

CEDAR SHOPPING CENTERS INC

Form 424B5

August 04, 2005

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The information in this prospectus supplement and the accompanying prospectus is not complete and may be changed. This prospectus supplement and the accompanying prospectus are not an offer to sell these securities and are not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Filed pursuant to Rule 424(b)5  
Registration No. 333-125582

**Subject to Completion  
Preliminary Prospectus Supplement dated August 4, 2005**

**PROSPECTUS SUPPLEMENT  
(To prospectus dated June 23, 2005)**

**9,000,000 Shares  
Cedar Shopping Centers, Inc.  
Common Stock**

We are offering \_\_\_\_\_ shares of our common stock and Merrill Lynch International, whom we refer to as the forward purchaser, is, at our request, borrowing from third party market sources and delivering for sale an aggregate of \_\_\_\_\_ shares of our common stock in connection with a forward sale agreement between us and the forward purchaser. If the forward purchaser does not borrow and deliver for sale to the underwriters all of the \_\_\_\_\_ shares of our common stock, we will sell the shares of our common stock that the forward purchaser does not borrow and deliver for sale. We will not initially receive any proceeds from the sale of shares of our common stock by the forward purchaser.

Our common stock is listed on the New York Stock Exchange under the symbol CDR. The last reported sale price for the common stock on August 3, 2005 was \$15.30 per share. Our next quarterly dividend of \$.225 per share will be payable on August 22, 2005 to shareholders of record on August 12, 2005. Purchasers in this offering will not receive this dividend.

**Investing in our common stock involves risks that are described in the Risk Factors section beginning on page S-1 of this prospectus supplement and page 3 of the accompanying prospectus.**

	<b>Per Share</b>	<b>Total</b>
Public offering price	\$	\$
Underwriting discount	\$	\$
Proceeds, before expenses, to Cedar Shopping Centers <sup>(1)</sup>	\$	\$

- (1) We will receive estimated net proceeds, before expenses, of \$ \_\_\_\_\_ upon settlement of our offering of common stock and expect to receive the remaining net proceeds only upon full physical settlement of the forward sale agreement, subject to the provisions of the forward sale agreement. Settlement of the forward sale agreement is expected to occur within approximately twelve months of the date of this prospectus supplement. For purposes of calculating the aggregate net proceeds, we have assumed that the forward sale agreement is physically settled based upon the aggregate initial forward sale price of \$ \_\_\_\_\_ and by delivery of \_\_\_\_\_ shares of our common stock. The forward sale price is subject to adjustment pursuant to the forward sale agreement as described herein. See Underwriting for a description of the forward sale agreement.

The forward purchaser has granted to the underwriters a 30 day option to purchase up to 1,350,000 additional shares of our common stock at the public offering price, less the underwriting discount, to cover overallocments, which will be exercisable with respect to the forward sale agreement.

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

The shares of common stock will be ready for delivery on or about August , 2005.

**Merrill Lynch & Co.**  
*Sole Book-Runner*  
**Raymond James**

**Banc of America Securities LLC**

**Legg Mason Wood Walker**  
**Incorporated**

**UBS Investment Bank**

The date of this prospectus supplement is August , 2005.

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You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized any person to provide you

with different or additional information. If anyone provides you with different or additional information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference is accurate only as of their respective dates or on other dates which are specified in those documents. Our business, financial condition, results of operations and prospects may have changed since those dates.

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**RISK FACTORS**

*You should carefully review the information contained elsewhere or incorporated by reference in this prospectus supplement and the accompanying prospectus and should carefully consider the following risk factors, as well as the Risk Factors section in the accompanying prospectus.*

**Settlement provisions contained in the forward sale agreement subject us to certain risks.**

The forward purchaser will have the right to accelerate the forward sale agreement on a date specified by the forward purchaser if (a) in its judgment, it is unable to continue to borrow a number of shares of our common stock equal to the number of shares to be delivered by us under the forward sale agreement or the cost of borrowing our common stock has increased above a specified rate per annum, (b) the average of the closing bid and offer price or, if available, the closing sale price of our common stock on the NYSE is less than or equal to \$ \_\_\_\_\_ per share on any trading day or (c) we declare any dividend on shares of our common stock (except our regular quarterly dividend of \$.225 per share of common stock) and set a record date for payment prior to the maturity date specified in the forward sale agreement. In the event that early settlement of the forward sale agreement is based on any of the foregoing events, we will be required to physically settle the forward sale agreement by delivering shares of our common stock. The forward purchaser also will have the right to accelerate the forward sale agreement and to require us to either physically settle or net stock settle the forward sale agreement on a date specified by the forward purchaser if a nationalization, insolvency, insolvency filing, delisting or change in law occurs, each as defined in the forward sale agreement, or if our board of directors votes to approve an action that, if consummated, would result in a merger or other takeover event of our company or our operating partnership. The forward sale agreement is also subject to cancellation and payment, as defined in the forward sale agreement, upon the consummation of a merger or other takeover event of our company or our operating partnership. The forward purchaser's decision to exercise its right to require us to settle the forward sale agreement early will be made irrespective of our interests, including our need for capital. In the event that we elect or are required to settle the forward sale agreement with shares of our common stock, delivery of such shares would result in dilution to our earnings per share and return on equity. In no event may we settle the forward sale agreement by delivering shares of our common stock to the extent that such settlement would result in the forward purchaser holding in excess of either (i) 9% of our outstanding shares or (ii) shares in excess of the ownership limit specified in our charter, which may result in delayed settlement of the forward sale agreement and corresponding extension of the term in the forward sale agreement.

