

# Taubman

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## Taubman Mall Visits Debunk Myth of Dying TCO Malls

October 2017

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## 1. Executive Summary: Taubman Mall Visits Debunk Myth of Dying TCO Malls

# Taubman's Dominant Malls are Thriving – The “Dead Mall” Narrative is Overblown

## Taubman's Dominant Malls are Thriving



A photo tour of Taubman's nine dominant malls clearly debunks the prevailing assumption that TCO malls are dead

Source: Land and Buildings' research, All photos were taken on the weekends of October 14 and October 21, 2017

# Taubman Mall Visits Debunk Myth of Dying TCO Malls

- **Taubman's dominant malls are thriving** – All one has to do is look, as we did the last two weekends, to see that Taubman's malls are clearly not dying
- **Photos highlight bustling activity** – Photos of each asset reveal bustling common areas, packed parking lots and consumers crowding stores
- **Taubman's dominant malls generating 40% more sales than peers** – Taubman's dominant nine malls account for the vast majority of value and generate sales of nearly \$1,000 per square foot
- **Prevailing rhetoric not driver for Taubman's dominant malls** – Taubman's dominant malls can not be painted with the same brush as media portrays 2,000 malls in the United States
- **Big data comes up short** – Big data providers suggested Taubman's sales would decline in the second quarter yet the Company reported sales growth of 2.9%



Source: Company website, Land and Buildings' research

Notes: Class A Mall Peers defined by Land and Buildings as Taubman's high quality Class A Mall Peers GGP, Inc., The Macerich Company, and Simon Property Group Inc. (collectively, "Class A Mall Peers"); Land and Buildings estimate of percent of Company portfolio value is based on calculation of Company's share of Gross Asset Value (GAV); Big data based on cell phone traffic to forecast sales declines at department stores

# Taubman's Malls Are Not the Problem, the Company is Hiding Behind a Misleading Industry Narrative

- **Taubman's problems are self-inflicted** - Taubman has repeatedly blamed poor performance on the industry when the problems lie with management and poor oversight by the Board of Directors
- **Taubman's comments are in stark contrast to peers** - Management's excuses are not credible, as evidenced by its Class A Mall Peers
- **Similar misleading claims typically debunked** – It is typical on many of our engagements where we encounter similar misleading claims by Chairmen and CEOs which are soon debunked

Taubman's Misleading Blame Game	Class A Mall Peer Reality
Repeatedly blamed the Company's horrible operating results on challenges in the macro retail environment	Peers went as far as calling the negative news flow regarding malls "fake news"
CEO and Chairman Bobby Taubman's outlook for the business was bleak, stating "retail is evolving, and no one knows exactly where the transition will take it"	Peers talked confidently about their business prospects with comments such as "strong demand for our real estate from a wide and growing area of tenants"
Lowered 2017 same-store NOI growth guidance to 0%-2% blaming the retail environment and e-commerce	Peers affirmed over 3% same store net operating income guidance on average
Expects 2H17 same-store NOI to decline	Peers expect an acceleration of growth
Lowered 2017 earnings guidance	Peers maintained or increased guidance

Source: Land and Buildings' analysis, Wall Street research, Company and Class A Mall Peer filings as of second quarter 2017 results

# Taubman Has Substantially Underperformed its Peers Despite Owning the Best Portfolio

- **Photo tour highlights disconnect between mall activity and stock price** - Our dynamic photo tour and economic activity at Taubman's bustling malls lie in stark contrast to Taubman's persistent and prolonged share price underperformance
- **Bustling activity, yet horrible performance** - Taubman's malls should have industry leading margins and superior returns on capital given the sheer productivity of the assets relative to peers and yet the Company is at the bottom of the pack

## Taubman's Total Shareholder Return Has Woefully Lagged its Class A Mall Peers



Taubman's underperformance is squarely the result of management and its board of directors, NOT the assets

Source: Land and Buildings' analysis, Wall Street research, Company and Class A Mall Peer filings

Note: Based on returns through October 20, 2017

# What's Next? The Troubling Status Quo Is Unsustainable

- **Significant share price upside** - In the next 15 months we believe TCO could return 50% or more if management fixes the sorry state of affairs at the Company
  - If actions are not taken, the Taubman Family could lose control of the Board as a majority of new independent Directors could be nominated in just 15 months
  - TCO has underperformed its peers by 19% since the June 2017 Annual Meeting as horrible operating performance, capital allocation and corporate governance have persisted
- **Taubman's NAV could be double current share price** - Taubman trades at a 6.3% implied cap rate and is likely worth twice the current share price due to the extraordinary value of Taubman's nine dominant malls and the dearth of high-quality malls available for institutions to purchase, with cap rates likely around 4%
- **Management has continued to overpromise and under deliver** – TCO has repeatedly revised down guidance, which is likely to again occur over the next year due to overpromising on developments and the inferior management of the core portfolio

