directors and officers to us and our shareholders for monetary damages, except for liability resulting from actual receipt of an improper benefit or profit in money, property or service, or a final judgment based upon a finding of active and deliberate dishonesty by the director or officer that was material to the cause of action adjudicated.

In addition, our charter and bylaws and indemnification agreements that we have entered into with our directors and certain of our officers require us to indemnify our directors and officers, among others, for actions taken by them in those capacities to the maximum extent permitted by Maryland law. As a result, we and our shareholders may have more limited rights against our directors and officers than might otherwise exist. Accordingly, in the event that actions taken in good faith by any of our directors or officers impede the performance of our company, your ability to recover damages from such director or officer will be limited. In addition, we will be obligated to advance the defense costs incurred by our directors and officers with indemnification agreements, and may, at the discretion of our Board of Directors, advance the defense costs incurred by our employees and other agents, in connection with legal proceedings.

Risks Related to Ownership of Our Common Stock

The market value of our debt and equity securities is subject to various factors that may cause significant fluctuations or volatility.

As with other publicly traded securities, the market price of our publicly traded securities depends on various factors which may change from time-to time and are often out of our control. Among the conditions that may affect the market price of our publicly traded securities are the following:

- the extent of institutional investor interest in us;
- the market perception of our business compared to other REITS;
- the market perception of retail REITs, in general, compared to other investment alternatives;
- our financial condition and performance, including changes in our funds from operations, operating funds from operations, or earnings estimates;
- the market’s perception of our growth potential and potential future cash dividends;
- publication of research reports about us or our industry by securities analysts;
- speculation in the press or investment community;
- the passage of legislation or other regulatory developments that adversely affect us, our tax status, or our industry;
- our credit or analyst ratings;
- any future issuances of equity or debt securities;
- our failure to satisfy the listing requirements of the NYSE
- our failure to comply with the requirements of the Sarbanes-Oxley Act;
- additions or departures of key management personnel;
- strategic actions by us or our competitors, such as acquisitions or restructurings;

- an increase in market interest rates;
- our ability to access the capital markets to raise additional capital; and
- general economic and financial market conditions.

These factors may cause the market price of our common stock to decline, in some cases regardless of our financial condition, results of operations, business or prospects. It is impossible to ensure that the market price of our common stock will not fall in the future. A decrease in the market price of our common stock could reduce our ability to raise additional equity in the public markets. Selling common stock at a decreased market price would have a dilutive impact on existing shareholders.

Future offerings of debt securities, which would be senior to our common and preferred stock, or equity securities, which would dilute the interests of our existing shareholders and may be senior to our existing common stock, may adversely affect the market prices of our common and preferred stock.

In the future, we may attempt to increase our capital resources by making additional offerings of debt or equity securities, including senior or subordinated notes and classes of preferred or common stock. Holders of debt securities or shares of preferred stock will generally be entitled to receive interest payments or distributions, both current and in connection with any liquidation or sale, prior to the holders of our common stock. Furthermore, offerings of common stock or other equity securities may dilute the holdings of our existing shareholders. We are not required to offer any such equity securities to existing shareholders on a preemptive basis, and future offerings of debt or equity securities, or perceptions that such offerings may occur, may reduce the market prices of our common and preferred stock or the distributions that we pay with respect to our common stock. Because we may generally issue any such debt or equity securities in the future without obtaining the consent of our shareholders, our shareholders bear the risk of our future offerings reducing the market prices of our common and preferred stock and diluting their proportionate ownership.

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

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 2016, 2015 and 2014. 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 85,316,320 shares of common stock outstanding held by approximately 700 shareholders of record at December 31, 2016. The Company believes it has more than 4,000 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
2016	High	Low	Close	paid
March 31	$7.32	$6.47	$7.23	$ 0.05
June 30	$7.44	$6.63	$7.43	$ 0.05
September 30	$8.08	$7.01	$7.20	$ 0.05
December 31	$7.21	$5.92	$6.53	$ 0.05
2015				
March 31	$8.36	$7.09	$7.49	$ 0.05
June 30	$7.64	$6.37	$6.40	$ 0.05
September 30	$7.06	$5.75	$6.21	$ 0.05
December 31	$7.40	$6.16	$7.08	$ 0.05

Stockholder Return Performance Presentation

The following line graph sets forth for the period January 1, 2012 through December 31, 2016, 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.