Except under limited circumstances described above, in addition to physical settlement of the forward sale agreement, we also have the right to elect cash or net stock settlement under the forward sale agreement. If we elect cash or net stock settlement, the forward purchaser or one of its affiliates will purchase shares of our common stock in compliance with the volume limitations specified in Rule 10b-18 under the Securities Exchange Act of 1934, as amended, or the Exchange Act, as if such Rule applied, in secondary market transactions over a period of time for delivery to stock lenders in order to unwind its hedge. If the price of our common stock at which the forward purchaser unwinds its hedge exceeds the forward sale price, we will pay the forward purchaser an amount in cash equal to such difference if we elect to cash settle and, if we elect to net stock settle, we will deliver a number of shares of our common stock having a market value equal to such difference. Any such difference could be significant. In addition, the purchases of our common stock by the forward purchaser to unwind its hedge could cause the price of our common stock to increase over time, thereby increasing the number of shares or amount of cash we owe to the forward purchaser.

**Cash settlement of the forward sale agreement would have uncertain tax consequences, including the possible loss of our REIT status.**

The federal income tax law regarding cash settlement of the forward sale agreement is uncertain in some respects. In the event that we elect cash settlement under the forward sale agreement and the price at which the forward purchaser unwinds its hedge is below the forward price, we would receive a

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payment in cash from the forward purchaser under the forward sale agreement. Under Section 1032 of the Internal Revenue Code (the Code), most gains and losses realized by a corporation in dealing in its own shares or options or securities futures contracts to buy or sell its shares are non-taxable. There is no authority, however, directly concerning the income tax consequences to a corporation that cash settles a forward sale agreement for the sale of its own stock. In the event that we recognize a significant gain from cash settlement of the forward sale agreement, we might not be able to satisfy the gross income requirements applicable to REITs under the Code. In that case, we would have to rely upon the relief provisions under the Code in order to avoid the loss of our REIT status. Even if the relief provisions apply, we would incur a 100% tax on the gross income attributable to the greater of (1) the amount by which we fail the 75% gross income test, or (2) the excess of 95% of our gross income over the amount of gross income attributable to sources that qualify under the 95% gross income test, multiplied, in either case, by a fraction intended to reflect our profitability. In the event that these relief provisions were not available, we could lose our REIT status under the Code.

**Any issuance of shares of our common stock in the future could have a dilutive effect on your investment.**

We may sell shares of our common stock, or securities convertible or exchangeable into or exercisable for shares of our common stock, in the public or private equity markets if and when conditions are favorable, even if we do not have an immediate need for capital at that time. We could choose to issue such shares or securities for a variety of reasons, including for investment or acquisition purposes. We may also, either mandatorily or at our option, issue shares upon settlement of the forward sale agreement. Raising funds by issuing shares of our common stock, or securities convertible or exchangeable into or exercisable for shares of our common stock, will dilute the ownership of our existing stockholders. Additionally, we may issue equity securities in the future that have rights, preferences or privileges that are senior to your rights as a holder of our common stock.

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**THE COMPANY**

We were organized in 1984 and elected to be taxed as a REIT in 1986. We are a fully integrated, self-administered and self-managed real estate company. We acquire, own, manage, lease and redevelop primarily community and neighborhood shopping centers located in the Northeast, primarily in Pennsylvania. As of June 30, 2005, we owned 58 properties, aggregating approximately 5.7 million square feet of gross leasable area, or GLA, including 52 wholly owned properties comprising approximately 5 million square feet of GLA and six properties owned through joint ventures comprising approximately 700,000 square feet of GLA. The portfolio was approximately 90% leased as of that date, excluding six properties under development and/or redevelopment.

We conduct our business through our operating partnership, Cedar Shopping Centers Partnership, L.P., a Delaware limited partnership. We own approximately a 93.2% interest in the operating partnership.

Our principal executive offices are located at 44 South Bayles Avenue, Port Washington, NY 11050, our telephone number is (516) 767-6492 and our website address is [www.cedarshoppingcenters.com](http://www.cedarshoppingcenters.com). The information contained on our website is not part of this prospectus supplement or the accompanying prospectus and is not incorporated in this prospectus supplement or the accompanying prospectus by reference.

In this prospectus supplement, unless the context otherwise requires, the terms we, us and our include Cedar Shopping Centers, Inc., Cedar Shopping Centers Partnership, L.P. and their consolidated subsidiaries.

**RECENT DEVELOPMENTS**

**Recently Completed Acquisitions**

Since January 1, 2005, we have completed the acquisitions of an aggregate of 27 properties containing 807,000 square feet of GLA for total transaction costs of approximately \$97.6 million.

Our most recent acquisitions completed since the beginning of our second quarter are as follows:

*Portfolio from Giltz & Associates.* On April 25, 2005, we closed on purchases of 21 of 25 properties included in a portfolio owned by affiliates of Giltz & Associates consisting primarily of drug store anchored properties located in Ohio, Pennsylvania, New York and Connecticut. Ten of the properties are anchored by Discount Drug Mart and eight of the properties are net-leased to single tenants, including four CVS Drug Stores, one Staples, one McDonalds, one Waffle House and one bank. The aggregate consideration paid for the 21 properties, excluding closing costs, was approximately \$67.9 million, consisting of: (a) approximately \$27.6 million of new first mortgage financings at a weighted average interest rate of approximately 5.2% per annum, fixed for a 10-year term; (b) the assumption of approximately \$8.4 million of existing financing at a weighted average interest rate of 7.4% per annum; (c) approximately \$13.8 million in newly issued operating partnership units (convertible into our common stock); and (d) approximately \$18.1 million drawn from our secured revolving credit facility.

