

CEDAR REALTY TRUST, INC.
Form 10-Q
November 03, 2016

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, 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 (I.R.S. Employer

incorporation or organization) 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)

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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 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.

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: At October 31, 2016, there were 85,311,960 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”, “intends”, “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, 2015.

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, 2016	December 31, 2015
ASSETS		
Real estate:		
Land	\$ 301,263,000	\$ 323,859,000
Buildings and improvements	1,202,873,000	1,226,168,000
	1,504,136,000	1,550,027,000
Less accumulated depreciation	(316,378,000)	(300,832,000)
Real estate, net	1,187,758,000	1,249,195,000
Real estate held for sale	81,772,000	14,402,000
Cash and cash equivalents	4,508,000	2,083,000
Restricted cash	2,371,000	5,592,000
Receivables	15,950,000	17,912,000
Other assets and deferred charges, net	30,459,000	29,196,000
TOTAL ASSETS	\$ 1,322,818,000	\$ 1,318,380,000
LIABILITIES AND EQUITY		
Mortgage loans payable	\$ 167,129,000	\$ 298,089,000
Unsecured revolving credit facility	130,000,000	78,000,000
Unsecured term loans	397,335,000	297,731,000
Accounts payable and accrued liabilities	33,417,000	23,831,000
Unamortized intangible lease liabilities	21,004,000	23,187,000
Total liabilities	748,885,000	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, 85,333,000 and 85,049,000 shares, issued and outstanding, respectively)	5,120,000	5,103,000
Treasury stock (3,281,000 and 3,182,000 shares, respectively, at cost)	(18,268,000)	(17,284,000)
Additional paid-in capital	828,829,000	825,979,000
Cumulative distributions in excess of net income	(422,075,000)	(404,350,000)
Accumulated other comprehensive loss	(11,485,000)	(4,059,000)
Total Cedar Realty Trust, Inc. shareholders' equity	572,782,000	596,050,000
Noncontrolling interests:		

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Minority interests in consolidated joint ventures	(1,209,000)	(970,000)
Limited partners' OP Units	2,360,000	2,462,000
Total noncontrolling interests	1,151,000	1,492,000
Total equity	573,933,000	597,542,000
TOTAL LIABILITIES AND EQUITY	\$1,322,818,000	\$1,318,380,000

See accompanying notes to consolidated financial statements

CEDAR REALTY TRUST, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
REVENUES				
Rents	\$ 30,159,000	\$ 29,209,000	\$ 89,186,000	\$ 87,367,000
Expense recoveries	7,523,000	6,852,000	23,952,000	23,887,000
Other	111,000	39,000	778,000	223,000
Total revenues	37,793,000	36,100,000	113,916,000	111,477,000
EXPENSES				
Operating, maintenance and management	5,555,000	5,071,000	18,346,000	19,072,000
Real estate and other property-related taxes	5,019,000	4,717,000	14,840,000	14,369,000
General and administrative	4,318,000	3,696,000	13,640,000	11,267,000
Acquisition pursuit costs	293,000	—	3,417,000	499,000
Depreciation and amortization	10,413,000	9,642,000	31,046,000	28,871,000
Total expenses	25,598,000	23,126,000	81,289,000	74,078,000
OTHER				
Gain on sale	—	—	59,000	—
Impairment (charges)/reversals	(6,270,000)	127,000	(6,270,000)	(1,106,000)
Total other	(6,270,000)	127,000	(6,211,000)	(1,106,000)
OPERATING INCOME	5,925,000	13,101,000	26,416,000	36,293,000
NON-OPERATING INCOME AND EXPENSES				
Interest expense	(6,636,000)	(6,927,000)	(20,769,000)	(21,412,000)
Early extinguishment of debt costs	(50,000)	(48,000)	(37,000)	(105,000)
Total non-operating income and expenses	(6,686,000)	(6,975,000)	(20,806,000)	(21,517,000)
(LOSS) INCOME FROM CONTINUING OPERATIONS	(761,000)	6,126,000	5,610,000	14,776,000
DISCONTINUED OPERATIONS				
Income from operations	—	—	—	12,000
Impairment reversals	—	—	—	153,000
Total income from discontinued operations	—	—	—	165,000
NET (LOSS) INCOME	(761,000)	6,126,000	5,610,000	14,941,000
Net loss attributable to noncontrolling interests:				
Minority interests in consolidated joint ventures	59,000	77,000	239,000	266,000
Limited partners' interest in Operating Partnership	15,000	(11,000)	15,000	(19,000)

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Total net loss attributable to noncontrolling interests	74,000	66,000	254,000	247,000
NET (LOSS) INCOME ATTRIBUTABLE TO CEDAR REALTY TRUST, INC.	(687,000)	6,192,000	5,864,000	15,188,000
Preferred stock dividends	(3,602,000)	(3,602,000)	(10,806,000)	(10,806,000)
NET (LOSS) INCOME ATTRIBUTABLE TO COMMON SHAREHOLDERS	\$(4,289,000)	\$2,590,000	\$(4,942,000)	\$4,382,000
NET (LOSS) INCOME PER COMMON SHARE ATTRIBUTABLE TO COMMON SHAREHOLDERS (BASIC AND DILUTED)				
Continuing operations	\$(0.05)	\$0.03	\$(0.07)	\$0.05
Discontinued operations	0.00	0.00	0.00	0.00
	\$(0.05)	\$0.03	\$(0.07)	\$0.05
Weighted average number of common shares - basic and diluted	81,676,000	81,598,000	81,670,000	81,268,000