Item 6. Selected Financial Data

	Years ended December 31, 2016	2015	2014	2013	2012
Operations data:					
Total revenues	$151,086,000	$149,207,000	$148,184,000	$139,598,000	$135,726,000
Expenses:					
Property operating expenses	44,515,000	44,590,000	44,786,000	42,319,000	39,387,000
General and administrative	18,154,000	15,004,000	14,356,000	13,980,000	14,277,000
Management transition charges and employee termination costs	-	-	-	106,000	1,172,000
Acquisition pursuit costs	3,426,000	1,238,000	2,870,000	182,000	116,000
Depreciation and amortization	40,787,000	38,594,000	38,700,000	44,405,000	43,289,000
Total expenses	106,882,000	99,426,000	100,712,000	100,992,000	98,241,000
Other:					
Gain on sales	59,000	-	6,413,000	609,000	997,000
Impairment (charges) / reversals	(6,347,000)	212,000	(3,148,000)	172,000	(5,499,000)
Total other	(6,288,000)	212,000	3,265,000	781,000	(4,502,000)
Operating income	37,916,000	49,993,000	50,737,000	39,387,000	32,983,000
Non-operating income and expense:					
Interest expense	(26,529,000)	(28,272,000)	(32,301,000)	(34,762,000)	(38,289,000)
Early extinguishment of debt costs	(2,623,000)	(105,000)	(825,000)	(106,000)	(2,607,000)
Equity in income of unconsolidated joint ventures	-	-	-	-	1,481,000
Gain on exit from unconsolidated joint ventures	-	-	-	-	30,526,000
Total non-operating income and expense	(29,152,000)	(28,377,000)	(33,126,000)	(34,868,000)	(8,889,000)
Income from continuing operations	8,764,000	21,616,000	17,611,000	4,519,000	24,094,000
Income from discontinued operations	-	165,000	11,080,000	9,683,000	9,921,000
Net income	8,764,000	21,781,000	28,691,000	14,202,000	34,015,000
Net loss (income) attributable to noncontrolling interests	179,000	365,000	290,000	246,000	(4,309,000)
Net income attributable to Cedar Realty Trust, Inc.	8,943,000	22,146,000	28,981,000	14,448,000	29,706,000
Preferred stock dividends and redemption costs	(14,408,000)	(14,408,000)	(14,408,000)	(15,579,000)	(19,817,000)
Net (loss) income attributable to common shareholders	$(5,465,000)	$7,738,000	$14,573,000	$(1,131,000)	$9,889,000

Net (loss) income per common share attributable to common shareholders (basic and diluted):					
Continuing operations	$(0.08)	$0.09	$0.04	$(0.17)	$0.05
Discontinued operations	$0.00	$0.00	$0.14	$0.14	$0.08
	$(0.08)	$0.09	$0.18	$(0.03)	$0.13
Dividends to common shareholders	$17,049,000	$17,001,000	$15,841,000	$14,434,000	$14,402,000
Per common share	$0.20	$0.20	$0.20	$0.20	$0.20
Weighted average number of common shares - basic and diluted	81,672,000	81,356,000	75,311,000	68,381,000	68,017,000

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Item 6. Selected Financial Data (continued)

Balance sheet data:	Years ended December 31, 2016	2015	2014	2013	2012
Real estate, net	$1,183,359,000	$1,249,195,000	$1,208,962,000	$1,199,346,000	$1,194,444,000
Real estate held for sale/conveyance	-	14,402,000	16,508,000	70,757,000	107,097,000
Other assets	50,162,000	54,783,000	58,835,000	59,386,000	64,959,000
Total assets	$1,233,521,000	$1,318,380,000	$1,284,305,000	$1,329,489,000	$1,366,500,000
Mortgage loans payable / credit facilities / term loans	$607,745,000	$673,820,000	$662,914,000	$717,355,000	$741,765,000
Mortgage loans payable - real estate held for sale/conveyance	-	-	-	22,848,000	39,306,000
Other liabilities	43,779,000	47,018,000	46,140,000	53,638,000	63,679,000
Total liabilities	651,524,000	720,838,000	709,054,000	793,841,000	844,750,000
Noncontrolling interest - limited partners' mezzanine OP Units	-	-	396,000	414,000	623,000
Equity:					
Cedar Realty Trust, Inc. shareholders' equity	580,740,000	596,050,000	569,552,000	527,677,000	513,656,000
Noncontrolling interests	1,257,000	1,492,000	5,303,000	7,557,000	7,471,000
Total equity	581,997,000	597,542,000	574,855,000	535,234,000	521,127,000
Total liabilities and equity	$1,233,521,000	$1,318,380,000	$1,284,305,000	$1,329,489,000	$1,366,500,000
Other data:					
Funds From Operations ("FFO") (a)	$41,067,000	$45,104,000	$40,273,000	$44,868,000	$26,717,000
Operating Funds From Operations ("Operating FFO") (a)	$49,241,000	$46,447,000	$42,545,000	$36,413,000	$35,813,000
Cash flows provided by (used in):					
Operating activities	$57,525,000	$59,136,000	$50,885,000	$49,494,000	$50,362,000
Investing activities	$51,064,000	$(47,876,000)	$49,116,000	$(15,072,000)	$50,340,000
Financing activities	$(107,790,000)	$(12,676,000)	$(100,475,000)	$(37,971,000)	$(105,250,000)
Square feet of GLA	9,128,000	9,459,000	9,247,000	9,450,000	9,316,000
Percent occupied	89.9 %	90.5 %	92.9 %	92.6 %	92.0 %
	$13.50	$13.35	$12.73	$12.31	$12.05

Average annualized base rent per square foot

(a) See Item 7 - "Management Discussion and Analysis of Financial Condition and Results of Operations" for a reconciliation of FFO and Operating FFO to net (loss) income 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 that focuses primarily on ownership and operation of grocery-anchored shopping centers straddling the Washington, D.C. to Boston corridor. At December 31, 2016, the Company owned and managed a portfolio of 61 operating properties (excluding properties "held for sale") totaling 9.1 million square feet of gross leasable area ("GLA"). The portfolio was 91.9% leased and 89.9% occupied at December 31, 2016.

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, 2016, the Company owned 99.6% of the Operating Partnership and is its sole general partner. The 351,000 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 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.

2016 and Early 2017 Significant Transactions

Acquisitions

On February 25, 2016, the Company acquired Shoppes at Arts District, located in Hyattsville, Maryland. The purchase price for the property was $20.5 million, of which $8.5 million was funded from the assumption of a mortgage loan payable bearing interest at the rate of 5.2% per annum and maturing in April 2022.