Subsequently, we closed on the purchase of two additional CVS-anchored properties in Ohio, one Discount Drug Mart-anchored property in Ohio and one property in Connecticut anchored by T.J. Maxx, Staples, Olympia Sports and Sleepy's. The total consideration paid for the four properties was approximately \$19.4 million, excluding closing costs, and also involved a combination of new first mortgage financings, assumption of existing financing, issuance of additional operating partnership units and draws on our secured revolving credit facility.

**Pending Acquisitions**

We have entered into definitive agreements or letters of intent for a number of acquisitions. We intend to use any net proceeds received by us upon settlement of the forward sale agreement to fund certain of these acquisitions. Although we have entered into definitive agreements with respect to the

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pending acquisitions discussed below, there is no assurance that any of these transactions will be consummated or will be consummated on the specified terms.

*Portfolios in Pennsylvania, Virginia and Michigan*

On May 10, 2005, we entered into agreements to purchase: (a) a portfolio of eight properties anchored by, or leased entirely to, supermarkets for \$94.8 million, exclusive of closing costs and fees, with six of the properties being located in the Chesapeake region of Virginia, and two of the properties being located in central Pennsylvania; and (b) a portfolio of four redevelopment properties for approximately \$24 million, exclusive of closing costs and fees, with three of the properties being located in Michigan and the remaining property being located in Pennsylvania.

The three Pennsylvania properties contain approximately 220,000 square feet of GLA and include:

Liberty Marketplace in Dubois, Pennsylvania, a Martins supermarket-anchored property of approximately 68,200 square feet of GLA;

The Mechanicsburg Shopping Center in Mechanicsburg, Pennsylvania, consisting of a free-standing Giant supermarket of approximately 51,000 square feet of GLA; and

The Dunmore Shopping Center in Dunmore, Pennsylvania, a 101,000 square foot center anchored by Consolidated Stores and Enyon Furniture. The property, which presently has a 34,000 square foot vacancy, is a redevelopment candidate.

The six Virginia properties are anchored by, or leased entirely to, Farm Fresh (SuperValu) Supermarkets and contain approximately 455,000 square feet of GLA. They include:

The General Booth Shopping Center in Virginia Beach, Virginia, consisting of approximately 73,320 square feet of GLA, anchored by a Farm Fresh Supermarket of approximately 53,600 square feet of GLA, plus a dozen small shop tenant spaces;

The Suffolk Plaza Shopping Center in Suffolk, Virginia, anchored by a Farm Fresh Supermarket of approximately 67,216 square feet of GLA (and shadow-anchored by a Belks Department Store and other tenants);

The Kempsville Shopping Center in Virginia Beach, Virginia, consisting of approximately 94,477 square feet of GLA, anchored by a Farm Fresh Supermarket of approximately 74,000 square feet of GLA, including warehouse and office space, plus more than a dozen small stores;

The Little Creek Shopping Center in Norfolk, Virginia, consisting of a free-standing Farm Fresh Supermarket of approximately 66,120 square feet of GLA and an adjacent outparcel net leased to KFC;

The Smithfield Shopping Center in Smithfield, Virginia, which includes a Farm Fresh Supermarket of approximately 45,544 square feet of GLA physically located in the middle of a strip center and Peebles, Dollar Tree and a number of small shops; and

Coliseum Marketplace in Hampton, Virginia, consisting of approximately 104,941 square feet of GLA, anchored by a Farm Fresh Supermarket of approximately 57,662 square feet of GLA plus nearly a dozen smaller tenants.

The three Michigan redevelopment properties include the following:

The Clyde Park Shopping Center in Wyoming, Michigan, a 117,000 square foot potential redevelopment center anchored by an 85,000 square foot Value City store, with 32,000 square feet of vacancy;





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The Stadium Plaza Shopping Center in East Lansing, Michigan, an 80,000 square foot shopping center with a 54,560 square foot newly built, but presently dark, Borman's (A&P) supermarket and a 10,000 square foot vacancy; and

Bay City Stadium Plaza in Bay City, Michigan, a 136,000 square foot center anchored by a 64,560 square foot Kroger supermarket, with a lease extending to 2014 exclusive of renewal options, and a 12,000 square foot vacancy together with a vacant development parcel.

The purchase price for the two portfolios will involve the assumption of certain existing conduit first mortgage loans at a weighted average interest rate of 5.8% per annum with maturities scheduled from 2009 to 2014; the balance of the purchase price will be drawn down from our existing secured revolving credit facility.

Closing of the purchase of the properties is expected to occur prior to October 2005, except for at least two properties where additional closing conditions need to be satisfied.

*Trexlerstown, PA*

On July 10, 2005, we entered into an agreement to acquire the Trexler Mall in Trexlerstown, Pennsylvania, a 340,000 square foot multi-anchored community shopping center, anchored, among others, by an 88,000 square foot Kohl's Department Store, a 62,000 square foot Bon-Ton Department Store and a 56,750 square foot Giant Supermarket.

The acquisition, which involves an operating lease plus a purchase option of \$2.5 million, will include a price of approximately \$5.5 million in cash, exclusive of closing costs, and the assumption of approximately \$23 million first mortgage financing at 5.42% per annum due in 2014. The cash portion of the acquisition price is expected to be funded by draws on our secured revolving credit facility.

The acquisition is subject to our due diligence review, our board of directors' consent, lender's consent and normal closing conditions. The transaction is expected to be completed in September 2005.

*Oakland Mills*

On June 20, 2005, we entered into an agreement to acquire the Oakland Mills Shopping Center in Columbia, Maryland. The purchase price will be approximately \$8 million, subject to closing adjustments, and will be funded initially from our secured revolving credit facility. The property is also expected to be included as a collateral property for such credit facility. Due diligence on the property was completed on July 20, 2005. The acquisition of the property is expected to be completed in August 2005.