If underperformance persists, shareholders will have no choice but to hold management and the Board accountable

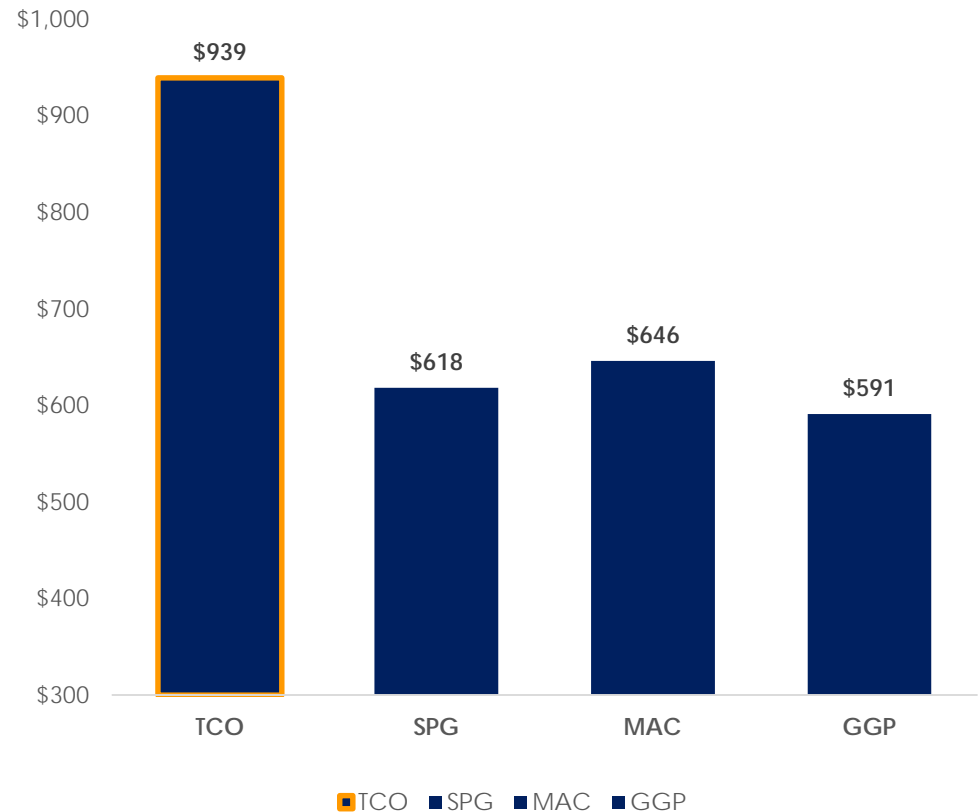


# Taubman's Dominant Malls Far Outclass Peers

- Taubman's nine dominant malls, which comprise the vast majority of TCO's value, are the most productive in the United States with **average sales per square foot of \$939psf**, materially higher than its Class A Mall Peers

- **59% higher sales productivity than GGP's** 126 malls at \$591psf
- **45% higher sales productivity than Macerich's** 48 malls at \$646psf
- **52% higher sales productivity than Simon's** 176 malls and outlets at \$618psf