See accompanying notes to consolidated financial statements

CEDAR REALTY TRUST, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Net (loss) income	\$(761,000)	\$6,126,000	\$5,610,000	\$14,941,000
Other comprehensive income - unrealized gain (loss) on change in fair value of cash flow hedges	2,506,000	(4,347,000)	(7,060,000)	(4,069,000)
Comprehensive income (loss)	1,745,000	1,779,000	(1,450,000)	10,872,000
Comprehensive loss attributable to noncontrolling interests	59,000	85,000	279,000	264,000
Comprehensive income (loss) attributable to Cedar Realty Trust, Inc.	\$1,804,000	\$1,864,000	\$(1,171,000)	\$11,136,000

See accompanying notes to consolidated financial statements

CEDAR REALTY TRUST, INC.

Consolidated Statement of Equity

Nine months ended September 30, 2016

(unaudited)

	Cedar Realty Trust, Inc. Shareholders				Treasury stock, at cost	Additional paid-in capital	Cumulative distributions in excess of net income	Accumulated other comprehensive (loss)
	Preferred stock		Common stock					
	Shares	Amount	Shares	Amount				
September 30,	7,950,000	\$ 190,661,000	85,049,000	\$ 5,103,000	\$(17,284,000)	\$ 825,979,000	\$(404,350,000)	\$(4,059,000)
Change in hedges	—	—	—	—	—	—	5,864,000	—
Compensation,	—	—	282,000	17,000	(984,000)	2,619,000	—	—
Options, net of	—	—	2,000	—	—	(161,000)	—	—
Dividends	—	—	—	—	—	—	(10,806,000)	—
Common controlling	—	—	—	—	—	—	(12,783,000)	—
OP Units	—	—	—	—	—	—	—	—
Investment of interest	—	—	—	—	—	392,000	—	(391,000)
September 30,	7,950,000	\$ 190,661,000	85,333,000	\$ 5,120,000	\$(18,268,000)	\$ 828,829,000	\$(422,075,000)	\$(11,485,000)
	Noncontrolling Interests							
	Minority interest in consolidated joint ventures	Limited partners' interest in Operating Partnership	Total	Total Equity				
September 30,	\$(970,000)	\$ 2,462,000	\$ 1,492,000	\$ 597,542,000				
	(239,000)	(15,000)	(254,000)	5,610,000				
Change in hedges	—	(25,000)	(25,000)	(7,060,000)				
Compensation,	—	—	—	1,652,000				
Options, net of	—	—	—	(161,000)				

Dividends	—	—	—	(10,806,000)
Common				
controlling	—	(53,000)	(53,000)	(12,836,000)
REIT Units	—	(8,000)	(8,000)	(8,000)
Investment of				
interest	—	(1,000)	(1,000)	-
per 30,				
	\$(1,209,000)	\$2,360,000	\$1,151,000	\$573,933,000

See accompanying notes to consolidated financial statements

CEDAR REALTY TRUST, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

	Nine months ended September 30,	
	2016	2015
OPERATING ACTIVITIES		
Net income	\$5,610,000	\$ 14,941,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Impairment charges	6,270,000	953,000
Gain on sale	(59,000)	—
Straight-line rents	73,000	(379,000)
Provision for doubtful accounts	964,000	1,219,000
Depreciation and amortization	31,046,000	28,871,000
Amortization of intangible lease liabilities	(2,105,000)	(2,387,000)
Expense relating to share-based compensation, net	2,145,000	2,432,000
Amortization (including accelerated write-off) of deferred financing costs	1,214,000	1,237,000
Changes in operating assets and liabilities, net of effects of acquisitions and dispositions:		
Rents and other receivables	(1,833,000)	(3,187,000)
Prepaid expenses and other	(4,549,000)	(3,711,000)
Accounts payable and accrued liabilities	1,791,000	(109,000)
Net cash provided by operating activities	40,567,000	39,880,000
INVESTING ACTIVITIES		
Acquisitions of real estate	(31,928,000)	(24,453,000)
Expenditures for real estate improvements	(10,487,000)	(7,339,000)
Net proceeds from sales of real estate	14,494,000	5,891,000
Construction escrows and other	2,427,000	2,089,000
Net cash used in investing activities	(25,494,000)	(23,812,000)
FINANCING ACTIVITIES		
Repayments under revolving credit facility	(106,000,000)	(174,000,000)
Advances under revolving credit facility	158,000,000	166,000,000
Advances under term loans	100,000,000	100,000,000
Mortgage borrowing	50,000,000	—
Mortgage repayments	(189,437,000)	(113,586,000)
Payments of debt financing costs	(1,400,000)	(2,613,000)
Noncontrolling interests:		
Purchase of joint venture minority interests share	—	(11,216,000)
Distributions to limited partners	(53,000)	(60,000)
Redemptions of OP Units	(8,000)	(7,000)
Common stock sales less issuance expenses, net	(161,000)	41,686,000
Preferred stock dividends	(10,806,000)	(10,806,000)

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Distributions to common shareholders	(12,783,000)	(12,748,000)
Net cash used in financing activities	(12,648,000)	(17,350,000)
Net increase (decrease) in cash and cash equivalents	2,425,000	(1,282,000)
Cash and cash equivalents at beginning of period	2,083,000	3,499,000
Cash and cash equivalents at end of period	\$4,508,000	\$2,217,000

See accompanying notes to consolidated financial statements

Cedar Realty Trust, Inc.