Oakland Mills is a 58,000 square foot community shopping center anchored by a 43,500 square foot Food Lion supermarket, whose lease extends to 2018, exclusive of options. Oakland Mills is situated on approximately six acres and is located near existing elementary, junior high and high schools. Columbia, Maryland is an established planned urban community, which was originally developed in the late-1960's.

*The Shops at Suffolk Downs*

On June 2, 2005, we entered into an agreement to acquire a shopping center known as The Shops at Suffolk Downs located in Revere, Massachusetts. This purchase will mark our second shopping center acquisition in the greater Boston and eastern Massachusetts area. Each such acquisition is anchored by a Super Stop & Shop supermarket.

The Shops at Suffolk Downs is a newly-developed shopping center property anchored by a recently completed 75,000 square foot Super Stop & Shop and shadow-anchored by a 123,000 square foot Target, located on a separate parcel. The property also includes a Wendy's. We expect to build and lease an additional 36,500 square feet of retail space at the property. When completed, the property will have 123,000 square feet of GLA.

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*Carlisle, Pennsylvania*

On July 25, 2005, we entered into an agreement to acquire the Point at Carlisle Plaza in Carlisle, Pennsylvania, a 183,000 square foot shopping center anchored by Bon-Ton Department Store and Office Max. The purchase price is approximately \$11 million for this unencumbered center. Closing is estimated to occur in September 2005.

**Letters of Intent**

We have entered into letters of intent to purchase various shopping centers and properties as discussed below. Each of these transactions is subject to execution and delivery of a definitive purchase agreement, to our continued due diligence, to our board of directors' approval, and to normal closing conditions. There is no assurance that any of these transactions will be consummated or will be consummated on the specified terms.

*Fredericksburg and Richmond, Virginia*

We have entered into a letter of intent to acquire 15 unencumbered properties located in Fredericksburg and Richmond, Virginia for an aggregate purchase price of \$111.7 million, of which \$90 million will be paid at closing expected to occur in September 2005, with the balance to be earned over a period of time expected to be within six months after closing. The properties consist of two free standing supermarkets, 12 multi-tenant retail buildings and one free standing retail building.

*East Pennsboro, Pennsylvania*

We have signed a letter of intent to purchase Pennsylvania Commons in East Pennsboro, Pennsylvania for a purchase price of \$17.8 million. This is a 110,000 square foot unencumbered center completed in 1999 anchored by a Giant Supermarket.

*Shore Mall, New Jersey*

We have signed a letter of intent to acquire The Shore Mall in Egg Harbor Township, New Jersey for a purchase price of \$2.5 million in cash (or at seller's option a combination of cash and operating partnership units) and the assumption of an existing mortgage of \$31.3 million and payment obligations to a former owner of approximately \$3.3 million. The Shore Mall is an enclosed regional mall of approximately 620,000 square feet of GLA anchored by a 167,200 square foot Boscov's, a 144,000 square foot Value City and an 85,000 square foot Burlington Coat Factory. The letter of intent is subject to a right of first refusal of a former owner to acquire this property. We are presently managing this property. Mr. Leo Ullman, our chairman of the board, chief executive officer and president, has an 8% ownership interest in this property. This transaction is subject to the additional conditions of receipt of a fairness opinion, appraisals and lender's consent. We have also entered into a letter of intent to acquire approximately 50 acres of land adjacent to The Shore Mall from the same owners for a purchase price of \$2 million in cash or, at seller's option, a combination of cash and operating partnership units.

**Future Acquisitions**

We also intend to acquire additional community and neighborhood shopping centers during 2005 and thereafter and are actively looking at additional centers, although we have not yet entered into any binding agreements or letters of intent other than as described above. We also expect to exercise our option to purchase six additional properties anchored by Discount Drug Mart in Ohio from affiliates of Giltz & Associates during the next two years. There is no assurance that we will consummate any additional acquisitions or the terms thereof.

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On August 2, 2005, our board of directors approved a dividend of \$.225 per share with respect to our common stock as well as an equal distribution per unit on our outstanding operating partnership units. At the same time, our board approved a dividend of \$.554688 per share with respect to our 8<sup>7</sup>/<sub>8</sub>% Series A Cumulative Redeemable Preferred Stock. The dividends will be paid on August 22, 2005 to shareholders of record on August 12, 2005. Purchasers in this offering will not receive such dividends by virtue of their purchase.

**USE OF PROCEEDS**

We estimate that the net proceeds from the sale of the common stock we are offering, after deducting the underwriting discount and estimated expenses payable by us, will be approximately \$ \_\_\_\_\_ million. We will not initially receive any proceeds from the sale of shares of common stock offered by the forward purchaser. We expect to receive net proceeds of approximately \$ \_\_\_\_\_ million (or \$ \_\_\_\_\_ million if the overallotment option is exercised in full), subject to the provisions of the forward sale agreement, only upon full physical settlement of the forward sale agreement. We expect settlement of the forward sale agreement will occur within twelve months following the date of this prospectus supplement. Except under the circumstances described in the succeeding paragraph, in addition to physical settlement, we also have the right to elect cash or net stock settlement of the forward sale agreement, which will impact any net proceeds received by us upon settlement of the forward sale agreement and may, instead, require us to deliver cash or common stock to the forward purchaser. We will contribute the net proceeds from our offering of common stock and any net proceeds received from the subsequent settlement of the forward sale agreement to our operating partnership. Our operating partnership presently intends to use all the net proceeds from our offering of common stock to repay amounts outstanding on our secured revolving credit facility and for general corporate purposes, including the acquisition of shopping centers that are complementary to our existing portfolio, and for the development and redevelopment of properties, and presently intends to settle forward sales concurrently with the closing of pending or future acquisitions. As of June 30, 2005, we had approximately \$43.4 million outstanding on our secured revolving credit facility, which matures in January 2007. Borrowings under our secured revolving credit facility bear interest at a rate of LIBOR plus 150 basis points, an average rate of 4.87% per annum as of June 30, 2005, subject to increases to a maximum of 205 basis points, depending on our overall leverage ratio. Affiliates of certain of the underwriters are lenders under our secured revolving credit facility and will receive a portion of the repayment of such facility with the net proceeds of this offering. See Underwriting Other Relationships. We expect thereafter to borrow from time to time under our secured revolving credit facility to provide funds for general working capital and other corporate purposes, including the acquisition of additional properties and the redevelopment or development of existing or new properties.