## *Taubman's Dominant Malls Have 42% Higher Sales Productivity Versus Class A Mall Peer Portfolios*



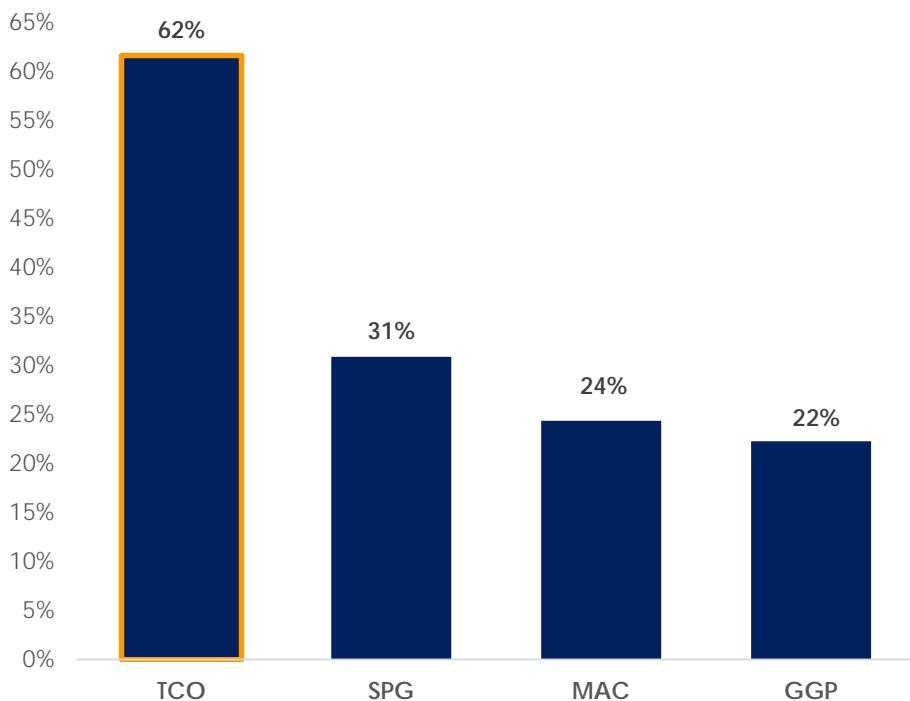
Source: Land and Buildings' analysis, Wall Street research, Company and Class A Mall Peer filings

Note: Represents weighted average sales productivity of Taubman's 9 dominant malls compared to total portfolio sales productivity (average per square foot) of its Class A Mall Peers disclosed in Company filings

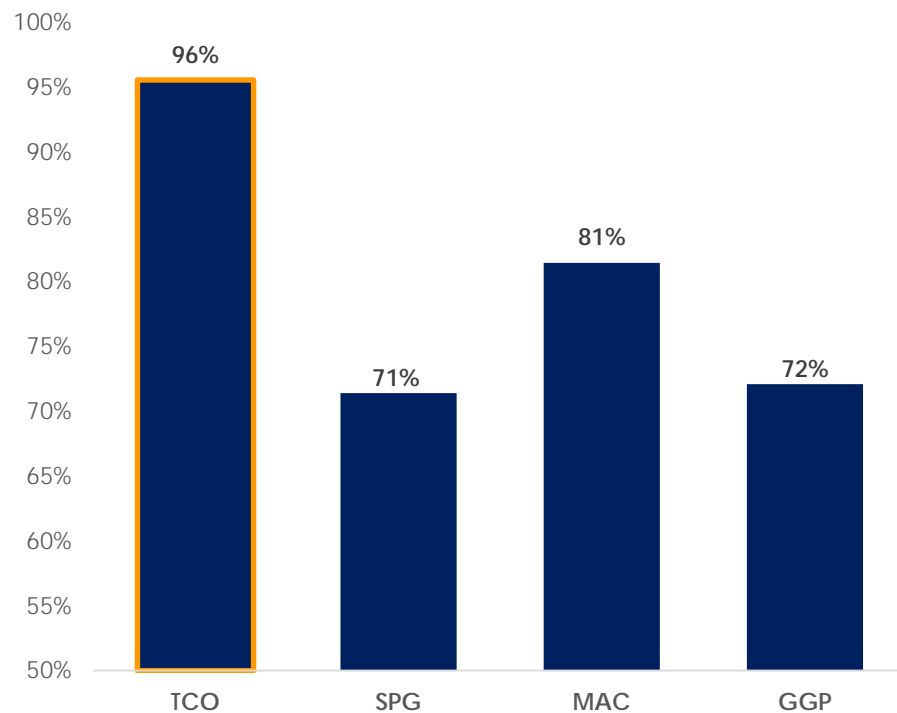
# Taubman's Portfolio Significantly More Concentrated in the Most Productive, Class A Malls

- 62% of Taubman's portfolio generated sales per square foot in excess of \$800, more than double the average of its Class A Mall Peers
- 96% of Taubman's portfolio is Class A, well above its Class A Mall Peers that have 75% of their portfolios in B/C assets

***Taubman's Portfolio Has More Than Double The Exposure to Malls with Sales in Excess of \$800psf Versus its Class A Mall Peers***



***Taubman's Portfolio is Nearly All Class A While Peers Average Only 75% Class A***



Source: Land and Buildings' analysis, Wall Street research, Company and Class A Mall Peer filings

Note: Represents estimated percent of net operating income for each company in malls with sales productivity of at least \$800psf; Represents estimated percent of net operating income for each company in malls rated Class A- or better

