CEDAR REALTY TRUST, INC.
Form 10-Q
May 03, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
COMMISSION FILE NUMBER: 001-31817

CEDAR REALTY TRUST, INC.

(Exact name of registrant as specified in its charter)

Maryland	42-1241468
(State or other jurisdiction of	(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)

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
		Emerging growth company

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: At April 30, 2018, there were 91,701,532 shares of Common Stock, $0.06 par value, outstanding.

CEDAR REALTY TRUST, INC.

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Forward-Looking Statements

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

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

CEDAR REALTY TRUST, INC.

CONSOLIDATED BALANCE SHEETS

(unaudited)

	March 31, 2018	December 31, 2017
ASSETS		
Real estate:		
Land	$298,743,000	$304,237,000
Buildings and improvements	1,208,901,000	1,230,362,000
	1,507,644,000	1,534,599,000
Less accumulated depreciation	(341,101,000)	(341,943,000)
Real estate, net	1,166,543,000	1,192,656,000
Real estate held for sale	4,120,000	—
Cash and cash equivalents	3,004,000	3,702,000
Restricted cash	3,914,000	3,517,000
Receivables	18,903,000	17,193,000
Other assets and deferred charges, net	42,028,000	35,350,000
TOTAL ASSETS	$1,238,512,000	$1,252,418,000
LIABILITIES AND EQUITY		
Mortgage loans payable	$127,207,000	$127,969,000
Unsecured revolving credit facility	109,500,000	55,000,000
Unsecured term loans	397,309,000	397,156,000
Accounts payable and accrued liabilities	25,338,000	24,519,000
Unamortized intangible lease liabilities	16,952,000	17,663,000
Total liabilities	676,306,000	622,307,000
Commitments and contingencies	—	—
Equity:		
Cedar Realty Trust, Inc. shareholders' equity:		
Preferred stock	159,541,000	207,508,000
Common stock ($.06 par value, 150,000,000 shares authorized, 91,710,000 and 91,317,000 shares, issued and outstanding, respectively)	5,503,000	5,479,000
Treasury stock (3,370,000 and 3,359,000 shares, respectively, at cost)	(18,458,000)	(18,463,000)
Additional paid-in capital	876,927,000	875,062,000
Cumulative distributions in excess of net income	(474,513,000)	(446,944,000)
Accumulated other comprehensive income	11,562,000	5,694,000
Total Cedar Realty Trust, Inc. shareholders' equity	560,562,000	628,336,000
Noncontrolling interests:		
Minority interests in consolidated joint ventures	(474,000)	(609,000)
Limited partners' OP Units	2,118,000	2,384,000
Total noncontrolling interests	1,644,000	1,775,000

Total equity	562,206,000	630,111,000
TOTAL LIABILITIES AND EQUITY	$1,238,512,000	$1,252,418,000

See accompanying notes to consolidated financial statements

CEDAR REALTY TRUST, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)

	Three months ended March 31, 2018	2017
REVENUES		
Rents	$28,161,000	$28,223,000
Expense recoveries	9,286,000	8,348,000
Other	121,000	203,000
Total revenues	37,568,000	36,774,000
EXPENSES		
Operating, maintenance and management	7,794,000	7,044,000
Real estate and other property-related taxes	5,079,000	4,745,000
General and administrative	4,494,000	4,136,000
Acquisition pursuit costs	-	156,000
Depreciation and amortization	10,054,000	10,418,000
Total expenses	27,421,000	26,499,000
OTHER		
Gain on sale	-	7,099,000
Impairment charges	(21,396,000)	-
Total other	(21,396,000)	7,099,000
OPERATING (LOSS) INCOME	(11,249,000)	17,374,000
NON-OPERATING INCOME AND EXPENSES		
Interest expense	(5,371,000)	(5,429,000)
Total non-operating income and expenses	(5,371,000)	(5,429,000)
NET (LOSS) INCOME	(16,620,000)	11,945,000
Net (income) loss attributable to noncontrolling interests:		
Minority interests in consolidated joint ventures	(135,000)	(137,000)
Limited partners' interest in Operating Partnership	87,000	(32,000)
Total net (income) loss attributable to noncontrolling interests	(48,000)	(169,000)
NET (LOSS) INCOME ATTRIBUTABLE TO CEDAR REALTY TRUST, INC.	(16,668,000)	11,776,000
Preferred stock dividends	(2,799,000)	(3,602,000)
Preferred stock redemption costs	(3,507,000)	-
NET (LOSS) INCOME ATTRIBUTABLE TO COMMON SHAREHOLDERS	$(22,974,000)	$8,174,000