On May 4, 2016, the Company acquired Glenwood Village, located in Bloomfield, New Jersey. The purchase price for the property, which was unencumbered, was $19.5 million.

On February 22, 2017, the Company acquired Christina Crossing, located in Wilmington, Delaware. The purchase price for the property, which was unencumbered, was $29.3 million.

Dispositions

During 2016, the Company sold the following properties:

Property	Location	GLA	Date Sold	Sales Price
Liberty Marketplace	Dubois, PA	68,200	2/11/2016	$15,000,000
Upland Square	Pottstown, PA	399,948	11/2/2016	$83,250,000

Debt

During 2016, the Company repaid the following mortgage loans payable:

Property	Repayment date	Principal payoff amount
Gold Star Plaza	March 10, 2016	$953,000
West Bridgewater	June 6, 2016	$10,037,000
Hamburg Square	July 1, 2016	$4,569,000
Meadows Marketplace	August 1, 2016	$9,089,000
Carman's Plaza	August 1, 2016	$33,500,000
San Souci Plaza	September 1, 2016	$27,200,000
Camp Hill	September 30, 2016	$60,742,000
Swede Square	December 29, 2016	$9,652,000
Golden Triangle	December 30, 2016	$18,496,000

On April 26, 2016, the Company closed a new $100 million unsecured term loan maturing on April 26, 2023 (all of which was borrowed on September 30, 2016). Proceeds were used primarily to repay mortgages maturing through January 2017. Interest on borrowings under the term loan can range from LIBOR plus 165 to 225 basis points bps (165 bps on December 31, 2016), based on the Company's leverage ratio. Additionally, the Company entered into a forward interest rate swap agreement which converts the LIBOR rate to a fixed rate for the term loan beginning November 1, 2016 through its maturity. Based on the Company's leverage ratio as of December 31, 2016, the effective fixed interest rate is 3.2%.

On May 3, 2016, the Company refinanced its existing $40.3 million mortgage loan payable secured by Franklin Village Plaza with a new $50.0 million mortgage loan payable, bearing interest at the rate of 3.9% per annum and maturing in June 2026.

Equity

On August 1, 2016, the Company entered into a forward sales agreement to issue 5,750,000 common shares for estimated net proceeds of $44.2 million, before adjustments for dividends paid and other administrative costs incurred prior to settlement. To date, there have been no physical settlements regarding this offering. The Company expects to physically settle the agreement in full prior to its expiration on August 1, 2017. The Company does have the option to net settle this agreement in shares or cash prior to its expiration, but does not expect to utilize this option.

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 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.

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.

Results of Operations

Comparison of 2016 to 2015

	2016	2015	Change Dollars	Percent
Revenues	$151,086,000	$149,207,000	$1,879,000	1.3%
Property operating expenses	(44,515,000)	(44,590,000)	75,000	-0.2%
Property operating income	106,571,000	104,617,000	1,954,000	
General and administrative	(18,154,000)	(15,004,000)	(3,150,000)	21.0%
Acquisition pursuit costs	(3,426,000)	(1,238,000)	(2,188,000)	n/a
Depreciation and amortization	(40,787,000)	(38,594,000)	(2,193,000)	5.7%
Gain on sale	59,000	—	59,000	n/a
Impairment (charges) / reversals	(6,347,000)	212,000	(6,559,000)	n/a
Interest expense	(26,529,000)	(28,272,000)	1,743,000	-6.2%
Early extinguishment of debt costs	(2,623,000)	(105,000)	(2,518,000)	n/a
Income from continuing operations	8,764,000	21,616,000	(12,852,000)	
Discontinued operations	—	165,000	(165,000)	n/a
Net income	8,764,000	21,781,000	(13,017,000)	
Net loss attributable to noncontrolling interests	179,000	365,000	(186,000)	
Net income attributable to Cedar Realty Trust, Inc.	$8,943,000	$22,146,000	$(13,203,000)	

Revenues were higher primarily as a result of (1) an increase of $7.1 million in rental revenues and expense recoveries attributable to properties acquired in 2016 and 2015, (2) an increase of $0.4 million in rental revenues attributable to the Company's same-center properties, and (3) an increase of $0.3 million in other income primarily attributable to lease termination income, partially offset by (1) a decrease of $3.1 million in rental revenues and expense recoveries attributable to properties that were sold in 2016 and 2015, (2) a decrease of $2.0 million in base rents and expense

recoveries attributable to redevelopment properties, and (3) a decrease of $0.6 million in straight-line revenues and amortization of intangible lease liabilities revenue attributable to the Company’s same-center properties.

Property operating expenses were lower primarily as a result of (1) a decrease of $1.2 million in property operating expenses attributable to properties that were sold in 2016 and 2015, and (2) a decrease of $0.9 million in property operating expenses attributable to the Company’s same-center properties (consisting primarily of a reduction in bad debt expense, non-billable expenses and snow removal costs), partially offset by an increase of $2.2 million in property operating expenses attributable to properties acquired in 2016 and 2015.

General and administrative costs were higher primarily as a result of (1) $1.4 million associated with the signing bonus and relocation expenses associated with the hiring of the new Chief Operating Officer and estimated expenses relating to the termination

of the prior Chief Operating Officer, and (2) a $1.0 million increase in payroll, with approximately 50% related to salaries and 50% related to bonuses.