Notes to Consolidated Financial Statements

September 30, 2016

(unaudited)

Note 1. Business and Organization

Cedar Realty Trust, Inc. (the "Company") is a real estate investment trust ("REIT") that focuses primarily on ownership and operation of grocery-anchored shopping centers straddling the Washington, D.C. to Boston corridor. At September 30, 2016, the Company owned and managed a portfolio of 61 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, 2016, the Company owned a 99.6% economic interest in, and was the sole general partner of, the Operating Partnership. The limited partners' interest in the Operating Partnership (0.4% at September 30, 2016) 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 351,000 OP Units outstanding at September 30, 2016 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 unamortized debt issuance costs for mortgage loans payable and term loans, 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, 2015.

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.

In February 2015, the Financial Accounting Standards Board ("FASB") issued guidance which amends the consolidation requirements, including introducing a separate consolidation analysis specific to limited partnerships and other similar entities. Under the analysis, limited partnerships and other similar entities will be considered variable interest entities unless the limited partners hold substantive kick-out rights or participating rights. The guidance was adopted on January 1, 2016. The Company evaluated its existing joint venture property at San Souci Plaza based on the new guidance, determined the entity is now deemed to be a variable interest entity, and will continue to consolidate the entity.

Cedar Realty Trust, Inc.

Notes to Consolidated Financial Statements

September 30, 2016

(unaudited)

Supplemental Consolidated Statements of Cash Flows Information

	Nine months ended September 30,	
	2016	2015
Supplemental disclosure of cash activities:		
Cash paid for interest	\$20,872,000	\$21,059,000
Supplemental disclosure of non-cash activities:		
Capitalization of interest and financing costs	541,000	336,000
Conversions of OP Units into common stock	—	282,000
Mortgage loan payable assumed upon acquisition	8,501,000	—

Recently-Issued Accounting Pronouncements

In May 2014, the FASB issued guidance which amends the accounting for revenue recognition. Under the amended guidance, a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled to and receive in exchange for those goods or services. The guidance would be effective for interim and annual reporting periods beginning after December 15, 2017, with early adoption not permitted. The Company is currently in the process of evaluating the impact the adoption of the guidance will have on its consolidated financial statements.

In August 2014, the FASB issued guidance which requires management to evaluate whether there are conditions and events that raise substantial doubt about an entity's ability to continue as a going concern, and to provide disclosures when it is probable that the entity will be unable to meet its obligations as they become due within one year after the date that the financial statements are issued. The guidance was adopted on January 1, 2016 and did not have a material impact on the Company's consolidated financial statements.

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 new lease accounting guidance requires a modified retrospective transition approach for all leases existing at, or entered into after, the date of initial application, with an option to use certain transition relief. The guidance would be effective for interim and annual reporting periods beginning after December 15, 2018, with early adoption being permitted. The Company is currently in the process of evaluating the impact the adoption of the guidance will have on its consolidated financial statements.

In March 2016, the FASB issued guidance which amends the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The guidance would be effective for interim and annual reporting periods beginning after

December 15, 2016, with early adoption being permitted. The Company is currently in the process of evaluating 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 inform credit loss estimates. The guidance would be effective 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.

In August 2016, the FASB issued guidance which provides companies 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, companies can elect to classify the distributions received from equity method investees based on the cumulative earnings approach. The guidance would be effective for interim and annual reporting periods beginning after December 15, 2017, with early adoption being permitted. The Company does not expect the adoption of this guidance to have a material impact on its consolidated financial statements.

Cedar Realty Trust, Inc.

Notes to Consolidated Financial Statements

September 30, 2016

(unaudited)

Note 3. Real Estate

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.

The purchase prices have been preliminarily allocated to real estate assets acquired and liabilities assumed, as applicable, in accordance with accounting policies for business combinations, with such valuations to be finalized when valuation studies are completed.

Disposition

On February 11, 2016, the Company sold Liberty Marketplace, located in Dubois, Pennsylvania, for \$15.0 million.

Real Estate Held for Sale

At September 30, 2016, Upland Square, located in Pottstown, Pennsylvania was classified as real estate held for sale. In addition, the Company recorded a \$6.3 million impairment charge relating to the property for the three and nine months ended September 30, 2016, which is included in continuing operations in the accompanying consolidated statement of operations. On November 2, 2016, the Company sold the property for \$83.3 million, which approximated its carrying value.

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, less estimated costs to sell, for properties in the process of being sold, (2) estimated sales prices based on discounted cash flow analyses, if no contract amounts were as yet being negotiated (see Note 4 - “Fair Value Measurements”), or (3) with respect to land parcels, estimated sales prices, less cost 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 performs 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 reflect 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 or estimated fair value less costs to sell.

Discontinued Operations

The following is a summary of the components of income from discontinued operations for the nine months ended September 30, 2015:

Revenues	\$39,000
Expenses	27,000
Income from operations	12,000
Impairment reversals	153,000
Total income from discontinued operations	\$165,000

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

Cedar Realty Trust, Inc.

Notes to Consolidated Financial Statements

September 30, 2016

(unaudited)

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, 2016 and December 31, 2015, 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 \$173.6 million and \$308.1 million, respectively; the carrying values of such loans were \$167.1 million and \$298.1 million, respectively. As of September 30, 2016 and December 31, 2015, respectively, the aggregate fair values of the Company's unsecured revolving credit facility and term loans approximated the carrying values.