The forward purchaser will have the right to accelerate the forward sale agreement on a date specified by the forward purchaser if (a) in its judgment, it is unable to continue to borrow a number of shares of our common stock equal to the number of shares to be delivered by us under the forward sale agreement or the cost of borrowing our common stock has increased above a specified rate per annum, (b) the average of the closing bid and offer price or, if available, the closing sale price of our common stock on the NYSE is less than or equal to \$ \_\_\_\_\_ per share on any trading day, or (c) we declare any dividend (except our regular quarterly dividend of \$.225 per share of common stock) on shares of our common stock and set a record date for payment prior to the maturity date specified in the forward sale agreement. In the event that early settlement of the forward sale agreement is based on any of the foregoing events, we will be required to physically settle the forward sale agreement by delivering shares of our common stock. The forward purchaser also will have the right to accelerate the forward sale agreement and to require us to either physically settle or net stock settle the forward sale agreement on a date specified by the forward purchaser if a nationalization, insolvency, insolvency filing, delisting or change in law occurs, each as defined in the forward sale agreement, or if our board of directors votes to approve an action that, if consummated, would result in a merger or other takeover event of our company

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or our operating partnership. The forward sale agreement is also subject to cancellation and payment, as defined in the forward sale agreement, upon the consummation of a merger or other takeover event of our company or our operating partnership. The forward purchaser's decision to exercise its right to require us to settle the forward sale agreement early will be made irrespective of our interests, including our need for capital. In the event that we elect or are required to settle the forward sale agreement with shares of our common stock, delivery of such shares would result in dilution to our earnings per share and return on equity. In no event may we settle the forward sale agreement by delivering shares of our common stock to the extent that such settlement would result in the forward purchaser holding in excess of either (i) 9% of our outstanding shares or (ii) shares in excess of the ownership limit specified in our charter, which may result in delayed settlement of the forward sale agreement and corresponding extension of the term in the forward sale agreement.

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Subject to the terms and conditions contained in the purchase agreement among us, the forward purchaser and the underwriters, we have agreed to sell an aggregate of \_\_\_\_\_ shares of our common stock and the forward purchaser, which is an affiliate of one of the underwriters, at our request, is borrowing and delivering for sale an aggregate of \_\_\_\_\_ shares of our common stock to the underwriters, and each underwriter named below has severally agreed to purchase from us and the forward purchaser, in the proportion specified in the purchase agreement, the number of shares set forth opposite such underwriter's name.

<b>Underwriter</b>	<b>Number of Shares</b>
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
Raymond James & Associates, Inc.	
Banc of America Securities LLC	
Legg Mason Wood Walker, Incorporated	
UBS Securities LLC	
Total	9,000,000

The underwriters have agreed to purchase all of the shares sold under the purchase agreement if any of the shares are purchased. If an underwriter defaults, the purchase agreement provides that the purchase commitment of the nondefaulting underwriter may be increased or the purchase agreement may be terminated.

If the forward purchaser is unable to borrow all of the shares of our common stock to be delivered for sale by it to the underwriters, the purchase agreement provides that we will issue and sell under the purchase agreement a number of shares equal to the number of shares that the forward purchaser does not borrow and deliver for sale to the underwriters. The forward purchaser will have no liability to the underwriters or us under the purchase agreement in the event that it is unable to borrow and deliver for sale any of the shares of our common stock referred to above.

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended, or to contribute to payments the underwriters may be required to make in respect of those liabilities.

The underwriters are offering the shares, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the shares, and other conditions contained in the purchase agreement, such as the receipt by the underwriters of officers' certificates and legal opinions. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

**Forward Sale Agreement**

We have entered into a forward sale agreement on the date of this prospectus supplement with Merrill Lynch International, as forward purchaser, related to \_\_\_\_\_ shares of our common stock (or \_\_\_\_\_ shares of our common stock if the underwriters exercise the overallotment option in full). In connection with the execution of the forward sale agreement and at our request, the forward purchaser is borrowing and delivering for sale in this offering \_\_\_\_\_ shares of our common stock. In the event that the forward purchaser borrows and delivers for sale to the underwriters less than \_\_\_\_\_ shares of our common stock in this offering, the number of shares of our common stock to be sold under the forward sale agreement shall be reduced to equal the number of shares of our common stock borrowed and delivered for sale in this offering by the forward purchaser and the forward sale agreement will become effective only for the number of shares actually borrowed and delivered for sale by the forward purchaser.



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Prior to settlement under the forward sale agreement, the forward purchaser will utilize the aggregate net proceeds from the sale of the borrowed shares of our common stock in this offering as cash collateral for the borrowing of such shares. We will receive an amount equal to the net proceeds from the sale of the borrowed shares of our common stock in this offering, subject to the provisions of the forward sale agreement, from the forward purchaser upon settlement of the forward sale agreement if we elect to settle the forward sale agreement entirely with shares of our common stock, assuming the forward sale price is the initial forward sale price.