Acquisition pursuit costs in 2016 relate to (1) $1.7 million of transfer taxes relating to the buyout of a ground lease and acquisition of the fee interest in a currently owned property, (2) $0.6 million for the purchase of Glenwood Village, located in Bloomfield, New Jersey, (3) $0.5 million for the purchase of the Shoppes at Arts District, located in Hyattsville, Maryland, (4) $0.4 million for additional real estate transfer taxes assessed on a property which was purchased in 2014, and (5) $0.3 million of other costs. Acquisition pursuit costs in 2015 relate to the purchase of Lawndale Plaza, located in Philadelphia, Pennsylvania.

Depreciation and amortization expenses were higher primarily as a result of (1) an increase of $3.1 million in depreciation and amortization expenses attributable to properties acquired in 2016 and 2015, and (2) an increase of $0.2 million in depreciation and amortization expenses attributable to the Company’s redevelopment properties, partially offset by (1) a decrease of $0.6 million in depreciation and amortization expenses attributable to properties that were sold or held for sale in 2016 and 2015, and (2) a decrease of $0.5 million in depreciation and amortization expenses attributable to the Company’s same-center properties.

Impairment charges in 2016 relate to the sale of Upland Square, located in Pottstown, Pennsylvania. Impairment reversals in 2015 relate to properties that were initially classified as held for sale in 2015.

Interest expense was lower primarily as a result of (1) $1.9 million as a result of a decrease in the overall weighted average interest rate, and (2) $0.3 million as a result of additional capitalized interest, partially offset by (1) $0.4 million as a result of an increase in the overall outstanding principal balance of debt, and (2) $0.1 million as a result of an increase in amortization of deferred financing costs.

Early extinguishment of debt costs in 2016 and 2015 relates to defeasement fees and the accelerated write-off of unamortized fees associated with the prepayment of certain mortgage loans payable.

Discontinued operations in 2015 include the results of operations and impairment reversals attributable to a property that qualified for treatment as discontinued operations.

Comparison of 2015 to 2014

	2015	2014	Change Dollars	Percent
Revenues	$149,207,000	$148,184,000	$1,023,000	0.7%
Property operating expenses	(44,590,000)	(44,786,000)	196,000	-0.4%
Property operating income	104,617,000	103,398,000	1,219,000	
General and administrative	(15,004,000)	(14,356,000)	(648,000)	4.5%
Acquisition pursuit costs	(1,238,000)	(2,870,000)	1,632,000	n/a
Depreciation and amortization	(38,594,000)	(38,700,000)	106,000	-0.3%
Gain on sales	—	6,413,000	(6,413,000)	n/a
Impairment reversals / (charges)	212,000	(3,148,000)	3,360,000	n/a
Interest expense	(28,272,000)	(32,301,000)	4,029,000	-12.5%
Early extinguishment of debt costs	(105,000)	(825,000)	720,000	n/a
Income from continuing operations	21,616,000	17,611,000	4,005,000	
Discontinued operations	165,000	11,080,000	(10,915,000)	n/a
Net income	21,781,000	28,691,000	(6,910,000)	
Net loss attributable to noncontrolling interests	365,000	290,000	75,000	

Net income attributable to Cedar Realty Trust, Inc.	$22,146,000	$28,981,000	$(6,835,000)

Revenues were higher primarily as a result of (1) an increase of $4.1 million in rental revenues and expense recoveries attributable to properties acquired in 2015 and 2014, (2) an increase of $1.1 million in base rental revenue, percentage rental revenue and expense recoveries attributable to the Company’s same-center properties, (3) an increase of $1.0 million in rental revenues and expense recoveries attributable to the Company’s redevelopment properties, and (4) an increase of $0.5 million in other income, partially offset by (1) a decrease of $4.1 million in rental revenues and expense recoveries attributable to properties that were sold in 2015 and 2014, and (2) a decrease of $1.6 million in straight-line revenue and amortization of intangible lease liabilities revenue attributable to the Company’s same-center properties.

Property operating expenses were lower primarily as a result of (1) a decrease of $0.9 million in property operating expenses attributable to properties that were sold in 2015 and 2014, (2) a decrease of $0.6 million in other operating expenses, primarily bad debt expense, repairs and maintenance, and non-billable expenses, and (3) a decrease of $0.1 million in payroll and payroll related costs, partially offset by an increase of $1.4 million in property operating expenses attributable to properties acquired in 2015 and 2014.

General and administrative costs were higher primarily as a result of increased costs across various administrative departments.

Acquisition pursuit costs in 2015 relate to the purchase of Lawndale Plaza, located in Philadelphia, Pennsylvania and East River Park, located in Washington, D.C. Acquisition pursuit costs in 2014 relate to the purchase of Quartermaster Plaza, located in Philadelphia, Pennsylvania.

Depreciation and amortization expenses were lower primarily as a result of (1) a decrease of $1.1 million in depreciation and amortization expenses attributable to properties that were sold in 2015 and 2014, and (2) a decrease of $0.5 million in depreciation and amortization expenses attributable to the Company's same-center properties, partially offset by an increase of $1.3 million in depreciation and amortization expenses attributable to properties acquired in 2015 and 2014.

Gain on sales in 2014 relates to the sales of Carbondale Plaza, located in Carbondale, Pennsylvania, and Virginia Little Creek, located in Norfolk, Virginia.

Impairment reversals / (charges) in 2015 and 2014 relate to properties that were sold or held for sale in 2015 and 2014 that did not qualify for discontinued operations treatment.