NET (LOSS) INCOME PER COMMON SHARE ATTRIBUTABLE TO COMMON SHAREHOLDERS (BASIC AND DILUTED)	$(0.26)	$0.10
Weighted average number of common shares - basic and diluted	87,623,000	81,734,000

See accompanying notes to consolidated financial statements

CEDAR REALTY TRUST, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

(unaudited)

	Three months ended March 31, 2018	2017
Net (loss) income	$(16,620,000)	$11,945,000
Other comprehensive income - unrealized gain on change in fair value of cash flow hedges	5,890,000	1,340,000
Comprehensive (loss) income	(10,730,000)	13,285,000
Comprehensive (income) attributable to noncontrolling interests	(70,000)	(174,000)
Comprehensive (loss) income attributable to Cedar Realty Trust, Inc.	$(10,800,000)	$13,111,000

See accompanying notes to consolidated financial statements

CEDAR REALTY TRUST, INC.

Consolidated Statement of Equity

Three months ended March 31, 2018

(unaudited)

	Cedar Realty Trust, Inc. Shareholders							
	Preferred stock		Common stock		Treasury stock,	Additional paid-in	Cumulative distributions in excess of	Accumulated other comprehensive
	Shares	Amount	Shares	Amount	at cost	capital	net income	income
r 31,	8,450,000	$207,508,000	91,317,000	$5,479,000	$(18,463,000)	$875,062,000	$(446,944,000)	$5,694,000
	—	—	—	—	—	—	(16,668,000)	—
change w hedges	—	—	—	—	—	—	—	5,868,000
ensation,	—	—	393,000	24,000	5,000	222,000	—	—
ries B	(2,000,000)	(47,967,000)	—	—	—	1,458,000	(3,507,000)	—
es, net of	—	—	—	—	—	1,000	—	—
idends	—	—	—	—	—	—	(2,799,000)	—
mmon ontrolling	—	—	—	—	—	—	(4,595,000)	—
tment of terest	—	—	—	—	—	184,000	—	—
, 2018	6,450,000	$159,541,000	91,710,000	$5,503,000	$(18,458,000)	$876,927,000	$(474,513,000)	$11,562,000

	Noncontrolling Interests			
	Minority interest in consolidated joint ventures	Limited partners' interest in Operating Partnership	Total	Total Equity
r 31,	$(609,000)	$2,384,000	$1,775,000	$630,111,000
	135,000	(87,000)	48,000	(16,620,000)
change w hedges	—	22,000	22,000	5,890,000
ensation,	—	—	—	251,000
ries B	—	—	—	(50,016,000)

es, net of	—	—	—	1,000
idends	—	—	—	(2,799,000)
mmon ontrolling	—	(17,000)	(17,000)	(4,612,000)
tment of terest	—	(184,000)	(184,000)	—
, 2018	$(474,000)	$2,118,000	$1,644,000	$562,206,000

See accompanying notes to consolidated financial statements

CEDAR REALTY TRUST, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

	Three months ended March 31,	
	2018	2017
OPERATING ACTIVITIES		
Net (loss) income	$(16,620,000)	$11,945,000
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Gain on sales	—	(7,099,000)
Impairment charges	21,396,000	—
Straight-line rents	(245,000)	(241,000)
Provision for doubtful accounts	502,000	315,000
Depreciation and amortization	10,054,000	10,418,000
Amortization of intangible lease liabilities, net	(669,000)	(639,000)
Expense relating to share-based compensation, net	974,000	933,000
Amortization of deferred financing costs	292,000	359,000
Changes in operating assets and liabilities, net of effects of acquisitions and dispositions:		
Rents and other receivables	(2,831,000)	(3,048,000)
Prepaid expenses and other	(2,656,000)	(1,014,000)
Accounts payable and accrued liabilities	(97,000)	(1,077,000)
Net cash provided by operating activities	10,100,000	10,852,000
INVESTING ACTIVITIES		
Acquisitions of real estate	—	(28,836,000)
Expenditures for real estate improvements	(6,277,000)	(3,235,000)
Net proceeds from sales of real estate	—	10,372,000
Net cash (used in) investing activities	(6,277,000)	(21,699,000)
FINANCING ACTIVITIES		
Repayments under revolving credit facility	(6,500,000)	(18,000,000)
Advances under revolving credit facility	61,000,000	36,000,000
Mortgage repayments	(785,000)	(834,000)
Noncontrolling interests:		
Distributions to limited partners	(17,000)	(18,000)
Redemptions of preferred stock	(50,016,000)	—
Common stock sales less issuance expenses, net	1,000	3,000
Preferred stock dividends	(3,212,000)	(3,602,000)
Distributions to common shareholders	(4,595,000)	(4,271,000)
Net cash (used in) / provided by financing activities	(4,124,000)	9,278,000
Net (decrease) in cash, cash equivalents and restricted cash	(301,000)	(1,569,000)
Cash, cash equivalents and restricted cash at beginning of year	7,219,000	5,762,000

Cash, cash equivalents and restricted cash at end of period	$6,918,000	$4,193,000
Reconciliation to consolidated balance sheets:		
Cash and cash equivalents	$3,004,000	$2,207,000
Restricted cash	3,914,000	1,986,000
Cash, cash equivalents and restricted cash	$6,918,000	$4,193,000

See accompanying notes to consolidated financial statements

Cedar Realty Trust, Inc.