The forward sale agreement provides for settlement on a settlement date or dates to be specified at our discretion no later than twelve months following the date of this prospectus supplement at an initial forward sale price of \_\_\_\_\_ per share, which is the public offering price of our shares of common stock less the underwriting discount. The forward sale agreement provides that the initial forward sale price will be subject to increase based on a floating interest factor equal to the federal funds rate, less a spread and less our regular quarterly dividends of \$.225 per share of common stock. However, because the aggregate of the spread and such dividends may be greater than the increase resulting from the federal funds rate for part or all of the term of the forward sale agreement, the actual forward sale price at settlement may be less than the initial forward sale price.

The forward purchaser will have the right to accelerate the forward sale agreement on a date specified by the forward purchaser if (a) in its judgment, it is unable to continue to borrow a number of shares of our common stock equal to the number of shares to be delivered by us under the forward sale agreement or the cost of borrowing our common stock has increased above a specified rate per annum, (b) the average of the closing bid and offer price or, if available, the closing sale price of our common stock on the NYSE is less than or equal to \$ \_\_\_\_\_ per share on any trading day, or (c) we declare any dividend on shares of our common stock (except our regular quarterly dividend of \$.225 per share of common stock) and set a record date for payment prior to the maturity date specified in the forward sale agreement. In the event that early settlement of the forward sale agreement is based on any of the foregoing events, we will be required to physically settle the forward purchase agreement by delivering shares of our common stock. The forward purchaser also will have the right to accelerate the forward sale agreement and to require us to either physically settle or net stock settle the forward sale agreement on a date specified by the forward purchaser if a nationalization, insolvency, insolvency filing, delisting or change in law occurs, each as defined in the forward sale agreement, or if our board of directors votes to approve an action that, if consummated, would result in a merger or other takeover event of our company or our operating partnership. The forward sale agreement is also subject to cancellation and payment, as defined in the forward sale agreement, upon the consummation of a merger or other takeover event of our company or our operating partnership. The forward purchaser's decision to exercise its right to require us to settle the forward sale agreement early will be made irrespective of our interests, including our need for capital. In the event that we elect or are required to settle the forward sale agreement with shares of our common stock, delivery of such shares would result in dilution to our earnings per share and return on equity. In no event may we settle the forward sale agreement by delivering shares of our common stock to the extent that such settlement would result in the forward purchaser holding in excess of either (i) 9% of our outstanding shares or (ii) shares in excess of the ownership limit specified in our charter, which may result in delayed settlement of the forward sale agreement and corresponding extension of the term in the forward sale agreement.

Except under the circumstances described above, in addition to physical settlement of the forward purchase agreement, we also have the right to elect cash or net stock settlement under the forward sale agreement. Although we expect to settle the forward sale agreement entirely by the physical delivery of shares of our common stock, we may elect cash or net stock settlement for all or a portion of our obligations if we conclude that it is in our interest to do so. If we elect cash or net stock settlement, the forward purchaser or one of its affiliates will purchase shares of our common stock in compliance with the volume limitations specified in Rule 10b-18 under the Exchange Act, as if such Rule applied, in secondary market transactions over a period of time for delivery to stock lenders in order to unwind its hedge. In the event that we elect to cash or net stock settle the forward sale agreement, if the price of our common



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stock at which the forward purchaser unwinds its hedge exceeds the applicable forward sale price, we will pay the forward purchaser under the forward sale agreement an amount in cash, if we cash settle, equal to such difference or deliver a number of shares of our common stock, if we net stock settle, having a market value equal to such difference. If the price of our common stock at which the forward purchaser unwinds its hedge is below the applicable forward sale price, the forward purchaser will pay us such difference in cash, if we cash settle, or in shares of our common stock, if we net stock settle. Under the forward sale agreement, if we elect cash or net stock settlement, the price at which the forward purchaser unwinds its hedge will include a fee to the forward purchaser.

Before the issuance of our shares of common stock upon settlement of the forward sale agreement, the forward sale agreement will be reflected in our diluted earnings per share calculations using the treasury stock method. Under this method, the number of shares of our common stock used in calculating diluted earnings per share is deemed to be increased by the excess, if any, of the number of shares that would be issued upon physical settlement of the forward sale agreement over the number of shares that could be purchased by us in the market (based on the average market price during the period) using the proceeds receivable upon settlement (based on the applicable forward sale price at the end of the reporting period). Consequently, we anticipate there will be no dilutive effect on our earnings per share except during periods when the average market price of our common stock is above the per share applicable forward sale price, which is initially \$ (which is equal to our per share proceeds, before expenses, as set forth in the table on the cover of this prospectus supplement), subject to increase based on a floating interest factor equal to the federal funds rate, less a spread and less our regular quarterly dividend of \$.225 per share of common stock.

**Commissions and Discounts**

The underwriters have advised us and the forward purchaser that they propose initially to offer the shares of common stock to the public at the initial public offering price specified on the cover page of this prospectus supplement and to dealers at that price less a concession not in excess of \$ . per share. The underwriters may allow, and such dealers may reallow, a discount not in excess of \$ . per share to certain other dealers. After the initial public offering, the public offering price and other selling terms may be changed.

The following table shows the initial public offering price, underwriting discount and proceeds before expenses to us. The information assumes (a) either no exercise or full exercise by the underwriters of the overallotment option, and (b) that the forward sale agreement is physically settled based upon the aggregate initial forward sale price and by the delivery of shares of our common stock. We expect to receive proceeds of approximately \$ , net of the underwriting discount and offering expenses, subject to certain adjustments as described above, only upon physical settlement of the forward sale agreement. Settlement is expected to occur within twelve months following the date of this prospectus supplement. If the forward sale agreement is net stock settled or cash settled, we will not receive the full proceeds shown below.