Interest expense was lower primarily as a result of (1) $2.0 million as a result of a decrease in the overall outstanding principal balance of debt, (2) $1.8 million as a result of a decrease in the overall weighted average interest rate, and (3) $0.6 million as a result of a decrease in amortization of deferred financing costs, partially offset $0.3 million as a result of a decrease in capitalized interest.

Early extinguishment of debt costs in 2015 and 2014 relates to defeasement fees and the accelerated write-off of unamortized fees associated with the prepayment of certain mortgage loans payable.

Discontinued operations for 2015 and 2014 include the results of operations, impairment reversals, gain on extinguishment of debt obligations, and gain on sales attributable to properties that qualified for treatment as discontinued operations.

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. 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.

The most directly comparable GAAP financial measure is consolidated operating income. Same-property NOI should not be considered as an alternative to consolidated operating 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 among REITs. The following table reconciles same-property NOI to the Company’s consolidated operating income:

	Years ended December 31,	
	2016	2015
Consolidated operating income	$37,916,000	$49,993,000
Add (deduct):		
General and administrative	18,154,000	15,004,000
Acquisition pursuit costs	3,426,000	1,238,000
Gain on sales	(59,000)	—
Impairment charges / (reversals)	6,347,000	(212,000)
Depreciation and amortization	40,787,000	38,594,000
Corporate costs included in property expenses charges to all properties	4,470,000	4,621,000
Straight-line rents	(38,000)	(506,000)
Amortization of intangible lease liabilities	(2,751,000)	(3,125,000)
Internal management fees charged to same center properties	(3,667,000)	(3,619,000)
Other adjustments	(229,000)	129,000
NOI related to properties not defined as same-property	(18,951,000)	(18,232,000)
Same-property NOI	$85,405,000	$83,885,000
Number of same properties	52	52
Same-property occupancy, end of year	91.1 %	92.1 %
Same-property leased, end of year	92.6 %	93.0 %
Same-property average base rent, end of year	$13.23	$12.98

Same-property NOI for the comparative years increased by 1.8%. The results reflect an increase in average base rent of $0.25 per square foot, partially offset by a reduction in occupancy of 100 basis points (“bps”).

Leasing Activity

The following is a summary of the Company’s retail leasing activity during 2016:

	Leases signed	GLA	New rent per sq.ft. ($)	Prior rent per sq.ft. ($)	Cash basis % change	Tenant improvements per sq.ft. ($) (a)
Renewals	138	650,600	15.14	13.91	8.8 %	0.00
New Leases - Comparable	27	258,200	12.35	9.47	30.4 %	31.69
New Leases - Non-Comparable (b)	13	69,400	15.81	n/a	n/a	5.20
Total (c)	178	978,200	14.45	n/a	n/a	8.73

(a) Includes both tenant allowance and landlord work. Excludes first generation space.
(b) Includes leases signed at first generation and expansion spaces.
(c) Legal fees and leasing commissions averaged a combined total of $3.47 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, capital improvements, and maturing debt initially with its revolving credit facility, and ultimately through a combination of issuing and/or assuming additional debt, the sale of equity securities, the issuance of additional OP Units, and/or the sale of properties. Although the Company believes it has access to secured and unsecured financing, there can be no assurance that the Company will have the availability of financing on completed development projects, additional construction financing, or proceeds from the refinancing of existing debt.

The Company has a $310 million unsecured credit facility which consists of (1) a $260 million revolving credit facility, and (2) a $50 million term loan. Under an accordion feature, the facility can be increased to $750 million, subject to customary conditions and lending commitments. As of December 31, 2016, the Company had $168.0 million available for additional borrowings under the revolving credit facility.

On April 26, 2016, the Company closed a new $100 million unsecured term loan maturing on April 26, 2023 (all of which was borrowed on September 30, 2016). Proceeds were used primarily to repay mortgages maturing through January 2017.

On May 3, 2016, the Company refinanced its existing $40.3 million mortgage loan payable secured by Franklin Village Plaza with a new $50.0 million mortgage loan payable, bearing interest at the rate of 3.9% per annum and maturing in June 2026.

On August 1, 2016, the Company entered into a forward sales agreement to issue 5,750,000 common shares for estimated net proceeds of $44.2 million, before adjustments for dividends paid and other administrative costs incurred prior to settlement. To date, there have been no physical settlements regarding this offering. The Company expects to physically settle the agreement in full prior to its expiration on August 1, 2017. The Company does have the option to net settle this agreement in shares or cash prior to its expiration, but does not expect to utilize this option.

The Company's unsecured credit facility and term loans contain financial covenants including, but not limited to, maximum debt leverage, maximum secured debt, minimum fixed charge coverage, and minimum net worth. In addition, the facilities contain restrictions including, but not limited to, limits on indebtedness, certain investments and distributions. Although the credit facilities are unsecured, borrowing availability is based on unencumbered property adjusted net operating income, as defined in the agreements. The Company's failure to comply with the covenants or the occurrence of an event of default under the facilities could result in the acceleration of the related debt. As of December 31, 2016 the Company is in compliance with all financial covenants. Interest on borrowings under the unsecured credit facility and terms loans are based on the Company's leverage ratio.

