CEDAR REALTY TRUST, INC.
Form 10-Q
November 01, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2018

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 No.)

44 South Bayles Avenue, Port Washington, New York 11050-3765

(Address of principal executive offices) (Zip Code)

(516) 767-6492

(Registrant's telephone number, including area code)

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 every Interactive Data File required to be submitted 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 such files). Yes No

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

Large accelerated filer	Accelerated filer
Non-accelerated filer	Smaller reporting company
Emerging growth company	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

At October 31, 2018, there were 91,207,909 shares of Common Stock, $0.06 par value, outstanding.

CEDAR REALTY TRUST, INC.

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Forward-Looking Statements

Certain statements made in this Form 10-Q or incorporated by reference herein are “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and, as such, may involve known and unknown risks, uncertainties and other factors which may cause the Company’s actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Forward-looking statements, which are based on certain assumptions and describe the Company’s future plans, strategies and expectations, are generally identifiable by use of the words “may”, “will”, “should”, “estimates”, “projects”, “anticipates”, “believes”, “expects” “future”, and words of similar import, or the negative thereof. Factors which could cause actual results to differ materially from current expectations include, but are not limited to: adverse general economic conditions in the United States and uncertainty in the credit and retail markets; financing risks, such as the inability to obtain new financing or refinancing on favorable terms as the result of market volatility or instability; risks related to the market for retail space generally, including reductions in consumer spending, variability in retailer demand for leased space, tenant bankruptcies, adverse impact of internet sales demand, ongoing consolidation in the retail sector and changes in economic conditions and consumer confidence; risks endemic to real estate and the real estate industry generally; the impact of the Company’s level of indebtedness on operating performance; inability of tenants to meet their rent and other lease obligations; adverse impact of new technology and e-commerce developments on the Company’s tenants; competitive risk; risks related to the geographic concentration of the Company’s properties in the Washington, D.C. to Boston corridor; the effects of natural and other disasters; the inability of the Company to realize anticipated returns from its redevelopment activities; and the risk factors discussed under Part I, Item 1A, “Risk Factors” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2017.

Except for ongoing obligations to disclose material information as required by the federal securities laws, the Company undertakes no obligation to release publicly any revisions to any forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events. All of the above factors are difficult to predict, contain uncertainties that may materially affect the Company’s actual results and may be beyond the Company’s control. New factors emerge from time to time, and it is not possible for the Company’s management to predict all such factors or to assess the effects of each factor on the Company’s business. Accordingly, there can be no assurance that the Company’s current expectations will be realized.

CEDAR REALTY TRUST, INC.

CONSOLIDATED BALANCE SHEETS

(unaudited)

	September 30, 2018	December 31, 2017
ASSETS		
Real estate:		
Land	$295,734,000	$304,237,000
Buildings and improvements	1,206,608,000	1,230,362,000
	1,502,342,000	1,534,599,000
Less accumulated depreciation	(353,085,000)	(341,943,000)
Real estate, net	1,149,257,000	1,192,656,000
Real estate held for sale	11,348,000	—
Cash and cash equivalents	4,398,000	3,702,000
Restricted cash	—	3,517,000
Receivables	21,905,000	17,193,000
Other assets and deferred charges, net	50,645,000	35,350,000
TOTAL ASSETS	$1,237,553,000	$1,252,418,000
LIABILITIES AND EQUITY		
Mortgage loans payable	$47,545,000	$127,969,000
Capital lease obligation	5,398,000	-
Unsecured revolving credit facility	102,000,000	55,000,000
Unsecured term loans	471,954,000	397,156,000
Accounts payable and accrued liabilities	25,688,000	24,519,000
Unamortized intangible lease liabilities	14,014,000	17,663,000
Total liabilities	666,599,000	622,307,000
Commitments and contingencies	—	—
Equity:		
Cedar Realty Trust, Inc. shareholders' equity:		
Preferred stock	159,541,000	207,508,000
Common stock ($.06 par value, 150,000,000 shares authorized, 91,211,000 and 91,317,000 shares, issued and outstanding, respectively)	5,473,000	5,479,000
Treasury stock (2,979,000 and 3,359,000 shares, respectively, at cost)	(16,650,000)	(18,463,000)
Additional paid-in capital	876,865,000	875,062,000
Cumulative distributions in excess of net income	(473,098,000)	(446,944,000)
Accumulated other comprehensive income	15,592,000	5,694,000
Total Cedar Realty Trust, Inc. shareholders' equity	567,723,000	628,336,000
Noncontrolling interests:		
Minority interests in consolidated joint ventures	(215,000)	(609,000)
Limited partners' OP Units	3,446,000	2,384,000

Total noncontrolling interests	3,231,000	1,775,000
Total equity	570,954,000	630,111,000
TOTAL LIABILITIES AND EQUITY	$1,237,553,000	$1,252,418,000

See accompanying notes to consolidated financial statements

CEDAR REALTY TRUST, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)