Notes to Consolidated Financial Statements

March 31, 2018

(unaudited)

Note 1. Business and Organization

Cedar Realty Trust, Inc. (the “Company”) is a real estate investment trust (“REIT”) that focuses primarily on ownership, operation and redevelopment of grocery-anchored shopping centers in high-density urban markets from Washington, D.C. to Boston. At March 31, 2018, the Company owned and managed a portfolio of 59 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 March 31, 2018, 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 March 31, 2018) is represented by Operating Partnership Units (“OP Units”). The carrying amount of such interest is adjusted at the end of each reporting period to an amount equal to the limited partners’ ownership percentage of the Operating Partnership’s net equity. The 347,000 OP Units outstanding at March 31, 2018 are economically equivalent to the Company’s common stock. The holders of OP Units have the right to exchange their OP Units for the same number of shares of the Company’s common stock or, at the Company’s option, for cash.

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

Note 2. Summary of Significant Accounting Policies

Principles of Consolidation/Basis of Preparation

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

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

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

Supplemental Consolidated Statements of Cash Flows Information

	Three months ended March 31,	
	2018	2017
Supplemental disclosure of cash activities:		
Cash paid for interest	$5,303,000	$5,121,000
Supplemental disclosure of non-cash activities:		
Capitalization of interest and financing costs	358,000	175,000

Recently-Adopted Accounting Pronouncements

In May 2014, the FASB issued guidance which amends the accounting for revenue recognition. Under the amended guidance, an entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which a company expects to be entitled to and receive in exchange for those goods or services. Leases are specifically excluded

Cedar Realty Trust, Inc.

Notes to Consolidated Financial Statements

March 31, 2018

(unaudited)

from this guidance and will be governed by the applicable lease codification. The guidance, effective January 1, 2018, did not have a material effect on the Company’s consolidated financial statements.

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

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

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

Recently-Issued Accounting Pronouncements

In February 2016, the FASB issued guidance which amends the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheets and making targeted changes to lessor accounting. The guidance requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase of the leased asset by the lessee. This classification will determine whether the lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than twelve months regardless of their classification. Leases with a term of twelve months or less will be accounted for pursuant to existing guidance for operating leases. The guidance is expected to result in the recognition of a right-to-use asset and related liability to account for the Company's future obligations under its ground lease and executive office lease agreements for which the Company is the lessee. Additionally, the guidance will require that lessees and lessors capitalize, as initial direct costs, only those costs that are incurred due to the execution of a lease. Under this guidance, allocated payroll costs and other costs that are incurred regardless of whether the lease is obtained will no longer be capitalized as initial direct costs and instead will be expensed as incurred. Lessors will continue to account for leases using an approach that is substantially equivalent to existing guidance for operating and other leases. 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 June 2016, the FASB issued guidance which enhances the methodology of measuring expected credit losses to include the use of forward-looking information to better calculate credit loss estimates. The guidance will apply to most financial assets measured at amortized cost and certain other instruments, including accounts receivable, straight-line rent receivables, loans, held-to-maturity debt securities, net investments in leases, and off-balance-sheet credit exposures. The guidance will require that the Company estimate the lifetime expected credit loss with respect to these receivables and record allowances that, when deducted from the balance of the receivables, represent the net amounts expected to be collected. The Company will also be required to disclose information about how it developed the allowances, including changes in the factors that influenced the Company's estimate of expected credit losses and the reasons for those changes. The guidance would be effective for interim and annual reporting periods beginning after December 15, 2019. The Company is currently in the process of evaluating the impact the adoption of the guidance will have on its consolidated financial statements.

Cedar Realty Trust, Inc.

Notes to Consolidated Financial Statements

March 31, 2018

(unaudited)

Note 3. Real Estate

Real Estate Held for Sale

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

As of March 31, 2018, Carll’s Corner, located in Bridgeton, New Jersey, and West Bridgewater Plaza, located in West Bridgewater, Massachusetts, have been classified as “real estate held for sale” on the accompanying consolidated balance sheet. The Company recorded impairment charges of $21.4 million in connection with these properties during 2018.