Debt is composed of the following at December 31, 2016:

	December 31, 2016		
		Contractual interest rates	
Description	Balance outstanding	Weighted - average	Range
Fixed-rate mortgages	$138,288,000	4.6%	3.9% - 7.5%
Unsecured credit facilities:			
Variable-rate:			
Revolving credit facility	72,000,000	2.1%	
Term loan	50,000,000	2.1%	
Fixed-rate (a):			
Term loan	75,000,000	2.9%	
Term loan	50,000,000	2.8%	
Term loan	75,000,000	4.0%	
Term loan	50,000,000	3.3%	
Term loan	100,000,000	3.2%	
	610,288,000	3.3%	
Unamortized premium	667,000		
Unamortized debt issuance costs	(3,210,000)		
	$607,745,000		

(a) The interest rates on these term loans consist of LIBOR plus a credit spread based on the Company's leverage ratio, for which the Company has interest rate swap agreements which convert the LIBOR rates to fixed rates. Accordingly, these term loans are presented as fixed-rate debt. See "Quantitative and Qualitative Disclosures About Market Risk" below.

The following table details the Company's debt maturities at December 31, 2016:

	Secured Debt		Unsecured Debt					
Year	Scheduled Amortization	Balloon Payments	Revolving Credit Facility	Term Loans	Total	Unamortized Premium	Unamortized Debt Issuance Costs	Total
2017	$3,221,000	$-	$-	$-	$3,221,000	$119,000	$(759,000)	$2,581,000
2018	3,377,000	-	-	-	3,377,000	126,000	(759,000)	2,744,000
2019	3,542,000	-	72,000,000 (a)	75,000,000	150,542,000	126,000	(607,000)	150,061,000
2020	3,707,000	-	-	100,000,000	103,707,000	126,000	(391,000)	103,442,000
2021	3,253,000	22,367,000	-	75,000,000	100,620,000	126,000	(259,000)	100,487,000
Thereafter	11,561,000	87,260,000	-	150,000,000	248,821,000	44,000	(435,000)	248,430,000
	$28,661,000	$109,627,000	$72,000,000	$400,000,000	$610,288,000	$667,000	$(3,210,000)	$607,745,000

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(a) The revolving credit facility is subject to a one-year extension at the Company's option.

Property-specific mortgage loans payable 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 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 common and preferred stock dividends during 2016 and 2015. 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.

Contractual obligations and commercial commitments

The following table sets forth the Company's significant debt repayment, interest and operating lease obligations at December 31, 2016:

	Maturity Date						
	2017	2018	2019	2020	2021	Thereafter	Total
Debt:							
Mortgage loans payable	$3,221,000	$3,377,000	$3,542,000	$3,707,000	$25,620,000	$98,821,000	$138,288,000
Unsecured revolving credit facility (a)	-	-	72,000,000	-	-	-	72,000,000
Unsecured term loans	-	-	75,000,000	100,000,000	75,000,000	150,000,000	400,000,000
Interest payments (b)	20,155,000	19,999,000	16,556,000	13,801,000	9,537,000	14,661,000	94,709,000
Operating lease obligations	1,029,000	878,000	892,000	461,000	375,000	13,504,000	17,139,000
Total	$24,405,000	$24,254,000	$167,990,000	$117,969,000	$110,532,000	$276,986,000	$722,136,000

(a) The revolving credit facility is subject to a one-year extension at the Company's option.

(b) Represents interest payments expected to be incurred on the Company's debt obligations as of December 31, 2016, including interest that may subsequently be capitalized. For variable-rate debt, the rate in effect at December 31, 2016 is assumed to remain in effect until the maturities of the respective obligations.

In addition, the Company has outstanding construction commitments totaling approximately $3.0 million at December 31, 2016.

Net Cash Flows

	Years ended December 31,		
	2016	2015	2014
Cash flows provided by (used in):			
Operating activities	$57,525,000	$59,136,000	$50,885,000
Investing activities	$51,064,000	$(47,876,000)	$49,116,000
Financing activities	$(107,790,000)	$(12,676,000)	$(100,475,000)

Operating Activities

Net cash provided by operating activities, before net changes in operating assets and liabilities, was $59.0 million, $62.6 million, and $57.3 million for 2016, 2015 and 2014, respectively. The approximately $3.7 million decrease between 2016 and 2015 was primarily attributable to the increase in acquisition pursuit costs and general and administrative costs, partially offset by a reduction in interest expense of $1.2 million. The approximately $5.3 million increase between 2015 and 2014 was primarily attributable to a reduction in interest expense of $4.8 million.

Investing Activities

Net cash flows provided by / (used in) investing activities were primarily the result of the Company's property disposition activities, property acquisitions and expenditures for property improvements. During 2016, the Company received $96.2 million in proceeds from the sale of a two shopping centers classified as held for sale, and had a decrease of $2.3 million in construction escrows and other, which was offset by the acquisition of two shopping centers, which were partially paid in cash for $31.9 million, and expenditures of $15.5 million for property improvements,. During 2015, the Company acquired shopping centers for $43.0 million, and expenditures of $12.7 million for property improvements, offset by $5.9 million in proceeds received from the sales of shopping

centers classified as held for sale, and $1.9 million in construction escrows and other. During 2014, the Company received $102.1 million in proceeds from sales of shopping centers classified as held for sale and received $2.1 million in construction escrows and other, offset by the purchase of a shopping center for $38.9 million, and expenditures of $16.3 million for property improvements.