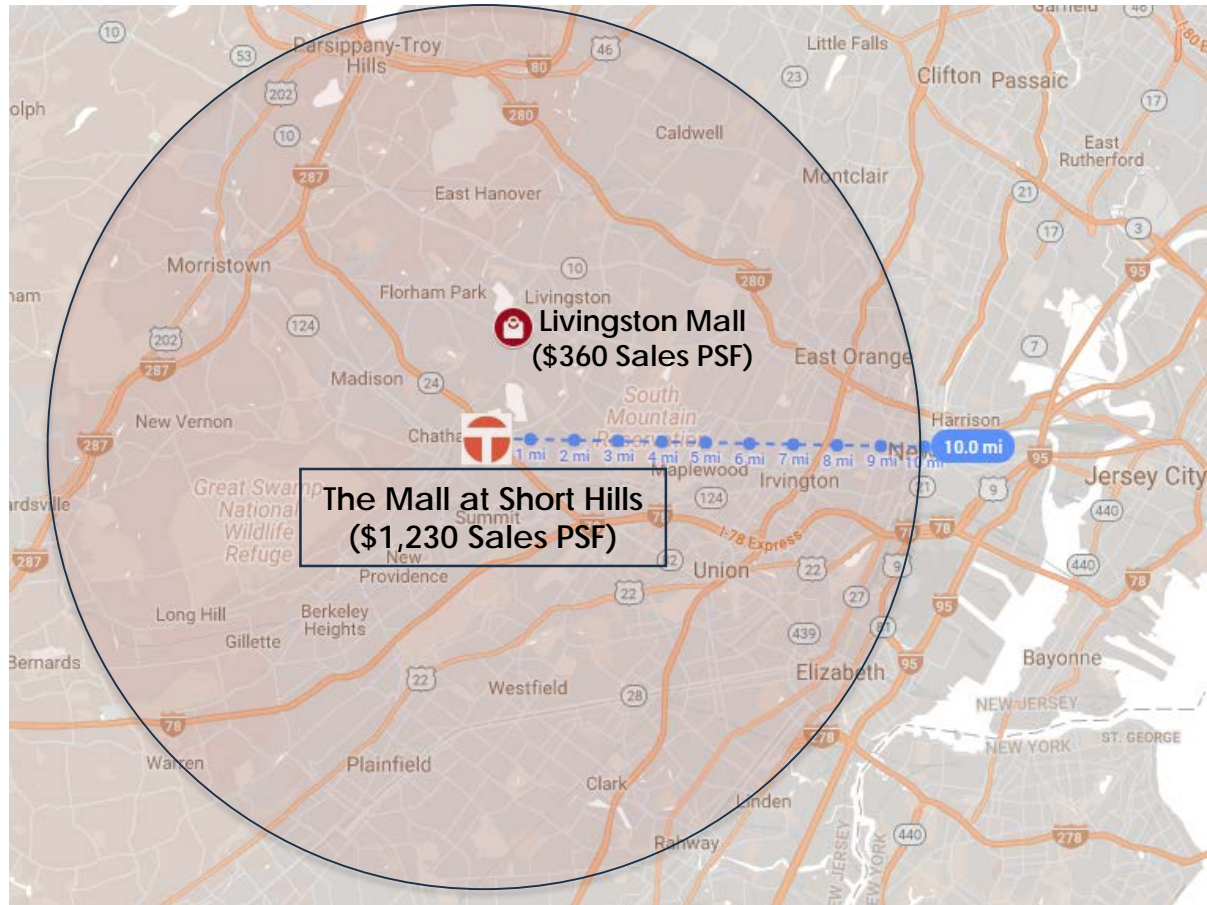
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### 2. Mall at Short Hills – Short Hills, NJ

# Mall at Short Hills – Short Hills, NJ

2017 DEMOGRAPHICS	TRADE AREA
Population	3,071,807
Households	1,104,847
\$100K+ Households	423,329
\$150K+ Households	237,322
Average Household Income (within 3 miles)	\$206,968
Average Household Income (within trade area)	\$111,300



Neiman Marcus

NORDSTROM

bloomingdales

CHANEL

LOUIS VUITTON

PRADA

★macy's

SAINT LAURENT  
PARIS

Dior

GUCCI

HERMÈS  
PARIS

Cartier

Source: Company website, Land and Buildings' research, Wall Street research, Google Maps  
 Note: Retailers listed are representative of Taubman tenants at the property



# Mall at Short Hills – Short Hills, NJ

- The photos on the following pages show the enviable foot traffic and bustling activity at the Mall at Short Hills over two recent weekends in October