	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
REVENUES				
Rents	$28,120,000	$28,362,000	$85,732,000	$84,790,000
Expense recoveries	7,747,000	7,436,000	24,800,000	22,796,000
Other	303,000	600,000	4,556,000	1,285,000
Total revenues	36,170,000	36,398,000	115,088,000	108,871,000
EXPENSES				
Operating, maintenance and management	6,394,000	5,578,000	20,182,000	18,084,000
Real estate and other property-related taxes	5,037,000	4,931,000	15,172,000	14,597,000
General and administrative	3,975,000	4,121,000	12,745,000	12,494,000
Acquisition pursuit costs	-	-	-	156,000
Depreciation and amortization	9,650,000	9,807,000	30,245,000	30,178,000
Total expenses	25,056,000	24,437,000	78,344,000	75,509,000
OTHER				
Gain on sale	4,864,000	-	4,864,000	7,099,000
Impairment reversals / (charges)	707,000	-	(20,689,000)	(9,850,000)
Total other	5,571,000	-	(15,825,000)	(2,751,000)
OPERATING INCOME	16,685,000	11,961,000	20,919,000	30,611,000
NON-OPERATING INCOME AND EXPENSES				
Interest expense	(5,551,000)	(5,544,000)	(16,468,000)	(16,638,000)
Early extinguishment of debt costs	(4,829,000)	-	(4,829,000)	-
Total non-operating income and expenses	(10,380,000)	(5,544,000)	(21,297,000)	(16,638,000)
NET INCOME (LOSS)	6,305,000	6,417,000	(378,000)	13,973,000
Net (income) loss attributable to noncontrolling interests:				
Minority interests in consolidated joint ventures	(126,000)	(138,000)	(394,000)	(393,000)
Limited partners' interest in Operating Partnership	(19,000)	21,000	41,000	22,000
Total net (income) attributable to noncontrolling interests	(145,000)	(117,000)	(353,000)	(371,000)
NET INCOME (LOSS) ATTRIBUTABLE TO CEDAR REALTY TRUST, INC.	6,160,000	6,300,000	(731,000)	13,602,000
Preferred stock dividends	(2,688,000)	(3,535,000)	(8,175,000)	(10,739,000)

Preferred stock redemption costs	-	(7,890,000)	(3,507,000)	(7,890,000)
NET INCOME (LOSS) ATTRIBUTABLE TO COMMON SHAREHOLDERS	$3,472,000	$(5,125,000)	$(12,413,000)	$(5,027,000)
NET INCOME (LOSS) PER COMMON SHARE ATTRIBUTABLE TO COMMON SHAREHOLDERS:				
Basic	$0.04	$(0.06)	$(0.15)	$(0.07)
Diluted	$0.04	$(0.06)	$(0.15)	$(0.07)
Weighted average number of common shares:				
Basic	89,049,000	85,642,000	88,228,000	83,049,000
Diluted	89,875,000	85,642,000	88,228,000	83,049,000

See accompanying notes to consolidated financial statements

CEDAR REALTY TRUST, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Net income (loss)	$6,305,000	$6,417,000	$(378,000)	$13,973,000
Other comprehensive income - unrealized gain on change in fair value of cash flow hedges	2,129,000	1,279,000	9,956,000	1,591,000
Comprehensive income	8,434,000	7,696,000	9,578,000	15,564,000
Comprehensive (income) attributable to noncontrolling interests	(174,000)	(122,000)	(411,000)	(377,000)
Comprehensive income attributable to Cedar Realty Trust, Inc.	$8,260,000	$7,574,000	$9,167,000	$15,187,000

See accompanying notes to consolidated financial statements

CEDAR REALTY TRUST, INC.

Consolidated Statement of Equity

Nine months ended September 30, 2018

(unaudited)

	Cedar Realty Trust, Inc. Shareholders							
	Preferred stock		Common stock		Treasury stock,	Additional paid-in	Cumulative distributions in excess of	Accumulated other comprehensiv
	Shares	Amount	Shares	Amount	at cost	capital	net income	income
r 31,	8,450,000	$207,508,000	91,317,000	$5,479,000	$(18,463,000)	$875,062,000	$(446,944,000)	$5,694,000
	—	—	—	—	—	—	(731,000)	—
change h flow	—	—	—	—	—	—	—	9,898,000
ensation,	—	—	(108,000)	(6,000)	1,813,000	479,000	—	—
ries B	(2,000,000)	(47,967,000)	—	—	—	1,458,000	(3,507,000)	—
es, net of	—	—	2,000	—	—	5,000	—	—
idends	—	—	—	—	—	—	(8,175,000)	—
mmon ontrolling	—	—	—	—	—	—	(13,741,000)	—
Units	—	—	—	—	—	—	—	—
its	—	—	—	—	—	—	—	—
tment of terest	—	—	—	—	—	(139,000)	—	—
r 30,	6,450,000	$159,541,000	91,211,000	$5,473,000	$(16,650,000)	$876,865,000	$(473,098,000)	$15,592,000

	Noncontrolling Interests			
	Minority interest in consolidated joint ventures	Limited partners' interest in Operating Partnership	Total	Total Equity
r 31,	$(609,000)	$2,384,000	$1,775,000	$630,111,000
	394,000	(41,000)	353,000	(378,000)
change h flow	—	58,000	58,000	9,956,000

ensation,	—	—	—	2,286,000
ries B	—	—	—	(50,016,000)
es, net of	—	—	—	5,000
idends	—	—	—	(8,175,000)
mmon ontrolling	—	(62,000)	(62,000)	(13,803,000)
Units	—	(7,000)	(7,000)	(7,000)
its	—	975,000	975,000	975,000
tment of terest	—	139,000	139,000	—
r 30,	$(215,000)	$3,446,000	$3,231,000	$570,954,000

See accompanying notes to consolidated financial statements

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CEDAR REALTY TRUST, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