Financing Activities

During 2016, the Company made $218.8 million of repayments of mortgage obligations, $31.5 million of preferred and common stock distributions, net repayments of $6.0 million under the revolving credit facility, and $1.4 million of payments for debt financing costs, which was offset by $100.0 million borrowing under a new term loan, and a mortgage borrowing of $50.0 million. During 2015, the Company made $114.8 million of repayments of mortgage obligations, $31.4 million of preferred and common stock distributions, $11.2 million for the purchase of a joint venture minority interests share, and $2.9 million of payments for debt financing costs, which was offset by borrowings of $100.0 million under new term loans, proceeds, net of issuance expenses, of $41.7 million in sales of its common stock, and $6.0 million of net borrowings under the revolving credit facility. During 2014, the Company made $177.1 million of repayments of mortgage loans payable, $81.5 million of net repayments under the revolving credit facility, $30.2 million of preferred and common stock distributions, $1.3 million in payments of debt financing costs, $1.0 million of distributions to consolidated joint venture minority interests and limited partners, and a $0.4 million payment for the redemption of OP Units, offset by borrowings of $150.0 million under new term loans, and proceeds, net of issuance expenses, of $41.2 million from the sale of common stock.

Funds From Operations

Funds From Operations (“FFO”) is a widely recognized supplemental non-GAAP measure utilized to evaluate the financial performance of a REIT. The Company presents FFO in accordance with the definition adopted by the National Association of Real Estate Investment Trusts (“NAREIT”). NAREIT generally defines FFO as net income attributable to common shareholders (determined in accordance with GAAP), excluding gains (losses) from sales of real estate properties, impairment provisions on real estate properties, plus real estate related depreciation and amortization, and adjustments for partnerships and joint ventures to reflect FFO on the same basis. The Company considers FFO to be an appropriate measure of its financial performance because 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 other depreciable assets.

The Company also considers Operating Funds From Operations (“Operating FFO”) to be an additional meaningful financial measure of financial performance because it excludes items the Company does not believe are indicative of its core operating performance, such as acquisition pursuit costs, amounts relating to early extinguishment of debt and preferred stock redemption costs, management transition costs and certain redevelopment costs. The Company believes Operating FFO further assists in comparing the Company’s performance across reporting periods on a consistent basis by excluding such items.

FFO and Operating FFO should be reviewed with net income attributable to common shareholders, the most directly comparable GAAP financial measure, when trying to understand the Company’s operating performance. FFO and Operating FFO do not represent cash generated from operating activities and should not be considered as an alternative to net income attributable to common shareholders or to cash flow from operating activities. The Company’s computations of FFO and Operating FFO may differ from the computations utilized by other REITs and, accordingly, may not by comparable to such REITs.

A reconciliation of net (loss) income attributable to common shareholders to FFO and Operating FFO for the years ended December 31, 2016, 2015 and 2014 is as follows:

	Years ended December 31,		
	2016	2015	2014
Net (loss) income attributable to common shareholders	$(5,465,000)	$7,738,000	$14,573,000
Real estate depreciation and amortization	40,616,000	38,354,000	38,365,000
Limited partners' interest	(17,000)	28,000	80,000
Impairment charges / (reversals)	6,347,000	(365,000)	3,101,000
Gain on sales	(59,000)	—	(14,376,000)
Consolidated minority interests:			
Share of loss	(162,000)	(393,000)	(370,000)
Share of FFO	(193,000)	(258,000)	(1,100,000)
FFO applicable to diluted common shares	41,067,000	45,104,000	40,273,000
Acquisition pursuit costs (a)	3,426,000	1,238,000	2,870,000
Financing costs (b)	2,623,000	105,000	825,000
Redevelopment costs (c)	698,000	—	—
Management transition costs (d)	1,427,000	—	—
Gain on extinguishment of debt obligations	—	—	(1,423,000)
Operating FFO applicable to diluted common shares	$49,241,000	$46,447,000	$42,545,000
FFO per diluted common share	$0.48	$0.53	$0.51
Operating FFO per diluted common share	$0.57	$0.54	$0.54
Weighted average number of diluted common shares (e):			
Common shares	85,303,000	84,850,000	78,985,000
OP Units	352,000	378,000	433,000
	85,655,000	85,228,000	79,418,000

(a) Represents costs directly associated with acquiring properties that are expensed pursuant to GAAP such as transfer taxes, brokerage fees and legal expenses.
(b) Represents extinguishment of debt costs.
(c) Includes redevelopment project costs expensed pursuant to GAAP such as certain demolition and lease termination costs.
(d) Costs associated with hiring a new Chief Operating Officer and estimated expenses related to termination of prior Chief Operating Officer.
(e) The weighted average number of diluted common shares used to compute FFO and Operating FFO applicable to diluted common shares includes OP Units and unvested restricted shares that are excluded from the computation of diluted EPS.

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 inflation-sensitive costs such as 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 the risk of interest rate changes, primarily through its variable-rate revolving credit facility and term loans. 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 either fixed rates or at variable rates and enter into derivative financial instruments, such as interest rate swaps, to mitigate its interest rate risk. The Company does not enter into derivative or interest rate transactions for speculative purposes. The Company is not subject to foreign currency risk.