Source: Land and Buildings' research, All photos were taken on the weekends of October 14 and October 21, 2017



# Mall at Short Hills – Short Hills, NJ



Source: Land and Buildings' research, All photos were taken on the weekends of October 14 and October 21, 2017



# Mall at Short Hills – Short Hills, NJ



Source: Land and Buildings' research, All photos were taken on the weekends of October 14 and October 21, 2017

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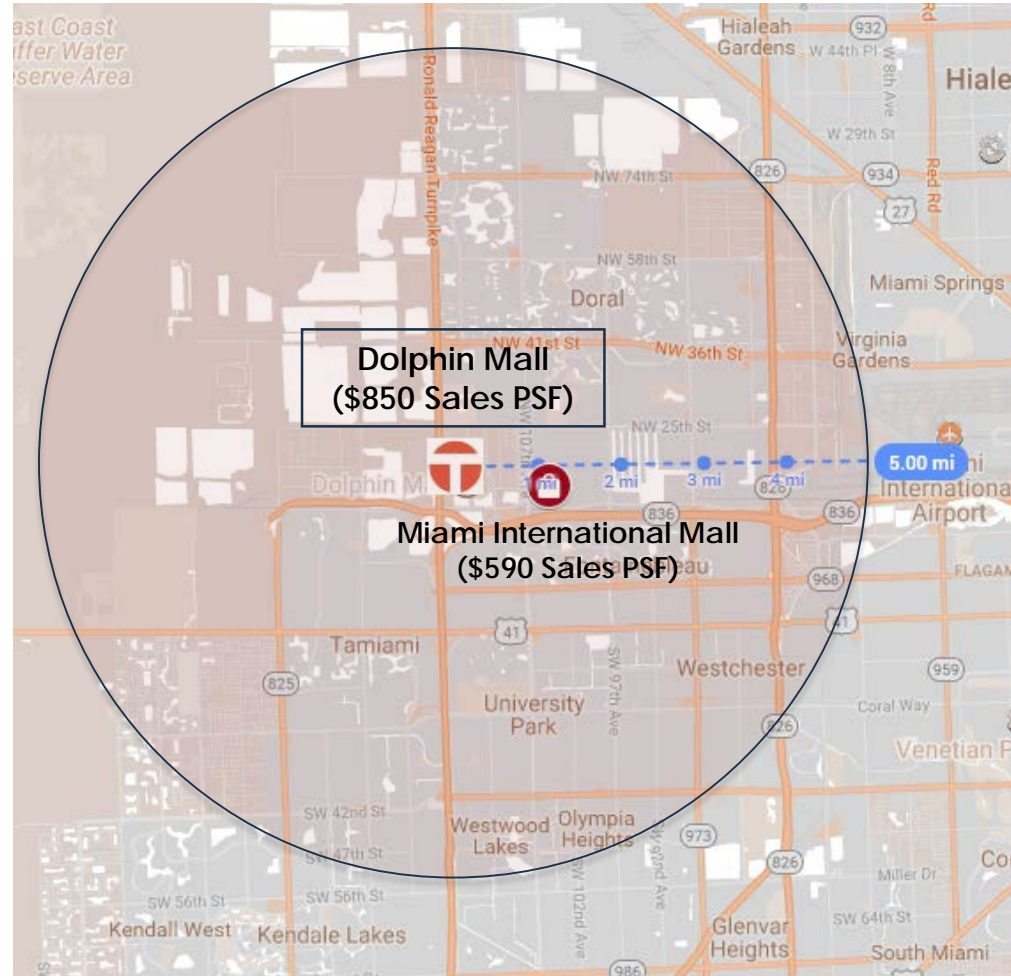
### 3. Dolphin Mall – Miami, FL



# Dolphin Mall – Miami, FL



2017 DEMOGRAPHICS	TRADE AREA
Population	2,165,979
Households	741,451
\$75K+ Households	241,851
\$100K+ Households	164,896
Daytime Population (trade area)	1,074,090



Source: Company website, Land and Buildings' research, Wall Street research, Google Maps  
 Note: Retailers listed are representative of Taubman tenants at the property

# Dolphin Mall – Miami, FL

- The following pictures illustrate the bustling activity at Dolphin Mall on October 14<sup>th</sup> and 21<sup>st</sup>



Source: Land and Buildings' research, All photos were taken on the weekends of October 14 and October 21, 2017



# Dolphin Mall – Miami, FL

- The mall was so packed that parking spots were hard to come by



Source: Land and Buildings' research, All photos were taken on the weekends of October 14 and October 21, 2017