	Per Share	Without Option	With Option
Public offering price	\$	\$	\$
Underwriting discount	\$	\$	\$
Proceeds, before expenses, to Cedar Shopping Centers	\$	\$	\$

The expenses of the offering, not including the underwriting discount, are estimated at \$100,000 and are payable by us.

**Overallotment Option**

Merrill Lynch International, as forward purchaser, has granted an option to the underwriters to purchase up to 1,350,000 additional shares of common stock at the initial public offering price less the

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underwriting discount which will be exercisable with respect to the forward sale agreement. The underwriters may exercise this option for 30 days from the date of this prospectus supplement solely to cover any overallocments. If the underwriters exercise this option, each will be obligated, subject to conditions contained in the purchase agreement, to purchase a number of additional shares proportionate to that underwriter's initial amount reflected in the above table.

### **No Sales of Similar Securities**

We, our executive officers and our directors who beneficially own shares of our common stock as of the date of this prospectus supplement have agreed, with some exceptions, not to sell or transfer any common stock for 90 days after the date of this prospectus supplement without first obtaining the written consent of Merrill Lynch, Pierce, Fenner & Smith Incorporated. Specifically, we and these other individuals have agreed not to directly or indirectly:

offer, pledge, sell or contract to sell any common stock,

sell any option or contract to purchase any common stock,

purchase any option or contract to sell any common stock,

grant any option, right or warrant for the sale of any common stock,

lend or otherwise dispose of or transfer any common stock,

request or demand that we file a registration statement related to the common stock, or

enter into any swap or other agreement that transfers, in whole or in part, the economic consequence of ownership of any common stock, whether any such swap or transaction is to be settled by delivery of common stock or other securities, in cash or otherwise.

This lockup provision applies to shares of common stock and to securities convertible into or exchangeable or exercisable for or repayable with shares of common stock. It also applies to shares of our common stock owned now or acquired later by the person executing the agreement or for which the person executing the agreement later acquires the power of disposition.

Notwithstanding the foregoing, if: (i) during the last 17 days of the 90 day lockup period, we issue an earnings release or material news or a material event relating to us occurs, or (ii) prior to the expiration of the 90 day lockup period, we announce that we will release earnings results or become aware that material news or a material event will occur during the 16 day period beginning on the last day of the 90 day lockup period, then the lockup period will continue to apply until the expiration of the 18 day period beginning on the issuance of the earnings release or the occurrence of the material news or material event, as applicable, unless Merrill Lynch, Pierce, Fenner & Smith Incorporated waives, in writing, such extension.

### **New York Stock Exchange Listing**

Our common stock is listed on the NYSE under the symbol CDR.

### **Price Stabilization and Short Positions**

Until the distribution of the shares of common stock offered hereby is completed, rules of the SEC may limit the ability of the underwriters to bid for and purchase our common stock. However, Merrill Lynch, Pierce, Fenner & Smith Incorporated may engage in transactions that stabilize the price of the common stock, such as bids or purchases to peg, fix or maintain that price.

The underwriters may purchase and sell shares of our common stock in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover the positions created by short sales. Short sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in this offering.

Covered short sales are made in an amount not greater than the

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underwriters' option to purchase additional shares from the forward purchaser in this offering. The underwriters may close out any covered short position by either exercising their option to purchase additional shares or purchasing shares in the open market. In determining the shares to close out the covered short positions, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase the shares through the overallotment option. Naked short sales are sales in excess of the overallotment option. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of our common stock in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of various bids for or purchases of our common stock made by the underwriters in the open market prior to the completion of this offering.

Similar to other purchase transactions, the underwriters' purchases to cover syndicate short positions may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of our common stock. As a result, the price of our common stock may be higher than the price that would otherwise exist in the open market.

Neither we nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above might have on the price of our common stock. In addition, neither we nor any of the underwriters make any representation that the underwriters will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

**European Economic Area Selling Restrictions**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State), each underwriter has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the Relevant Implementation Date) it has not made and will not make an offer of our common stock to the public in that Relevant Member State prior to the publication of a prospectus in relation to our common stock which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of our common stock to the public in that Relevant Member State at any time:

- (a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than 43,000,000 and (3) an annual net turnover of more than 50,000,000, as shown in its last annual or consolidated accounts; or
- (c) in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an offer of our common stock to the public in relation to our common stock in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and our common stock to be offered so as to enable an investor to decide to purchase our common stock, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State. The expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

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**UK Selling Restrictions**

Each underwriter has represented and agreed that: (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act of 2000 (the FSMA )) received by it in connection with the issue or sale of our common stock in circumstances in which section 21(1) FSMA does not apply; and (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to our common stock in, from or otherwise involving the United Kingdom.

**No Public Offering Outside the United States**

No action has been or will be taken in any jurisdiction (except in the United States) that would permit a public offering of our common stock, or the possession, circulation or distribution of this prospectus supplement or the accompanying prospectus or any other material relating to us or our common stock in any jurisdiction where action for that purpose is required. Accordingly, our common stock may not be offered or sold, directly or indirectly, and this prospectus supplement, the accompanying prospectus and any other offering material or advertisements in connection with our common stock may not be distributed or published, in or from any country or jurisdiction except in compliance with any applicable rules and regulations of any such country or jurisdiction.

Purchasers of our common stock offered by this prospectus supplement and the accompanying prospectus may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the public offering price specified on the cover page of this prospectus supplement.

**Electronic Distribution**

Some or all of the underwriters will be facilitating Internet distribution of this offering to certain of their Internet subscription customers. The underwriters intend to allocate a limited number of shares for sale to their online brokerage customers. An electronic prospectus is available on the Internet websites maintained by the applicable underwriters. Other than the prospectus in electronic format, the information on the websites is not part of this prospectus supplement or accompanying prospectus.