The Company has entered into forward interest rate swap agreements which convert the LIBOR rates to fixed rates for certain unsecured term loans. At December 31, 2016, the Company had $3.1 million included in deferred charges and other assets, net, in

addition to $2.3 million included in accounts payable and accrued liabilities on the consolidated balance sheet relating to the fair value of the interest rate swaps applicable to certain unsecured term loans. Based on the Company's leverage ratio at December 31, 2016, the following table details the unsecured term loans which are subject to interest rate swap agreements:

Amount	Effective date	Maturity date	Effective fixed interest rate
$75,000,000	July 2014	February 2019	2.9%
$50,000,000	July 2015	February 2020	2.8%
$75,000,000	July 2014	February 2021	4.0%
$50,000,000	July 2015	February 2022	3.3%
$100,000,000	November 2016	April 2023	3.2%

At December 31, 2016, long-term debt consisted of fixed-rate mortgage loans payable, unsecured term loans, and the Company's unsecured variable-rate credit facility. Excluding unamortized premiums and debt issuance costs, the average interest rate on the $488.3 million of fixed-rate debt outstanding was 3.6%, with maturities at various dates through 2029. The average interest rate on the $122.0 million of variable-rate debt outstanding, which consists of the unsecured revolving credit facility and a term loan, was 2.1%. With respect to the $122.0 million of variable-rate debt, if contractual interest rates either increase or decrease by 100 bps, the Company's interest cost would increase or decrease respectively by approximately $1.2 million per annum.

With respect to the Company's fixed rate mortgage notes and unsecured term loans, changes in interest rates generally do not affect the Company's interest expense as these notes are at fixed rates for extended terms. Because the Company intends to hold its existing fixed-rate debt either to maturity or until the sale of the associated property, these fixed-rate notes pose an interest rate risk to the Company's results of operations and its working capital position only upon the refinancing of that indebtedness. The Company's possible risk is from increases in long-term interest rates that may occur as this may increase the cost of refinancing maturing fixed-rate debt. In addition, the Company may incur prepayment penalties or defeasance costs when prepaying or defeasing debt.

Item 8. Financial Statements and Supplementary Data

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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.

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. as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive income, equity and cash flows for each of the three years in the period ended December 31, 2016. Our audits also included the financial statement schedule listed in the Index at Item 15(a). 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, 2016 and 2015, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2016, 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, 2016, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 23, 2017 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

New York, New York
February 23, 2017

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CEDAR REALTY TRUST, INC.

CONSOLIDATED BALANCE SHEETS

	December 31, 2016	2015
ASSETS		
Real estate:		
Land	$301,299,000	$323,859,000
Buildings and improvements	1,195,130,000	1,226,168,000
	1,496,429,000	1,550,027,000
Less accumulated depreciation	(313,070,000)	(300,832,000)
Real estate, net	1,183,359,000	1,249,195,000
Real estate held for sale	—	14,402,000
Cash and cash equivalents	2,882,000	2,083,000
Restricted cash	2,880,000	5,592,000
Receivables	14,894,000	17,912,000
Other assets and deferred charges, net	29,506,000	29,196,000
TOTAL ASSETS	$1,233,521,000	$1,318,380,000
LIABILITIES AND EQUITY		
Mortgage loans payable	$138,243,000	$298,089,000
Unsecured revolving credit facility	72,000,000	78,000,000
Unsecured term loans	397,502,000	297,731,000
Accounts payable and accrued liabilities	23,463,000	23,831,000
Unamortized intangible lease liabilities	20,316,000	23,187,000
Total liabilities	651,524,000	720,838,000
Commitments and contingencies	—	—
Equity:		
Cedar Realty Trust, Inc. shareholders' equity:		
Preferred stock ($.01 par value, 12,500,000 shares authorized):		
Series B ($25.00 per share liquidation value, 10,000,000 shares authorized, 7,950,000 issued and outstanding)	190,661,000	190,661,000
Common stock ($.06 par value, 150,000,000 shares authorized, 85,316,000 and 85,049,000 shares, issued and outstanding, respectively)	5,119,000	5,103,000
Treasury stock (3,264,000 and 3,182,000 shares, respectively, at cost)	(18,129,000)	(17,284,000)
Additional paid-in capital	829,526,000	825,979,000
Cumulative distributions in excess of net income	(426,864,000)	(404,350,000)
Accumulated other comprehensive income (loss)	427,000	(4,059,000)
Total Cedar Realty Trust, Inc. shareholders' equity	580,740,000	596,050,000
Noncontrolling interests:		
Minority interests in consolidated joint ventures	(1,132,000)	(970,000)
Limited partners' OP Units	2,389,000	2,462,000

Total noncontrolling interests	1,257,000	1,492,000
Total equity	581,997,000	597,542,000
TOTAL LIABILITIES AND EQUITY	$1,233,521,000	$1,318,380,000

See accompanying notes to consolidated financial statements

CEDAR REALTY TRUST, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Years ended December 31,		
	2016	2015	2014
REVENUES			
Rents	$118,098,000	$116,739,000	$116,505,000
Expense recoveries	32,036,000	31,834,000	31,392,000
Other	952,000	634,000	287,000
Total revenues	151,086,000	149,207,000	148,184,000
EXPENSES			
Operating, maintenance and management	24,898,000	25,401,000	26,604,000
Real estate and other property-related taxes	19,617,000	19,189,000	18,182,000
General and administrative	18,154,000	15,004,000	14,356,000
Acquisition pursuit costs	3,426,000	1,238,000	2,870,000
Depreciation and amortization	40,787,000	38,594,000	38,700,000
Total expenses	106,882,000	99,426,000	100,712,000
OTHER			
Gain on sale	59,000	—	6,413,000
Impairment (charges)/reversals	(6,347,000)	212,000	(3,148,000)
Total other	(6,288,000)	212,000	3,265,000

OPERATING I