	Nine months ended September 30,	
	2018	2017
OPERATING ACTIVITIES		
Net (loss) income	$(378,000)	$13,973,000
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Gain on sales	(4,864,000)	(7,099,000)
Impairment charges	20,689,000	9,850,000
Early extinguishment of debt costs	4,829,000	—
Straight-line rents	(824,000)	(787,000)
Provision for doubtful accounts	1,662,000	1,215,000
Depreciation and amortization	30,245,000	30,178,000
Amortization of intangible lease liabilities, net	(3,611,000)	(1,900,000)
Expense relating to share-based compensation, net	2,801,000	2,693,000
Amortization of premium on mortgage loan payable	(80,000)	(97,000)
Amortization of deferred financing costs	913,000	1,040,000
Changes in operating assets and liabilities, net of effects of acquisitions and dispositions:		
Rents and other receivables	(3,524,000)	(3,112,000)
Prepaid expenses and other	(9,207,000)	(6,395,000)
Accounts payable and accrued liabilities	1,326,000	1,826,000
Net cash provided by operating activities	39,977,000	41,385,000
INVESTING ACTIVITIES		
Acquisitions of real estate	(179,000)	(32,442,000)
Expenditures for real estate improvements	(21,919,000)	(17,115,000)
Net proceeds from sales of real estate	19,118,000	10,372,000
Issuance of mortgage note receivable	(3,500,000)	—
Net cash (used in) investing activities	(6,480,000)	(39,185,000)
FINANCING ACTIVITIES		
Repayments under revolving credit facility	(117,500,000)	(134,500,000)
Advances under revolving credit facility	164,500,000	157,500,000
Advance under term loan	75,000,000	—
Mortgage repayments	(80,077,000)	(2,399,000)
Payments of early extinguishment of debt costs	(5,159,000)	—
Payments of debt financing costs	(677,000)	(2,498,000)
Noncontrolling interests:		
Distributions to limited partners	(62,000)	(53,000)
Redemption of OP Units	(7,000)	(11,000)

Net proceeds from sale of preferred stock	—	72,337,000
Redemptions of preferred stock	(50,016,000)	(112,510,000)
Common stock sales less issuance expenses, net	9,000	43,164,000
Preferred stock dividends	(8,588,000)	(11,113,000)
Distributions to common shareholders	(13,741,000)	(13,116,000)
Net cash (used in) financing activities	(36,318,000)	(3,199,000)
Net (decrease) in cash, cash equivalents and restricted cash	(2,821,000)	(999,000)
Cash, cash equivalents and restricted cash at beginning of year	7,219,000	5,762,000
Cash, cash equivalents and restricted cash at end of period	$4,398,000	$4,763,000
Reconciliation to consolidated balance sheets:		
Cash and cash equivalents	$4,398,000	$2,240,000
Restricted cash	—	2,523,000
Cash, cash equivalents and restricted cash	$4,398,000	$4,763,000

See accompanying notes to consolidated financial statements

Cedar Realty Trust, Inc.

Notes to Consolidated Financial Statements

September 30, 2018

(unaudited)

Note 1. Business and Organization

Cedar Realty Trust, Inc. (the “Company”) is a real estate investment trust (“REIT”) that focuses primarily on ownership, operation and redevelopment of grocery-anchored shopping centers in high-density urban markets from Washington, D.C. to Boston. At September 30, 2018, the Company owned and managed a portfolio of 58 operating properties (excluding properties “held for sale”).

Cedar Realty Trust Partnership, L.P. (the “Operating Partnership”) is the entity through which the Company conducts substantially all of its business and owns (either directly or through subsidiaries) substantially all of its assets. At September 30, 2018, the Company owned a 99.4% economic interest in, and was the sole general partner of, the Operating Partnership. The limited partners’ interest in the Operating Partnership (0.6% at September 30, 2018) is represented by Operating Partnership Units (“OP Units”). The carrying amount of such interest is adjusted at the end of each reporting period to an amount equal to the limited partners’ ownership percentage of the Operating Partnership’s net equity. The 553,000 OP Units outstanding at September 30, 2018 are economically equivalent to the Company’s common stock. The holders of OP Units have the right to exchange their OP Units for the same number of shares of the Company’s common stock or, at the Company’s option, for cash.

As used herein, the “Company” refers to Cedar Realty Trust, Inc. and its subsidiaries on a consolidated basis, including the Operating Partnership or, where the context so requires, Cedar Realty Trust, Inc. only.

Note 2. Summary of Significant Accounting Policies

Principles of Consolidation/Basis of Preparation

The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and include all of the information and disclosures required by U.S. Generally Accepted Accounting Principles (“GAAP”) for interim reporting. Accordingly, they do not include all of the disclosures required by GAAP for complete financial statement disclosures. In the opinion of management, all adjustments necessary for fair presentation (including normal recurring accruals) have been included. The financial statements are prepared on the accrual basis in accordance with GAAP, which requires management to make estimates and assumptions that affect the disclosure of contingent assets and liabilities, the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the periods covered by the financial statements. Actual results could differ from these estimates. The prior period financial statements reflect certain reclassifications, such as the reclassification of restricted cash and the related accounts on the consolidated statements of cash flows, which had no impact on previously-reported net income attributable to common shareholders or earnings per share. The unaudited consolidated financial statements in this Form 10-Q should be read in conjunction with the audited consolidated financial statements and related notes contained in the Company’s Annual Report on

Form 10-K for the year ended December 31, 2017.

The unaudited consolidated financial statements include the accounts and operations of the Company, the Operating Partnership, its subsidiaries, and certain joint venture partnerships in which it participates. The Company consolidates all variable interest entities for which it is the primary beneficiary.