Note 4. Fair Value Measurements

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

The fair value of the Company’s fixed rate mortgage loans were estimated using available market information and discounted cash flow analyses based on borrowing rates the Company believes it could obtain with similar terms and maturities. As of March 31, 2018 and December 31, 2017, the aggregate fair values of the Company’s fixed rate mortgage loans payable, which were determined to be Level 3 within the valuation hierarchy, were $125.9 million and $127.7 million, respectively; the carrying values of such loans were $127.2 million and $128.0 million, respectively. As of March 31, 2018 and December 31, 2017, respectively, the aggregate fair values of the Company’s unsecured revolving credit facility and term loans approximated the carrying values.

The valuation of the assets and liabilities for the Company’s interest rate swaps, which are measured on a recurring basis, were determined to be Level 2 within the valuation hierarchy, and were based on independent values provided by financial institutions. Such valuations were determined using widely accepted valuation techniques, including discounted cash flow analyses, on the expected cash flows of each derivative. The analyses reflect the contractual terms of the swaps, including the period to maturity, and user-observable market-based inputs, including interest rate curves (“significant other observable inputs”). The fair value calculation also includes an amount for risk of non-performance using “significant unobservable inputs” such as estimates of current credit spreads to evaluate the likelihood of default. The Company has concluded that, as of March 31, 2018, the fair value associated with the “significant unobservable inputs” relating to the Company’s risk of non-performance was insignificant to the overall fair value of the interest rate swap agreements and, as a result, that the relevant inputs for purposes of calculating the fair value of the interest rate swap agreements, in their entirety, were based upon “significant other observable inputs”.

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

Cedar Realty Trust, Inc.

Notes to Consolidated Financial Statements

March 31, 2018

(unaudited)

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

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

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

	March 31, 2018			
Description	Level 1	Level 2	Level 3	Total
Investments related to deferred compensation liabilities (a)	$618,000	$—	$ —	$618,000
Deferred compensation liabilities (b)	$619,000	$—	$ —	$619,000
Interest rate swaps asset (a)	$—	$11,742,000	$ —	$11,742,000

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

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

The following table shows the hierarchy for the asset measured at fair value on a non-recurring basis as of March 31, 2018:

	March 31, 2018			
Description	Level 1	Level 2	Level 3	Total
Real estate held for sale	$—	$ —	$4,120,000	$4,120,000

There were no assets measured at fair value on a non-recurring basis as of December 31, 2017. As of March 31, 2018, two retail properties, totaling $4.1 million, were determined to be Level 3 assets under the hierarchy, and were measured at fair value on a non-recurring basis using an income capitalization approach, consisting of capitalization rates ranging between 8.5% to 9.5%.

Cedar Realty Trust, Inc.

Notes to Consolidated Financial Statements

March 31, 2018

(unaudited)

Note 5. Mortgage Loans Payable and Credit Facility

The Company has a $300 million unsecured credit facility which, as amended and restated on September 8, 2017, consists of (1) a $250 million revolving credit facility, expiring on September 8, 2021, and (2) a $50 million term loan, expiring on September 8, 2022. The revolving credit facility may be extended, at the Company’s option, for an additional one-year period, subject to customary conditions. Under an accordion feature, the facility can be increased to $750 million, subject to customary conditions and lending commitments. Interest on borrowings under the revolving credit facility component can range from the London Interbank Offered Rate (“LIBOR”) plus 135 basis points (“bps”) to 195 bps (135 bps at March 31, 2018) and interest on borrowings under the term loan component can range from LIBOR plus 130 to 190 bps (130 bps at March 31, 2018), each based on the Company’s leverage ratio. As of March 31, 2018, the Company had $98.7 million available for additional borrowings under the revolving credit facility.

Debt is composed of the following at March 31, 2018:

			March 31, 2018	
Description	Maturity dates		Balance outstanding	Contractual interest rates weighted-average
Fixed-rate mortgages	2021-2026		$127,242,000	4.4%
Unsecured credit facilities:				
Variable-rate:				
Revolving credit facility	Sep 2021	(a)	109,500,000	3.1%
Term loan	Sep 2022		50,000,000	3.1%
Fixed-rate (b):				
Term loan	Feb 2021		75,000,000	3.6%
Term loan	Feb 2022		50,000,000	3.0%
Term loan	Sep 2022	(c)	50,000,000	2.8%
Term loan	Apr 2023		100,000,000	3.2%
Term loan	Sep 2024	(d)	75,000,000	3.3%
			636,742,000	3.4%
Unamortized premium			504,000	
Unamortized debt issuance costs			(3,230,000)	