# Dolphin Mall – Miami, FL



Source: Land and Buildings' research, All photos were taken on the weekends of October 14 and October 21, 2017

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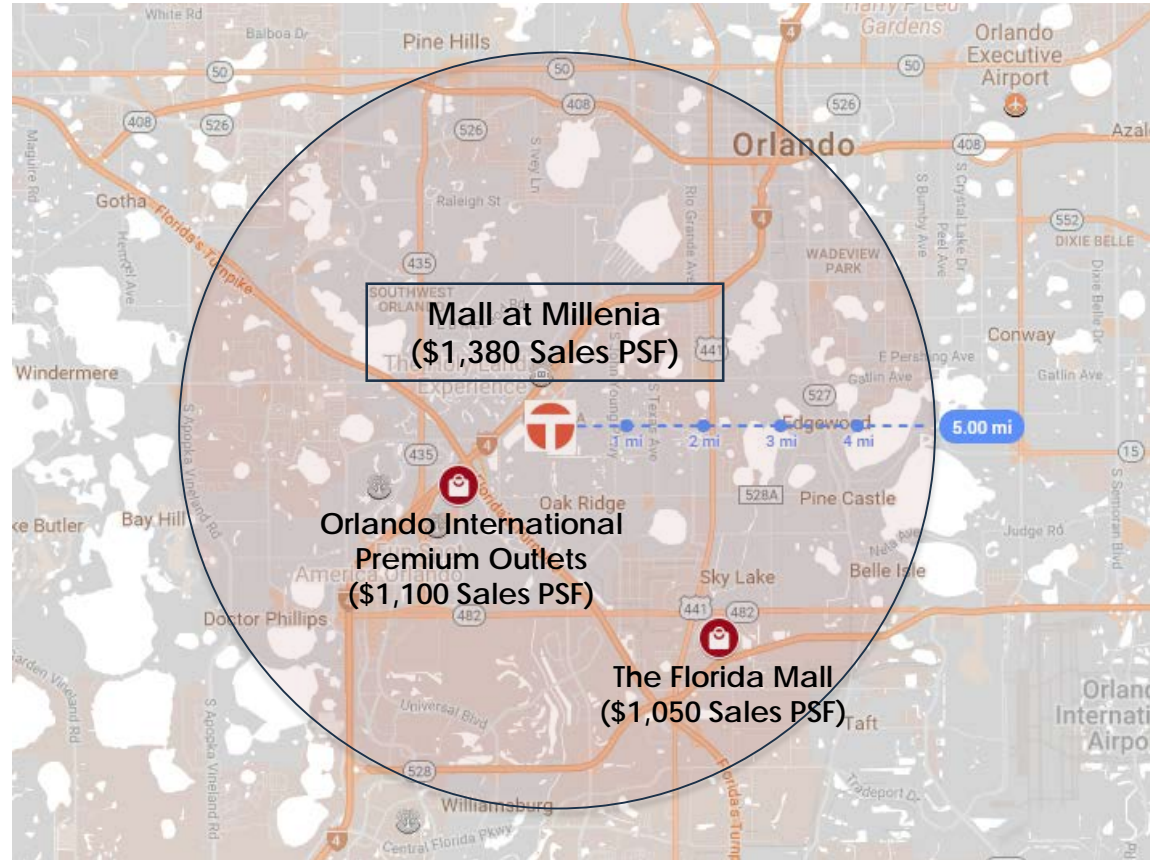
### 4. Mall at Millenia – Orlando, FL



# The Mall at Millenia – Orlando, FL



2017 DEMOGRAPHICS	TRADE AREA
Population	1,816,834
Households	672,544
\$100K+ Households	140,255
Daytime Population (within 5 miles)	236,589
2017-2022 5-Year Population Growth	8.2%



Neiman Marcus

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CHANEL

LOUIS VUITTON

TIFFANY &amp; CO.