Supplemental Consolidated Statements of Cash Flows Information

	Nine months ended September 30,	
	2018	2017
Supplemental disclosure of cash activities:		
Cash paid for interest	$16,593,000	$15,945,000
Supplemental disclosure of non-cash activities:		
Capitalization of interest and financing costs	1,125,000	483,000
Issuance of OP Units in connection with a land parcel acquisition	975,000	—

Cedar Realty Trust, Inc.

Notes to Consolidated Financial Statements

September 30, 2018

(unaudited)

Recently-Adopted Accounting Pronouncements

In May 2014, the FASB issued guidance which amends the accounting for revenue recognition. Under the amended guidance, an entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which a company expects to be entitled to and receive in exchange for those goods or services. Leases are specifically excluded from this guidance and will be governed by the applicable lease codification. The guidance, effective January 1, 2018, did not have a material effect on the Company’s consolidated financial statements.

In August 2016, the FASB issued guidance that clarifies how an entity should classify certain cash receipts and cash payments on its statement of cash flows. The guidance established that an entity will classify cash payments for debt prepayment or extinguishment costs as financing cash flows. In addition, the guidance provides entities with an alternative to consider regarding the nature of the source of distributions that an investor receives from an equity method investment when classifying distributions received in its cash flow statement (the nature of the distribution approach). Alternatively, entities can elect to classify the distributions received from equity method investees based on the cumulative earnings approach. The guidance, effective January 1, 2018, did not have a material effect on the Company’s consolidated financial statements.

In November 2016, the FASB issued guidance that requires entities to show the changes in the total of cash, cash equivalents and restricted cash in the statement of cash flows. When cash, cash equivalents and restricted cash are presented in more than one line item on the balance sheet, the new guidance requires a reconciliation of the totals in the statement of cash flows to the related captions on the balance sheet. This reconciliation can be presented either on the face of the statement of cash flows or in the notes to the financial statements. The guidance, effective January 1, 2018, did not have a material effect on the Company’s consolidated financial statements.

In May 2017, the FASB issued guidance which clarifies when changes to the terms or conditions of a share-based payment award must be accounted for as a modification. Under the new guidance, an entity will not apply modification accounting if the award’s fair value, vesting conditions, and the classification of the award as equity or a liability are the same immediately before and after the change. The guidance, effective January 1, 2018, did not have a material effect on the Company’s consolidated financial statements.

Recently-Issued Accounting Pronouncements

In February 2016, the FASB issued guidance which amends the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheets and making targeted changes to lessor accounting. The guidance requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase of the leased asset by the lessee. This classification will determine whether the lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than twelve months regardless of their classification. Leases with a term of twelve months or less will be accounted for pursuant to existing guidance for operating leases. The guidance will result in the recognition of a right-to-use asset and related liability to account for the Company's future obligations under its ground lease and executive office lease agreements for which the Company is the lessee. Additionally, the guidance will require that lessees and lessors capitalize, as initial direct costs, only those costs that are incurred due to the execution of a lease. Under this guidance, allocated payroll costs and other costs that are incurred regardless of whether the lease is obtained will no longer be capitalized as initial direct costs and instead will be expensed as incurred.

FASB provided lessors with a practical expedient, elected by class of underlying asset, to account for lease and non-lease components as a single lease component if certain criteria are met. Lessors that make these elections will be required to provide additional disclosures. FASB provided an additional (and optional) transition method that allows entities to initially apply the guidance at the adoption date (January 1, 2019) and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. The Company intends to apply both these practical expedients upon adoption. The Company, based on the anticipated election of practical expedients, anticipates that its tenant leases, where it is the lessor, will continue to be accounted for as operating leases under the new standard. The Company is also the lessee under various ground lease arrangements. The Company would not be required to reassess the classification of existing ground leases where it is the lessee and therefore these leases would continue to be accounted for as operating or financing leases. Therefore, as of January 1, 2019, the Company does not currently anticipate significant changes in the accounting for its lease revenues as lessor, but does anticipate the recognition of right of

Cedar Realty Trust, Inc.

Notes to Consolidated Financial Statements

September 30, 2018

(unaudited)

use assets and related lease liabilities on its consolidated balance sheets related to ground leases as lessee. In the event the Company modifies existing ground leases or enters into new ground leases after adoption of the new standard, such leases may be classified as finance leases. The Company will continue to evaluate the impact the adoption of the guidance will have on its consolidated financial statements.

In June 2016, the FASB issued guidance which enhances the methodology of measuring expected credit losses to include the use of forward-looking information to better calculate credit loss estimates. The guidance will apply to most financial assets measured at amortized cost and certain other instruments, including accounts receivable, straight-line rent receivables, loans, held-to-maturity debt securities, net investments in leases, and off-balance-sheet credit exposures. The guidance will require that the Company estimate the lifetime expected credit loss with respect to these receivables and record allowances that, when deducted from the balance of the receivables, represent the net amounts expected to be collected. The Company will also be required to disclose information about how it developed the allowances, including changes in the factors that influenced the Company’s estimate of expected credit losses and the reasons for those changes. The guidance would be effective for interim and annual reporting periods beginning after December 15, 2019. The Company is currently in the process of evaluating the impact the adoption of the guidance will have on its consolidated financial statements.

Note 3. Real Estate

Land Parcel Acquisition

On August 8, 2018, the Company purchased a land parcel adjacent to its Riverview Plaza property, located in Philadelphia, Pennsylvania. The purchase price for the land parcel was $1.0 million, which was comprised of $25,000 in cash and approximately 208,000 OP Units (based on the market price of the Company’s common stock).