The valuation of the 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, 2016, 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, 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, direct capitalization analyses or a sales comparison approach if no contracts had been concluded. The discounted cash flow and direct 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 was utilized for certain 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.

Cedar Realty Trust, Inc.

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The following tables show the hierarchy for those assets measured at fair value on a recurring basis as of September 30, 2016 and December 31, 2015, respectively:

Description	September 30, 2016			Total
	Level 1	Level 2	Level 3	
Investments related to deferred compensation liabilities (a)	\$415,000	\$—	\$ —	\$415,000
Deferred compensation liabilities (b)	\$407,000	\$—	\$ —	\$407,000
Interest rate swaps liability (b)	\$—	\$11,161,000	\$ —	\$11,161,000

Description	December 31, 2015			Total
	Level 1	Level 2	Level 3	
Investments related to deferred compensation liabilities (a)	\$539,000	\$—	\$ —	\$539,000
Deferred compensation liabilities (b)	\$529,000	\$—	\$ —	\$529,000
Interest rate swaps liability (b)	\$—	\$3,945,000	\$ —	\$3,945,000

(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.

The following table shows the hierarchy for those assets measured at fair value on a non-recurring basis as of September 30, 2016 and December 31, 2015:

Description	September 30, 2016			Total
	Level 1	Level 2	Level 3	
Real estate held for sale	\$—	\$81,772,000	\$ —	\$81,772,000

Description	December 31, 2015			Total
	Level 1	Level 2	Level 3	
Real estate held for sale	\$—	\$14,402,000	\$ —	\$14,402,000

Note 5. Mortgage Loans Payable and Credit Facility

In April 2015, the FASB issued guidance which amends the balance sheet presentation for debt issuance costs. Under the amended guidance, the Company presents the balance of unamortized debt issuance costs for mortgage loans payable and term loans as a direct deduction from the carrying amount of that debt liability. The guidance was adopted on January 1, 2016 and has been applied on a retrospective basis.

Mortgage Loans Payable

The Company repaid the following mortgage loans payable during 2016:

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

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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.

Unsecured Revolving Credit Facility and Term Loans

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 September 30, 2016, the Company had \$130.0 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. Interest on borrowings under the term loan can range from LIBOR plus 165 to 225 bps (165 bps on September 30, 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. As a result, the effective fixed interest rate will be 3.2%, based on the Company's leverage ratio at September 30, 2016.

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. As of September 30, 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.

Derivative Financial Instruments

At September 30, 2016, the Company had \$11.2 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 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), noncontrolling interests (minority interests in consolidated joint ventures and 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 \$3.9 million of accumulated other comprehensive loss will be reclassified as a charge to earnings within the next twelve months.

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The following is a summary of the derivative financial instruments held by the Company at September 30, 2016 and December 31, 2015:

September 30, 2016

Designation/ Cash flow	Derivative	Count	Notional value	Fair value	Maturity dates	Balance sheet location
Qualifying	Interest rate swaps	5	\$350,000,000	\$11,161,000	2019 - 2023	Accounts payable and accrued liabilities

December 31, 2015

Designation/ Cash flow	Derivative	Count	Notional value	Fair value	Maturity dates	Balance sheet location
Qualifying	Interest rate swaps	4	\$250,000,000	\$3,945,000	2019 - 2022	Accounts payable and accrued liabilities

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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, 2016 and 2015, respectively:

Designation/ Cash flow		Gain (loss) recognized in other comprehensive income (effective portion)		Gain (loss) recognized in other comprehensive income reclassified into earnings (effective portion)	
		Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Qualifying	Derivative Interest rate swaps	\$1,625,000	\$(5,434,000)	\$(9,771,000)	\$(6,619,000)
	Classification	2016	2015	2016	2015
	Continuing Operations	\$(881,000)	\$(1,087,000)	\$(2,711,000)	\$(2,550,000)

As of September 30, 2016 the Company believes it has no significant risk associated with non-performance of the financial institutions which are the counterparties to its derivative contracts. Additionally, based on the rates in effect as of September 30, 2016, if a counterparty were to default, the Company would receive a net interest benefit.

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

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 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 right, at its option, to net settle this agreement in shares or cash prior to its expiration, but does not expect to do so.

Dividends

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

	Three months ended September 30, 2016		Nine months ended September 30, 2016	
	2016	2015	2016	2015
Common stock	\$0.050	\$0.050	\$0.150	\$0.150
7.250% Series B Preferred Stock	\$0.453	\$0.453	\$1.359	\$1.359

On October 21, 2016, 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 a dividend of \$0.453125 per share with respect to the Company's Series B Preferred Stock. The distributions are payable on November 21, 2016 to shareholders of record on November 11, 2016.

Cedar Realty Trust, Inc.

Notes to Consolidated Financial Statements

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Note 8. Revenues

Rental revenues for the three and nine months ended September 30, 2016 and 2015, respectively, comprise the following:

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Base rents	\$29,147,000	\$28,178,000	\$86,734,000	\$84,032,000
Percentage rent	160,000	215,000	420,000	569,000
Straight-line rents	157,000	90,000	(73,000)	379,000
Amortization of intangible lease liabilities, net	695,000	726,000	2,105,000	2,387,000
Total rents	\$30,159,000	\$29,209,000	\$89,186,000	\$87,367,000

Note 9. Share-Based Compensation

The following tables set forth certain share-based compensation information for the three and nine months ended September 30, 2016 and 2015, respectively:

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Expense relating to share grants	\$859,000	\$750,000	\$2,312,000	(a)\$2,499,000
Amounts capitalized	(54,000)	(23,000)	(167,000)	(67,000)
Total charged to operations	\$805,000	\$727,000	\$2,145,000	\$2,432,000

(a) Net of an expense reduction of \$267,000 relating to a forfeiture of restricted shares in connection with an employment termination.