GUCCI

BURBERRY

Cartier

Salvatore Ferragamo

ROLEX

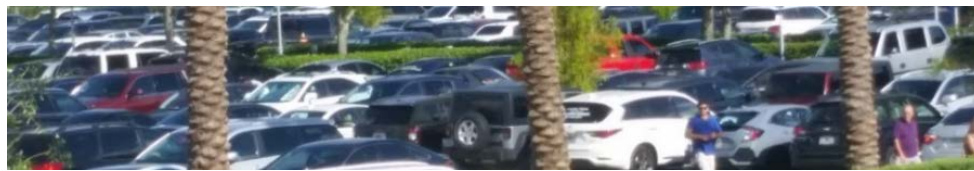
JIMMY CHOO

Source: Company website, Land and Buildings' research, Wall Street research, Google Maps

Note: Retailers listed are representative of Taubman tenants at the property

# The Mall at Millenia – Orlando, FL

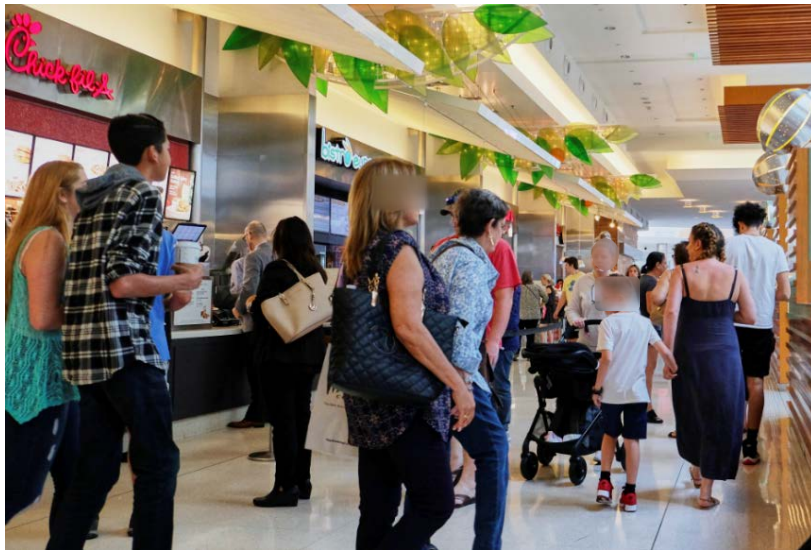
- The crowds at Mall at Millenia demonstrate that Taubman's best malls are in fact alive and well, commanding enviable foot traffic and frontage for quality retailers



Source: Land and Buildings' research, All photos were taken on the weekends of October 14 and October 21, 2017



# The Mall at Millenia – Orlando, FL



Source: Land and Buildings' research, All photos were taken on the weekends of October 14 and October 21, 2017



# The Mall at Millenia – Orlando, FL



Source: Land and Buildings' research, All photos were taken on the weekends of October 14 and October 21, 2017

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### 5. Beverly Center – Los Angeles, CA

# Beverly Center – Los Angeles, CA

BEVERLY CENTER

- Beverly Center** is currently undergoing a \$500 million renovation; it is unique among all Taubman malls in that it is not a dominant mall in its trade area

2017 DEMOGRAPHICS	TRADE AREA
Population	3,939,706
Households	1,425,527
\$75K+ Households	493,881
\$100K+ Households	349,272
\$150K+ Households	183,524