Shopping Center Acquisition

On August 21, 2018, the Company entered into a deed of lease for Senator Square, a shopping center located in Washington, D.C. The deed of lease conveys fee title in the buildings to the Company and contains future options to acquire fee title in the land at its then fair-value. This lease is presented in the Company’s financial statements as two separate components as follows: (1) a$5.7 million capital lease obligation for the fee interest in the buildings, and (2) an operating lease for the land. The capital lease obligation was computed through the date of the Company’s first purchase option, as discussed below, and reflects an interest rate of 5.3%.

The lease initially requires monthly payments of $75,000 through maturity in August 2117 unless the Company exercises one of its options to acquire the land. The first such option will be available between the 25th and 33rd anniversaries of the lease, depending on certain property benchmarks, with additional purchase options every 10 years thereafter during the lease term. The lease also provides for 1.5% annual increases which begin on approximately the 8th anniversary of the lease, depending on the aforementioned property benchmarks. In addition, at the time the Company’s first purchase option becomes available, the lease payments will be adjusted to the greater of then fair-value or the current payment amount. The lease payments are subject to similar adjustments at the 25th and 50th anniversaries of such first purchase option.

The Company has also issued a $3.5 million interest only mortgage note receivable to the lessor of Senator Square, which bears interest at 4.5% per annum. The maturity date of this mortgage note can range from 26.5 years to 34.5 years from the date of issuance, based on the aforementioned property benchmarks.

Dispositions

On August 28, 2018, the Company sold Mechanicsburg Center, located in Mechanicsburg, Pennsylvania. The sales price for the property was $16.1 million, which resulted in a gain on sale of $4.9 million, which has been included in continuing operations in the accompanying consolidated statements of operations.

On September 28, 2018, the Company sold West Bridgewater Plaza, located in West Bridgewater, Massachusetts. The sales price for the property was $3.5 million. An impairment charge of $9.4 million has been recorded in connection with the property during 2018, which has been included in continuing operations in the accompanying consolidated statements of operations.

Cedar Realty Trust, Inc.

Notes to Consolidated Financial Statements

September 30, 2018

(unaudited)

Real Estate Held for Sale

The Company, when applicable, conducts a continuing review of the values for all properties "held for sale" based on final sales prices and sales contracts entered into. Impairment charges/reversals, if applicable, are based on a comparison of the carrying values of the properties with either (1) actual sales prices less costs to sell for properties sold, or contract amounts for properties in the process of being sold, (2) estimated sales prices, less costs to sell, based on discounted cash flow or income capitalization analyses, if no contract amounts are being negotiated (see Note 4 - "Fair Value Measurements"), or (3) with respect to land parcels, estimated sales prices, less costs to sell, based on comparable sales completed in the selected market areas. Prior to the Company's determination to dispose of properties, which are subsequently reclassified to "held for sale", the Company performed recoverability analyses based on the estimated undiscounted cash flows that were expected to result from the real estate investments' use and eventual disposal. The projected undiscounted cash flows of each property reflects that the carrying value of each real estate investment would be recovered. However, as a result of the properties' meeting the "held for sale" criteria, such properties were written down to the lower of their carrying value and estimated fair values less costs to sell.

As of September 30, 2018, Carll's Corner, located in Bridgeton, New Jersey, and Maxatawny Marketplace, located in Maxatawny, Pennsylvania, have been classified as "real estate held for sale" on the accompanying consolidated balance sheet. The Company recorded impairment charges of $11.3 million in connection with these properties during 2018.

Note 4. Fair Value Measurements

The carrying amounts of cash and cash equivalents, restricted cash, rents and other receivables, certain other assets, accounts payable and accrued liabilities, and variable-rate debt approximate their fair value due to their terms and/or short-term nature. The fair value of the Company's investments and liabilities related to share-based compensation were determined to be Level 1 within the valuation hierarchy, and were based on independent values provided by financial institutions.

The fair value of the Company's fixed rate mortgage loans were estimated using available market information and discounted cash flow analyses based on borrowing rates the Company believes it could obtain with similar terms and maturities. As of September 30, 2018 and December 31, 2017, the aggregate fair values of the Company's fixed rate mortgage loans payable, which were determined to be Level 3 within the valuation hierarchy, were $45.2 million and $127.7 million, respectively; the carrying values of such loans were $47.5 million and $128.0 million, respectively. As of September 30, 2018 and December 31, 2017, respectively, the aggregate fair values of the Company's unsecured revolving credit facility and term loans approximated the carrying values. In addition, the fair value of the Company's mortgage note receivable and capital lease obligation, which were determined to be Level 3 within the valuation hierarchy, approximated their carrying values as of September 30, 2018.

The valuation of the assets and liabilities for the Company's interest rate swaps, which are measured on a recurring basis, were determined to be Level 2 within the valuation hierarchy, and were based on independent values provided by financial institutions. Such valuations were determined using widely accepted valuation techniques, including discounted cash flow analyses, on the expected cash flows of each derivative. The analyses reflect the contractual terms of the swaps, including the period to maturity, and user-observable market-based inputs, including interest rate curves (“significant other observable inputs”). The fair value calculation also includes an amount for risk of non-performance using “significant unobservable inputs” such as estimates of current credit spreads to evaluate the likelihood of default. The Company has concluded that, as of September 30, 2018, the fair value associated with the “significant unobservable inputs” relating to the Company’s risk of non-performance was insignificant to the overall fair value of the interest rate swap agreements and, as a result, that the relevant inputs for purposes of calculating the fair value of the interest rate swap agreements, in their entirety, were based upon “significant other observable inputs”.