The Company's 2012 Stock Incentive Plan (the "2012 Plan") establishes the procedures for the granting of, among other things, restricted stock awards. During the nine months ended September 30, 2016, there were 491,000 restricted shares issued, with a weighted average grant date fair value of \$6.87 per share. At September 30, 2016, 1.1 million shares remained available for grants pursuant to the 2012 Plan.

Cedar Realty Trust, Inc.

Notes to Consolidated Financial Statements

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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 issued pursuant to the Company’s share-based compensation program are considered participating securities, as such shares have non-forfeitable rights to receive dividends). Unvested restricted shares 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, 2016 and 2015, the Company had 3.7 million and 3.4 million, respectively, of weighted average unvested restricted shares outstanding. For the nine months ended September 30, 2016 and 2015, the Company had 3.6 million and 3.5 million, respectively, of weighted average unvested restricted shares outstanding. The following table provides a reconciliation of the numerator and denominator of the EPS calculations for the three and nine months ended September 30, 2016 and 2015, respectively:

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Numerator				
(Loss) income from continuing operations	\$(761,000)	\$6,126,000	\$5,610,000	\$14,776,000
Preferred stock dividends	(3,602,000)	(3,602,000)	(10,806,000)	(10,806,000)
Net loss attributable to noncontrolling interests	74,000	66,000	254,000	248,000
Net earnings allocated to unvested shares	(183,000)	(171,000)	(533,000)	(529,000)
(Loss) income from continuing operations attributable to vested common shares	(4,472,000)	2,419,000	(5,475,000)	3,689,000
Income from discontinued operations, net of noncontrolling interests, attributable to vested common shares	-	-	-	164,000
Net (loss) income attributable to vested common shares outstanding	\$(4,472,000)	\$2,419,000	\$(5,475,000)	\$3,853,000
Denominator				
Weighted average number of vested common shares outstanding	81,676,000	81,598,000	81,670,000	81,268,000
Earnings per vested common share, basic and diluted				
Continuing operations	\$(0.05)	\$0.03	\$(0.07)	\$0.05
Discontinued operations	0.00	0.00	0.00	0.00
	\$(0.05)	\$0.03	\$(0.07)	\$0.05

Fully-diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into shares of common stock. The 5,750,000 common shares subject to the forward sale agreements (see Note 7- "Shareholders' Equity") have been excluded from the denominator as they were anti-dilutive using the treasury stock method. Net loss attributable to noncontrolling interests of the Operating Partnership has been excluded from the numerator and the related OP Units have been excluded from the denominator for the purpose of calculating diluted EPS as there would have been no effect had such amounts been included. The weighted average number of OP Units outstanding were 352,000 and 375,000 for the three months ended September 30, 2016 and 2015, respectively, and 352,000 and 387,000 for the nine months ended September 30, 2016 and 2015, respectively.

Note 11. Subsequent Events

In determining subsequent events, management reviewed all activity from October 1, 2016 through the date of filing this Quarterly Report on Form 10-Q.

Item 2. 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 September 30, 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 91.7% leased and 90.5% occupied at September 30, 2016.

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 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.

Disposition

During the nine months ended September 30, 2016, the Company sold the following property:

Property	Location	GLA	Date Sold	Sales Price
Liberty Marketplace	Dubois, PA	68,200	2/11/2016	\$15,000,000

Real Estate Held for Sale

At September 30, 2016, Upland Square, located in Pottstown, Pennsylvania was classified as real estate held for sale. In addition, the Company recorded a \$6.3 million impairment charge relating to the property for the three and nine months ended September 30, 2016, which is included in continuing operations in the accompanying consolidated statement of operations. On November 2, 2016, the Company sold the property for \$83.3 million, which approximated its carrying value.

Debt

The Company repaid the following mortgage loans payable during 2016:

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

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 bps (165 bps on September 30, 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. As a result, the effective fixed interest rate will be 3.2%, based on the Company's leverage ratio at September 30, 2016.

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 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 right, at its option, to net settle this agreement in shares or cash prior to its expiration, but does not expect to do so.

Results of Operations

Comparison of three months ended September 30, 2016 to 2015

	2016	2015	Change Dollars	Percent
Revenues	\$37,793,000	\$36,100,000	\$1,693,000	4.7%
Property operating expenses	(10,574,000)	(9,788,000)	(786,000)	8.0%
Property operating income	27,219,000	26,312,000	907,000	
General and administrative	(4,318,000)	(3,696,000)	(622,000)	16.8%
Acquisition pursuit costs	(293,000)	—	(293,000)	n/a
Depreciation and amortization	(10,413,000)	(9,642,000)	(771,000)	8.0%
Impairment (charges) / reversals	(6,270,000)	127,000	(6,397,000)	n/a
Interest expense	(6,636,000)	(6,927,000)	291,000	-4.2%
Early extinguishment of debt costs	(50,000)	(48,000)	(2,000)	n/a
(Loss) income from continuing operations	(761,000)	6,126,000	(6,887,000)	
Discontinued operations	—	—	—	n/a
Net (loss) income	(761,000)	6,126,000	(6,887,000)	
Net loss attributable to noncontrolling interests	74,000	66,000	8,000	
Net (loss) income attributable to Cedar Realty Trust, Inc.	\$(687,000)	\$6,192,000	\$(6,879,000)	

Revenues were higher primarily as a result of an increase of \$1.9 million in rental revenues and expense recoveries attributable to properties acquired in 2016 and 2015, partially offset by a decrease of \$0.3 million in rental revenues and expense recoveries attributable to properties that were sold in 2016 and 2015.