**Other Relationships**

In the ordinary course of their business, the underwriters and their affiliates have engaged in, and may in the future engage in, commercial banking and investment banking transactions with us. They have received and will receive customary fees and commissions on these transactions.

As discussed above, Merrill Lynch International, an affiliate of one of the underwriters, has entered into the forward sale agreement described above under Forward Sale Agreement.

Because it is expected that more than 10% of the net proceeds of this offering may be paid to affiliates of one or more of the underwriters, this offering is being conducted in accordance with Rule 2710(h) of the Conduct Rules of the National Association of Securities Dealers, Inc.

**LEGAL MATTERS**

Certain legal matters will be passed upon for us by Stroock & Stroock & Lavan LLP of New York, New York. Sidley Austin Brown & Wood llp, New York, New York, will act as counsel to the underwriters.

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**EXPERTS**

The consolidated financial statements of Cedar Shopping Centers, Inc. appearing in Cedar Shopping Centers, Inc.'s Annual Report (Form 10-K) for the year ended December 31, 2004 (including the schedules appearing therein), and Cedar Shopping Centers, Inc. management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2004 included therein, the statement of revenues and certain expenses of Brickyard Shopping Plaza for the year ended June 30, 2004 appearing in our Current Report on Form 8-K/A dated December 27, 2004, the combined statement of revenues and certain expenses of Giltz & Associates, Inc. for the year ended December 31, 2004 appearing in our Current Report on Form 8-K/A dated April 25, 2005, and the combined statement of revenues and certain expenses of certain properties of RVG Entity Owners for the year ended December 31, 2004 appearing in our Current Report on Form 8-K/A dated June 24, 2005, have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in its reports thereon, incorporated by reference therein, and incorporated herein by reference. Such financial statements and management's assessment have been incorporated herein by reference in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.

**INCORPORATION OF CERTAIN INFORMATION BY REFERENCE**

The SEC allows us to incorporate by reference the information we file with them, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be part of this prospectus supplement, and information that we subsequently file with the SEC will automatically update and supersede this information. We incorporate by reference our documents listed below which were filed with the SEC under the Exchange Act:

Annual Report on Form 10-K for the year ended December 31, 2004;

Quarterly Reports on Form 10-Q for the quarters ended March 31, 2005 and June 30, 2005;

Current Reports on Form 8-K filed April 8, 2005, April 14, 2005, April 27, 2005, June 2, 2005 and June 29, 2005 and Forms 8-K/A filed February 23, 2005, May 25, 2005, June 24, 2005 and August 3, 2005; and

Definitive proxy statement dated April 11, 2005.

We also incorporate by reference each of the following documents that we file with the SEC after the date of this prospectus supplement but before the end of this offering:

Reports filed under Sections 13(a) and (c) of the Exchange Act;

Definitive proxy or information statements filed under Section 14 of the Exchange Act in connection with any subsequent stockholders' meeting; and

Any reports filed under Section 15(d) of the Exchange Act.

You may request copies of the filings, at no cost, by telephone at (516) 767-6492 or by mail at: Cedar Shopping Centers, Inc., 44 South Bayles Avenue, Port Washington, New York 11050, Attention: Investor Relations.

**WHERE YOU CAN FIND MORE INFORMATION**

You may read and copy any material that we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. You may also access our SEC filings over the Internet at the SEC's website at <http://www.sec.gov>.

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**FORWARD-LOOKING STATEMENTS**

This prospectus supplement and the accompanying prospectus contain or incorporate by reference forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. You can identify the forward-looking statements by their use of forward-looking words, such as believes, expects, may, will, should, seeks, intends, plans, estimates or anticipates, those words or similar words. Forward-looking statements reflect our views about future events and are subject to risks, uncertainties, assumptions and changes in circumstances that may cause our actual results to differ significantly from those expressed in any forward-looking statement. The factors that could cause actual results to differ materially from expected results include changes in economic, business, competitive market and regulatory conditions. For more information regarding risks that may cause our actual results to differ materially from any forward-looking statements, please see the discussion under Risk Factors contained in this prospectus supplement and the accompanying prospectus and the other information contained in our publicly available filings with the SEC, including our Annual Report on Form 10-K for the year ended December 31, 2004. We do not undertake any responsibility to update any of these factors or to announce publicly any revisions to forward-looking statements, whether as a result of new information, future events or otherwise.

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**PROSPECTUS**

**\$500,000,000**

**Cedar Shopping Centers, Inc.**

**Common Stock, Preferred Stock, Depositary Shares, Warrants,  
Stock Purchase Contracts and Units**

Cedar may offer and issue from time to time up to \$500,000,000 of:

shares of common stock;

shares of preferred stock;

shares of preferred stock represented by depositary shares;

warrants;

stock purchase contracts; and

units.

Cedar's common stock is traded on the New York Stock Exchange under the symbol CDR.

The securities to be offered by us will be in amounts, at prices and on terms to be determined at the time of offering.

When we sell a particular series of securities, we will prepare a prospectus supplement describing the offering and the terms of that series of securities. Such terms may include limitations on direct or beneficial ownership and restrictions on transfer of the securities, in each case as may be appropriate to preserve our status as a real estate investment trust for federal income tax purposes.

Where necessary, the applicable prospectus supplement will contain information about certain United States Federal income tax considerations relating to, and any listing on a securities exchange of, the securities covered by such prospectus supplement.

**See Risk Factors beginning at page 3 of this Prospectus for a description of certain factors that you should consider prior to purchasing the securities.**

We may offer the securities directly or through agents or to or through underwriters or dealers. If any agents or underwriters are involved in the sale of the securities their names, and any applicable purchase price, fee, commission or discount arrangement between or among them, will be set forth, or will be calculable from the information set forth, in an accompanying prospec