Nonfinancial assets and liabilities measured at fair value in the consolidated financial statements consist of real estate held for sale, which, if applicable, are measured on a nonrecurring basis, and have been determined to be (1) Level 2 within the valuation hierarchy, where applicable, based on the respective contracts of sale, adjusted for closing costs and expenses, or (2) Level 3 within the valuation hierarchy, where applicable, based on estimated sales prices, adjusted for closing costs and expenses, determined by discounted cash flow analyses, income capitalization analyses or a sales comparison approach if no contracts had been concluded. The discounted cash flow and income capitalization analyses include all estimated cash inflows and outflows over a specific holding period and, where applicable, any estimated debt premiums. These cash flows were composed of unobservable inputs which included forecasted rental revenues and expenses based upon existing in-place leases, market conditions and expectations for growth. Capitalization rates and discount rates utilized in these analyses were based upon observable rates that the Company believed to be within a reasonable range of current market rates for the respective properties. The sales comparison approach is utilized for certain

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land values and includes comparable sales that were completed in the selected market areas. The comparable sales utilized in these analyses were based upon observable per acre rates that the Company believes to be within a reasonable range of current market rates for the respective properties.

Valuations were prepared using internally-developed valuation models. These valuations are reviewed and approved, during each reporting period, by a diverse group of management, as deemed necessary, including personnel from the acquisition, accounting, finance, operations, development and leasing departments, and the valuations are updated as appropriate. In addition, the Company may engage third-party valuation experts to assist with the preparation of certain of its valuations.

The following tables show the hierarchy for those assets measured at fair value on a recurring basis as of September 30, 2018 and December 31, 2017, respectively:

	September 30, 2018			
Description	Level 1	Level 2	Level 3	Total
Investments related to deferred compensation liabilities (a)	$689,000	$—	$ —	$689,000
Deferred compensation liabilities (b)	$687,000	$—	$ —	$687,000
Interest rate swaps asset (a)	$—	$15,755,000	$ —	$15,755,000

	December 31, 2017			
Description	Level 1	Level 2	Level 3	Total
Investments related to deferred compensation liabilities (a)	$552,000	$—	$ —	$552,000
Deferred compensation liabilities (b)	$544,000	$—	$ —	$544,000
Interest rate swaps asset (a)	$—	$6,394,000	$ —	$6,394,000
Interest rate swaps liability (b)	$—	$511,000	$ —	$511,000

(a) Included in other assets and deferred charges, net in the accompanying consolidated balance sheets.
(b) Included in accounts payable and accrued liabilities in the accompanying consolidated balance sheets.

There were no assets measured at fair value on a non-recurring basis as of December 31, 2017. As of September 30, 2018, one retail property, totaling $1.6 million, was determined to be Level 3 asset under the hierarchy, and was measured at fair value less cost to sell on a non-recurring basis using an income capitalization approach, consisting of a capitalization rate of 8.5%. In addition, real estate held for sale on the consolidated balance sheet as of September 30, 2018 includes the carrying value of a property which is below its fair value.

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Note 5. Mortgage Loans Payable and Credit Facility

Debt is composed of the following at September 30, 2018:

		September 30, 2018	
Description	Maturity dates	Balance outstanding	Contractual interest rates weighted-average
Fixed-rate mortgage	Jun 2026	$47,917,000	3.9%
Unsecured credit facilities:			
Variable-rate:			
Revolving credit facility	Sep 2021 (a)	102,000,000	3.5%
Term loan	Sep 2022	50,000,000	3.4%
Fixed-rate (b):			
Term loan	Feb 2021	75,000,000	3.6%
Term loan	Feb 2022	50,000,000	3.0%
Term loan	Sep 2022 (c)	50,000,000	2.8%
Term loan	Apr 2023	100,000,000	3.2%
Term loan	Sep 2024 (d)	75,000,000	3.3%
Term loan	Jul 2025	75,000,000	4.6%
		624,917,000	3.5%
Unamortized debt issuance costs		(3,418,000)	
		$621,499,000	

(a) The revolving credit facility is subject to a one-year extension at the Company’s option.
(b) 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.
(c) The current interest rate swap agreement expires in February 2019 at which time a new interest rate swap agreement will begin resulting in an effective interest rate of 3.2%, based on the Company’s current leverage ratio.
(d) The current interest rate swap agreement expires in February 2020 at which time a new interest rate swap agreement will begin resulting in an effective interest ratio of 3.7%, based on the Company’s current leverage ratio.

Mortgage Loans Payable

During 2018, the Company repaid the following mortgage loans payable:

Property	Repayment date	Principal payoff amount
East River Park	August 10, 2018	$18,772,000
Colonial Commons	August 24, 2018	$24,108,000
Shoppes at Arts District	August 24, 2018	$8,114,000
The Point	September 6, 2018	$27,003,000

In connection with these repayments, the Company incurred charges relating to early extinguishment of mortgage loans payable (defeasance fees, prepayment penalties and accelerated amortization of deferred financing and premium costs) of $4.8 million.

Unsecured Revolving Credit Facility and Term Loans

The Company has a $300 million unsecured credit facility which, as amended and restated on September 8, 2017, consists of (1) a $250 million revolving credit facility, expiring on September 8, 2021, and (2) a $50 million term loan, expiring on September 8, 2022. The revolving credit facility may be extended, at the Company’s option, for an additional one-year period, subject to customary conditions. Under an accordion feature, the facility can be increased to $750 million, subject to customary conditions and lending

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commitments. Interest on borrowings under the revolving credit facility component can range from the London Interbank Offered Rate ("LIBOR") plus 135 basis points ("bps") to 195 bps (135 bps at September 30, 2018) and interest on borrowings under the term loan component can range from LIBOR plus 130 to 190 bps (130 bps at September 30, 2018), each based on the Company's leverage ratio. As of September 30, 2018, the Company had $135.1 million available for additional borrowings under the revolving credit facility.