Property operating expenses were higher primarily as a result of (1) an increase of \$0.6 million in property operating expenses attributable to properties acquired in 2016 and 2015, and (2) an increase of \$0.2 million in property operating expenses attributable to the Company's redevelopment properties, partially offset by a decrease of \$0.1 million in property operating expenses attributable to properties that were sold in 2016 and 2015.

General and administrative costs were higher primarily as a result of an increase in payroll, payroll related benefits and professional fees.

Acquisition pursuit costs in 2016 relate to costs associated with potential future acquisitions.

Depreciation and amortization expenses were higher primarily as a result of an increase of \$0.9 million in depreciation and amortization expenses attributable to properties acquired in 2016 and 2015, partially offset by a decrease of \$0.2 million in depreciation and amortization expenses attributable to the Company's same-center properties.

Impairment charges in 2016 relate to 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) \$0.7 million as a result of a decrease in the overall weighted average interest rate, and (2) \$0.1 million as a result of additional capitalized interest, partially offset by \$0.5 million as a result of an increase in the overall outstanding principal balance of debt.

Comparison of nine months ended September 30, 2016 to 2015

	2016	2015	Change Dollars	Percent
Revenues	\$113,916,000	\$111,477,000	\$2,439,000	2.2%
Property operating expenses	(33,186,000)	(33,441,000)	255,000	-0.8%
Property operating income	80,730,000	78,036,000	2,694,000	
General and administrative	(13,640,000)	(11,267,000)	(2,373,000)	21.1%
Acquisition pursuit costs	(3,417,000)	(499,000)	(2,918,000)	n/a
Depreciation and amortization	(31,046,000)	(28,871,000)	(2,175,000)	7.5%
Gain on sales	59,000	—	59,000	n/a
Impairment charges	(6,270,000)	(1,106,000)	(5,164,000)	n/a
Interest expense	(20,769,000)	(21,412,000)	643,000	-3.0%
Early extinguishment of debt costs	(37,000)	(105,000)	68,000	n/a
Income from continuing operations	5,610,000	14,776,000	(9,166,000)	
Discontinued operations	—	165,000	(165,000)	n/a
Net income	5,610,000	14,941,000	(9,331,000)	
Net loss attributable to noncontrolling interests	254,000	247,000	7,000	
Net income attributable to Cedar Realty Trust, Inc.	\$5,864,000	\$15,188,000	\$(9,324,000)	

Revenues were higher primarily as a result of (1) an increase of \$5.2 million in rental revenues and expense recoveries attributable to properties acquired in 2016 and 2015, and (2) an increase of \$0.6 million in other income primarily attributable to lease termination income, partially offset by (1) a decrease of \$1.3 million in rental revenues and expense recoveries attributable to properties that were sold in 2016 and 2015, (2) a decrease of \$0.8 million in rental revenues and expense recoveries attributable to the Company's redevelopment properties, (3) a decrease of \$0.6 million in expense recoveries as a result of lower recoverable operating expenses attributable to the Company's same-center properties, and (4) a decrease of \$0.4 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 \$1.5 million in recoverable operating expense, consisting primarily of snow removal costs, attributable to the Company's same-center properties, and (2) a decrease of \$0.6 million in property operating expenses attributable to properties that were sold or held for sale in 2016 and 2015, partially offset by (1) an increase of \$1.6 million in property operating expenses attributable to properties acquired in 2016 and 2015, and (2) an increase of \$0.2 million in property operating expenses attributable to the Company's redevelopment properties.

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, with the remainder being the result of (2) an increase in payroll, payroll related benefits, and professional fees.

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 costs associated with potential future acquisitions. 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 \$2.3 million in depreciation and amortization expenses attributable to properties acquired in 2016 and 2015, and (2) an increase of \$0.4 million in depreciation and amortization expenses attributable to the Company's redevelopment properties, partially offset by a decrease of \$0.5 million in depreciation and amortization expenses attributable to the Company's same-center properties.

Gain on sales in 2016 relates to the sale of Liberty Marketplace, located in Dubois, Pennsylvania.

Impairment charges in 2016 relate to Upland Square, located in Pottstown, Pennsylvania. Impairment charges 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) \$1.8 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) \$1.0 million as a result of an increase in the overall outstanding principal balance of debt, and (2) \$0.5 million as a result of an increase in amortization of deferred financing costs.