On July 24, 2018, the Company closed a new $75.0 million unsecured term loan maturing on July 24, 2025 (all of which was borrowed on September 28, 2018). Interest on borrowings under the term loan can range from LIBOR plus 170 to 225 bps (170 bps at September 30, 2018) based on the Company's leverage ratio. Additionally, the Company entered into forward interest rate swap agreements which convert the LIBOR rate to a fixed rate through its maturity.

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 facility contains restrictions including, but not limited to, limits on indebtedness, certain investments and distributions. Although the credit facility is 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 and exercise of other lender remedies. As of September 30, 2018, the Company is in compliance with all financial covenants. Interest on borrowings under the unsecured credit facility and term loans are based on the Company's leverage ratio.

Derivative Financial Instruments

At September 30, 2018, the Company had $15.8 million included in other assets and deferred charges, net, on the consolidated balance sheet relating to the fair value of the interest rate swaps applicable to the unsecured term loans discussed above. Charges and/or credits relating to the changes in the fair value of the interest rate swaps are made to accumulated other comprehensive income (loss), limited partners' interest, or operations (included in interest expense), as applicable. Over time, the unrealized gains and losses recorded in accumulated other comprehensive loss will be reclassified into earnings as an increase or reduction to interest expense in the same periods in which the hedged interest payments affect earnings. The Company estimates that approximately $2.6 million of accumulated other comprehensive loss will be reclassified as a charge to earnings within the next twelve months.

The following is a summary of the derivative financial instruments held by the Company at September 30, 2018 and December 31, 2017:

September 30, 2018					
Designation/ Cash flow	Derivative	Count	Fair value	Maturity dates	Balance sheet location
Qualifying	Interest rate swaps	9	$ 15,755,000	2019-2025	Other assets and deferred charges, net

December 31, 2017					
Designation/ Cash flow	Derivative	Count	Fair value	Maturity dates	Balance sheet location
Qualifying	Interest rate swaps	6	$6,394,000	2019-2024	Other assets and deferred charges, net
Qualifying	Interest rate swaps	1	$511,000	2021	Accounts payable and accrued liabilities

The notional values of the interest rate swaps held by the Company at September 30, 2018 and December 30, 2017 were $425.0 million and $350.0 million, respectively.

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The following presents the effect of the Company's derivative financial instruments on the consolidated statements of operations and the consolidated statements of equity for the three and nine months ended September 30, 2018 and 2017, respectively:

		Gain recognized in other comprehensive (loss) income (effective portion)			
		Three months ended September 30,		Nine months ended September 30,	
Designation/ Cash flow	Derivative	2018	2017	2018	2017
Qualifying	Interest rate swaps	$2,375,000	$872,000	$10,221,000	$(332,000)

	Gain (loss) recognized in other comprehensive (loss) income reclassified into earnings (effective portion)			
	Three months ended September 30,		Nine months ended September 30,	
Classification	2018	2017	2018	2017
Continuing Operations	$246,000	$(407,000)	$265,000	$(1,923,000)

As of September 30, 2018 the Company believes it has no significant risk associated with non-performance of the financial institutions which are the counterparties to its derivative contracts.

Note 6. Commitments and Contingencies

The Company is a party to certain legal actions arising in the normal course of business. Management does not expect there to be adverse consequences from these actions that would be material to the Company's consolidated financial statements.

Note 7. Shareholders' Equity

Preferred Stock

The Company is authorized to issue up to 12,500,000 shares of preferred stock. The following tables summarize details about the Company's preferred stock:

	Series B Preferred Stock	Series C Preferred Stock
Par value	$0.01	$0.01
Liquidation value	$25.00	$25.00

	September 30, 2018		December 31, 2017	
	Series B Preferred Stock	Series C Preferred Stock	Series B Preferred Stock	Series C Preferred Stock
Shares authorized	1,450,000	6,450,000	3,450,000	6,450,000
Shares issued and outstanding	1,450,000	5,000,000	3,450,000	5,000,000
Balance	$34,767,000	$124,774,000	$82,734,000	124,774,000

On January 12, 2018, the Company redeemed 2,000,000 shares of Series B Preferred Stock at a price of $25.00 per share for an aggregate of $50.0 million, plus all accrued and unpaid dividends up to (but excluding) the redemption date.

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Dividends

The following table provides a summary of dividends declared and paid per share:

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Common stock	$0.050	$0.050	$0.150	$0.150
7.25% Series B Preferred Stock	$0.453	$0.453	$1.359	$1.359
6.50% Series C Preferred Stock	$0.406	$-	$1.219	$-

On October 19, 2018, the Company's Board of Directors declared a dividend of $0.05 per share with respect to its common stock. At the same time, the Board declared dividends of $0.453125 and $0.406250 per share with respect to the Company's Series B Preferred Stock and Series C Preferred Stock, respectively. The distributions are payable on November 20, 2018 to shareholders of record on November 9, 2018.

Note 8. Revenues

Rental revenues for the three and nine months ended September 30, 2018 and 2017, respectively, comprise the following:

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Base rents	$26,878,000	$27,187,000	$80,901,000	$81,398,000
Percentage rent	181,000	259,000	396,000	705,000
Straight-line rents	332,000	291,000	824,000	787,000
Amortization of intangible lease liabilities, net	729,000	625,000	3,611,000	1,900,000
Total rents	$28,120,000	$28,362,000	$85,732,000	$84,790,000

In April 2018, the Company accepted a cash payment of $4.3 million in consideration for permitting a dark anchor tenant to terminate its lease prior to the contractual expiration. As a result of this termination, revenues for the nine months ended September 30, 2018 includes $5.4 million, consisting of (1) $3.8 million of other income (the $4.3

million cash payment reduced by $0.5 million straight-line rent receivable) and (2) $1.5 million accelerated intangible lease liability amortization. The Company recognizes lease termination income when the following conditions are met: (1) the lease termination agreement has been executed, (2) the lease termination fee is determinable, (3) all the Company's landlord services pursuant to the terminated lease have been rendered, and (4) collectability of the lease termination fee is assured.

Note 9. Share-Based Compensation

Upon employment on June 15, 2011, the Company's President and Chief Executive Officer ("CEO") received restricted share grants totaling 2,500,000 shares, one-half of which was time-based, vesting upon the seventh anniversary of the date of grant (June 15, 2018), and the other half market performance-based, to be earned if the total annual return on an investment in the Company's common stock ("TSR") was at least an average of 6.5% per year for the seven years ended June 15, 2018. On June 15, 2018, the 1,250,000 time-based shares vested and the 1,250,000 market performance-based shares were forfeited as the market performance criteria was not achieved.

On June 15, 2018, in connection with a new amended and restated employment agreement, the Company's President and CEO received a 1.0 million time-based restricted share grant at a market price of $4.38. However, as a result of an existing limitation within the Company's 2017 Stock Incentive Plan (the "2017 Plan"), only 750,000 shares were granted on June 15, 2018, with the remaining 250,000 shares to be granted on January 1, 2019. All 1.0 million time-based restricted shares will vest upon the fifth anniversary of the effective date of the employment agreement (June 15, 2023), subject to the Company's President and CEO continuous employment with the Company through such date, subject to certain exceptions. Consistent with such time-based restricted grant awards to other participants, dividends will be paid on these shares.

In addition, on June 15, 2018, the Company's President and CEO was also granted a market performance-based equity award of 1,500,000 restricted stock units ("RSUs") and 1,500,000 dividend equivalent rights of the Company. Each RSU represents a

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contingent right to receive one common share if certain market performance criteria are achieved. During the three years ending June 15, 2021 (the "Interim Performance Period"), a maximum of 750,000 shares can be earned. Any portion of the market performance-based equity award that is not earned as of the end of the Interim Performance Period will be carried forward for calculation for the five years ending June 15, 2023 (the "Full Performance Period"). The percentage of the market performance-based equity award to be earned will be determined based on the Company's average annual TSR over the Interim Performance Period and/or over the Full Performance Period as follows: if average annual TSR (1) is below 4%, the percentage of grant earned would be 0%, (2) equals 4%, the percentage of grant earned would be 33.3%, (3) equals 6.5%, the percentage of grant earned would be 66.7%, and (4) equals 10% or above, the percentage of grant earned would be 100%. Linear interpolation shall be applied to determine the percentage of the market performance-based equity award that is earned where the average annual TSR over the performance period falls between the percentages set forth above. An independent appraisal determined the value of the market performance-based equity award for the interim and full performance periods to be $3.30 and $2.97 per share, respectively, compared to a market price at the date of grant of $4.38 per share.

The dividend equivalent rights will accrue and will be deemed to be reinvested into the Company's common stock and payment with respect to the dividend equivalent rights will be deferred until the end of the Interim Performance Period, or the Full Performance Period, as the case may be, to coincide with the vesting, if any, of the market performance-based equity award. Payment will only be made for the portion of the market performance-based equity award that is earned and vests.

The following tables set forth certain share-based compensation information for the three and nine months ended September 30, 2018 and 2017, respectively:

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Expense relating to share grants	$1,080,000	$936,000	$3,134,000	$2,880,000
Amounts capitalized	(116,000)	(76,000)	(333,000)	(187,000)
Total charged to operations	$964,000	$860,000	$2,801,000	$2,693,000

The 2017 Plan establishes the procedures for the granting of, among other things, restricted stock awards. At September 30, 2018, 0.9 million shares remained available for grants pursuant to the 2017 Plan. Excluding the grants relating to the Company's President and CEO (see above), during the nine months ended September 30, 2018 , there were 610,000 restricted shares issued, with a weighted average grant date fair value of $4.93 per share.

Note 10. Earnings Per Share

Basic earnings per share (“EPS”) is calculated by dividing net income (loss) attributable to the Company’s common shareholders by the weighted average number of common shares outstanding for the period including participating securities (restricted shares that have non-forfeitable rights to receive dividends issued pursuant to the Company’s share-based compensation program are considered participating securities). Unvested restricted shares that are participating securities are not allocated net losses and/or any excess of dividends declared over net income, as such amounts are allocated entirely to the common shareholders. For the three months ended September 30, 2018 and 2017, the Company had 2.2 million and 3.8 million, respectively, of weighted average unvested restricted shares outstanding that were participating securities. For the nine months ended September 30, 2018 and 2017, the Company had 3.3 million and 3.8 million, respectively, of weighted average unvested restricted shares outstanding that were participating securities. The following table provides a reconciliation of the numerator and denominator of the EPS calculations for the three and nine months ended September 30, 2018 and 2017:

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	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Numerator				