Discontinued operations in 2015 include the results of operations and impairment reversals attributable to a property 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:

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Consolidated operating income	\$5,925,000	\$13,101,000	\$26,416,000	\$36,293,000
Add (deduct):				
General and administrative	4,318,000	3,696,000	13,640,000	11,267,000
Acquisition pursuit costs	293,000	—	3,417,000	499,000
Gain on sales	—	—	(59,000)	—
Impairment charges / (reversals)	6,270,000	(127,000)	6,270,000	1,106,000
Depreciation and amortization	10,413,000	9,642,000	31,046,000	28,871,000
Corporate costs included in property expenses				
charges to all properties	1,158,000	1,151,000	3,370,000	3,387,000
Straight-line rents	(157,000)	(90,000)	73,000	(379,000)
Amortization of intangible lease liabilities	(695,000)	(726,000)	(2,105,000)	(2,387,000)

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Internal management fees charged to same center properties	(972,000)	(961,000)	(2,812,000)	(2,774,000)
Other adjustments	(11,000)	(45,000)	(312,000)	138,000
NOI related to properties not defined as same-property	(4,432,000)	(3,793,000)	(14,179,000)	(12,076,000)
Same-property NOI	\$22,110,000	\$21,848,000	\$64,765,000	\$63,945,000
Number of same properties	54	54	53	53
Same-property occupancy, end of period	91.0	% 92.4	% 90.9	% 92.4
Same-property leased, end of period	92.2	% 93.8	% 92.1	% 93.4
Same-property average base rent, end of period	\$13.30	\$13.01	\$13.24	\$12.94

Same-property NOI for the comparative three month periods increased by 1.2%. The results reflect an increase in average base rent of \$0.29 per square foot and a reduction in bad debt expense, which was partially offset by a decrease in occupancy of 140 bps. Same-property NOI for the comparative nine month periods increased by 1.3%. The results reflect an increase in average base rent of \$0.30 per square foot and a reduction in bad debt expense, which was partially offset by a decrease in occupancy of 150 bps.

Leasing Activity

The following is a summary of the Company's retail leasing activity during the nine months ended September 30, 2016:

	Leases signed	GLA	New rent per sq.ft. (\$)	Prior rent per sq.ft. (\$)	Cash basis % change	Tenant improvements per sq.ft. (\$)	(a)
Renewals	106	507,200	14.82	13.68	8.3 %	0.00	
New Leases - Comparable	20	136,800	12.28	10.99	11.8 %	22.24	
New Leases - Non-Comparable	10	62,800	15.55	n/a	n/a	5.74	
Total (b)	136	706,800	14.40	n/a	n/a	4.82	

(a) Includes costs of tenant specific landlord work and tenant allowances provided to tenants. Excludes first generation space and significant redevelopment activity.

(b) Legal fees and leasing commissions averaged a combined total of \$3.30 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 September 30, 2016, the Company had \$130.0 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). The proceeds from the term loan were primarily used to repay 2016 debt requirements.

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 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 right, at its option, to net settle this agreement in shares or cash prior to its expiration, but does not expect to do so.

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 September 30, 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 September 30, 2016:

Description	Balance outstanding	Contractual interest rates Weighted average	Range
Fixed-rate mortgages	\$ 167,373,000	4.8%	3.9% - 7.5%
Unsecured credit facilities:			
Variable-rate:			
Revolving credit facility	130,000,000	1.8%	
Term loan	50,000,000	1.9%	
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 (b)	100,000,000	3.2%	
	697,373,000	3.2%	
Unamortized premium	700,000		
Unamortized debt issuance costs	(3,609,000)		
	\$ 694,464,000		

(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.

(b) Reflects the interest rate swap agreement which will become effective in November 2016.

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 2015, and has continued to declare and pay common and preferred stock dividends during 2016. 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.

Net Cash Flows

September 30,
2016 2015

Cash flows provided by (used in):		
Operating activities	\$40,567,000	\$39,880,000
Investing activities	\$(25,494,000)	\$(23,812,000)
Financing activities	\$(12,648,000)	\$(17,350,000)

Operating Activities

Net cash provided by operating activities, before net changes in operating assets and liabilities, was \$45.2 million for the nine months ended September 30, 2016 and \$46.9 million for the nine months ended September 30, 2015. The \$1.7 million decrease was primarily attributable to the increase in acquisition pursuit costs, partially offset by a reduction in interest expense.

Investing Activities

Net cash flows used in investing activities were primarily the result of the Company's property acquisitions, expenditures for property improvements and property disposition activities. During the nine months ended September 30, 2016, the Company acquired two shopping centers, which were partially paid in cash for \$31.9 million, and incurred expenditures of \$10.5 million for property

improvements, which was offset by \$14.5 million in proceeds from the sale of a property classified as held for sale, and a decrease of \$2.4 million in construction escrows and other. During the nine months ended September 30, 2015, the Company acquired a shopping center for \$24.5 million, and incurred expenditures of \$7.3 million for property improvements, which were offset by \$5.9 million in proceeds received from sales of properties classified as held for sale and a decrease of \$2.1 million in construction escrows and other.

Financing Activities

During the nine months ended September 30, 2016, the Company made \$189.4 million of repayments of mortgage obligations, \$23.6 million of preferred and common stock distributions, and \$1.4 million of payments for debt financing costs, which was offset by \$100.0 million borrowing under a new term loan, net borrowings of \$52.0 million under the revolving credit facility, and a mortgage borrowing of \$50.0 million. During the nine months ended September 30, 2015, the Company made \$113.6 million of repayments of mortgage obligations, \$23.6 million of preferred and common stock distributions, \$11.2 million for the purchase of joint venture minority interests share, \$8.0 million of net repayments under the revolving credit facility, and \$2.6 million of payments for debt financing costs, which was offset by borrowings of \$100.0 million under its new term loans, and proceeds, net of issuance expenses, of \$41.7 million in sales of its 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 be comparable to such REITs.

A reconciliation of net (loss) income attributable to common shareholders to FFO and Operating FFO for the three and nine months ended September 30, 2016 and 2015 is as follows:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2016	2015	2016	2015
Net (loss) income attributable to common shareholders	\$(4,289,000)	\$2,590,000	\$(4,942,000)	\$4,382,000
Real estate depreciation and amortization	10,370,000	9,592,000	30,918,000	28,676,000
Limited partners' interest	(15,000)	11,000	(15,000)	19,000
Impairment charges / (reversals)	6,270,000	(127,000)	6,270,000	953,000
Gain on sales	—	—	(59,000)	—
Consolidated minority interests:				
Share of loss	(59,000)	(77,000)	(239,000)	(266,000)
Share of FFO	(38,000)	(70,000)	(150,000)	(238,000)
FFO applicable to diluted common shares	12,239,000	11,919,000	31,783,000	33,526,000
Acquisition pursuit costs (a)	293,000	—	3,417,000	499,000
Financing costs (b)	50,000	48,000	37,000	105,000
Redevelopment costs (c)	35,000	—	511,000	—
Management transition costs (d)	—	—	1,427,000	—
Operating FFO applicable to diluted common shares	\$12,617,000	\$11,967,000	\$37,175,000	\$34,130,000
FFO per diluted common share	\$0.14	\$0.14	\$0.37	\$0.39
Operating FFO per diluted common share	\$0.15	\$0.14	\$0.43	\$0.40
Weighted average number of diluted common shares:				
Common shares	85,339,000	85,026,000	85,298,000	84,783,000
OP Units	352,000	375,000	352,000	387,000
	85,691,000	85,401,000	85,650,000	85,170,000

- (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.

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 3. 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.

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The Company has entered into forward interest rate swap agreements which convert the LIBOR rates to fixed rates for certain unsecured term loans. At September 30, 2016, the Company had \$11.2 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 September 30, 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 September 30, 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 \$517.4 million of fixed-rate debt outstanding was 3.7%, with maturities at various dates through 2029. The average interest rate on the \$180.0 million of variable-rate debt outstanding, which consists of the unsecured revolving credit facility and a term loan, was 1.8%. With respect to the \$180.0 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 \$1.8 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 4. Controls and Procedures

The Company maintains disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act") designed to ensure that information required to be disclosed in its filings under the Exchange Act is reported within the time periods specified in the rules and regulations of the Securities and Exchange Commission ("SEC"). In this regard, the Company has formed a Disclosure Committee currently comprising several of the Company's executive officers as well as certain other employees with knowledge of information that may be considered in the SEC reporting process. The Committee has responsibility for the development and assessment of the financial and non-financial information to be included in the reports filed with the SEC, and assists the Company's Chief Executive Officer and Chief Financial Officer in connection with their certifications contained in the Company's SEC filings. The Committee meets regularly and reports to the Audit Committee on a quarterly or more frequent basis. The Company's Chief Executive Officer and Chief Financial Officer

have evaluated its disclosure controls and procedures as of September 30, 2016, and have concluded that such disclosure controls and procedures are effective.

During the three months ended September 30, 2016, there have been no changes in the Company's internal controls over financial reporting or in other factors that have materially affected, or are reasonably likely to materially affect, these internal controls over financial reporting. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well-designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Part II Other Information

Item 1. 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 1A. Risk Factors

There were no material changes to the Risk Factors disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2015.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable

Item 5. Other Information

None.

Item 6. Exhibits

A list of exhibits to this quarterly report on Form 10-Q is set forth on the Exhibit Index immediately preceding such exhibits and is incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CEDAR REALTY TRUST, INC.

By: /s/ BRUCE J. SCHANZER	By: /s/ PHILIP R. MAYS
Bruce J. Schanzer	Philip R. Mays
President and Chief	Chief Financial Officer
Executive Officer	(Principal financial officer)
(Principal executive officer)	

November 3, 2016

EXHIBIT INDEX

- Exhibit 10.1 First Amendment to Amended and Restated Loan Agreement (the “Loan Agreement”) by and among Cedar Realty Trust Partnership, L.P., KeyBank National Association and other lending institutions which are or may become parties to the Loan Agreement, and KeyBank National Association (as Administrative Agent), dated as of July 15, 2016
- Exhibit 10.2 First Amendment to Loan Agreement (the “Loan Agreement”) by and among Cedar Realty Trust Partnership, L.P., Regions Bank and other lending institutions which are or may become parties to the Loan Agreement, and KeyBank National Association (as Administrative Agent), dated as of July 15, 2016
- Exhibit 10.3 Amended and Restated Employment Agreement between Cedar Realty Trust, Inc. and Bruce J. Schanzer dated as of August 4, 2016
- Exhibit 10.4 Amended and Restated Employment Agreement between Cedar Realty Trust, Inc. and Philip Mays dated as of August 4, 2016
- Exhibit 10.5 Amended and Restated Employment Agreement between Cedar Realty Trust, Inc. and Robin McBride Zeigler dated as of August 4, 2016
- Exhibit 31.1 Rule 13a-14(a) Certification of Chief Executive Officer
- Exhibit 31.2 Rule 13a-14(a) Certification of Chief Financial Officer
- Exhibit 32.1 Section 1350 Certification of Chief Executive Officer
- Exhibit 32.2 Section 1350 Certification of Chief Financial Officer
- Exhibit 101.INS XBRL Instance Document
- Exhibit 101.SCH XBRL Taxonomy Extension Schema Document
- Exhibit 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document
- Exhibit 101.DEF XBRL Taxonomy Extension Definition Linkbase Document
- Exhibit 101.LAB XBRL Taxonomy Extension Label Linkbase Document
- Exhibit 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document