GUCCI PRADA BURBERRY

SAINT LAURENT  
PARIS

GIUSEPPE PRINCESI DESIGN

Salvatore Ferragamo

bloomingdales

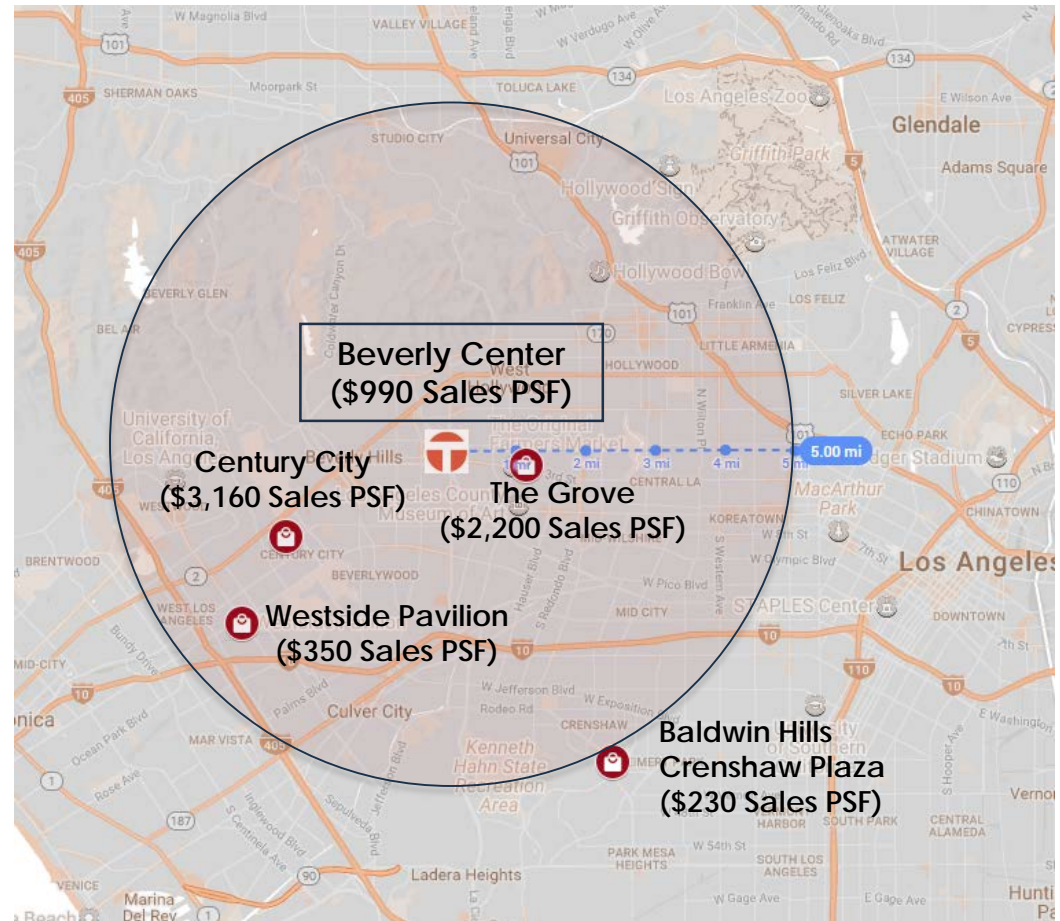
★ macy's

LOUIS VUITTON

FENDI

TIFFANY & CO.

DOLCE & GABBANA



Source: Company website, Land and Buildings' research, Wall Street research, Google Maps

Note: Retailers listed are representative of Taubman tenants at the property



# Beverly Center – Los Angeles, CA

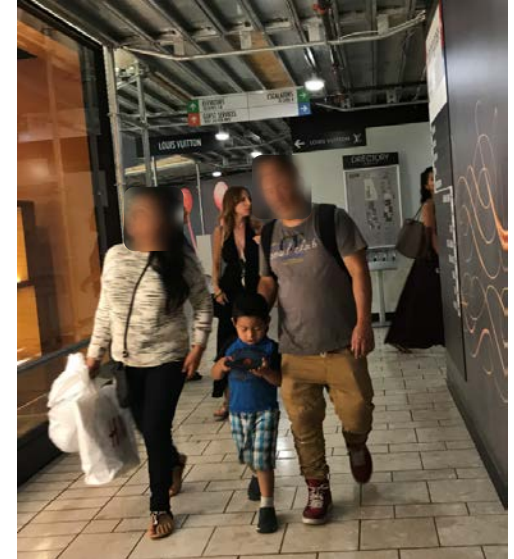
- Despite the ongoing construction, Beverly Center still drew large crowds over the past two Saturdays in October



Source: Land and Buildings' research, All photos were taken on the weekends of October 14 and October 21, 2017

# Beverly Center – Los Angeles, CA

BEVERLY CENTER



Source: Land and Buildings' research, All photos were taken on the weekends of October 14 and October 21, 2017



# Beverly Center – Los Angeles, CA



Source: Land and Buildings' research, All photos were taken on the weekends of October 14 and October 21, 2017

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### 6. International Plaza – Tampa, FL

# International Plaza – Tampa, FL

2017 DEMOGRAPHICS	TRADE AREA
Population	3,205,771
Households	1,304,563
\$100K+ Households	260,351
\$150K+ Households	106,165
Daytime Population (within 5 miles)	256,518
Seasonal Residents	247,776

Neiman Marcus

NORDSTROM

DAVID YURMAN



BURBERRY



GUCCI

LOUIS VUITTON

TIFFANY &amp; Co.



The  
Cheesecake  
Factory.



Source: Company website, Land and Buildings' research, Wall Street research, Google Maps  
Note: Retailers listed are representative of Taubman tenants at the property



# International Plaza – Tampa, FL

- Based on the crowds from weekends in October, business is booming at International Plaza



Source: Land and Buildings' research, All photos were taken on the weekends of October 14 and October 21, 2017



# International Plaza – Tampa, FL



Source: Land and Buildings' research, All photos were taken on the weekends of October 14 and October 21, 2017

# International Plaza – Tampa, FL



Source: Land and Buildings' research, All photos were taken on the weekends of October 14 and October 21, 2017

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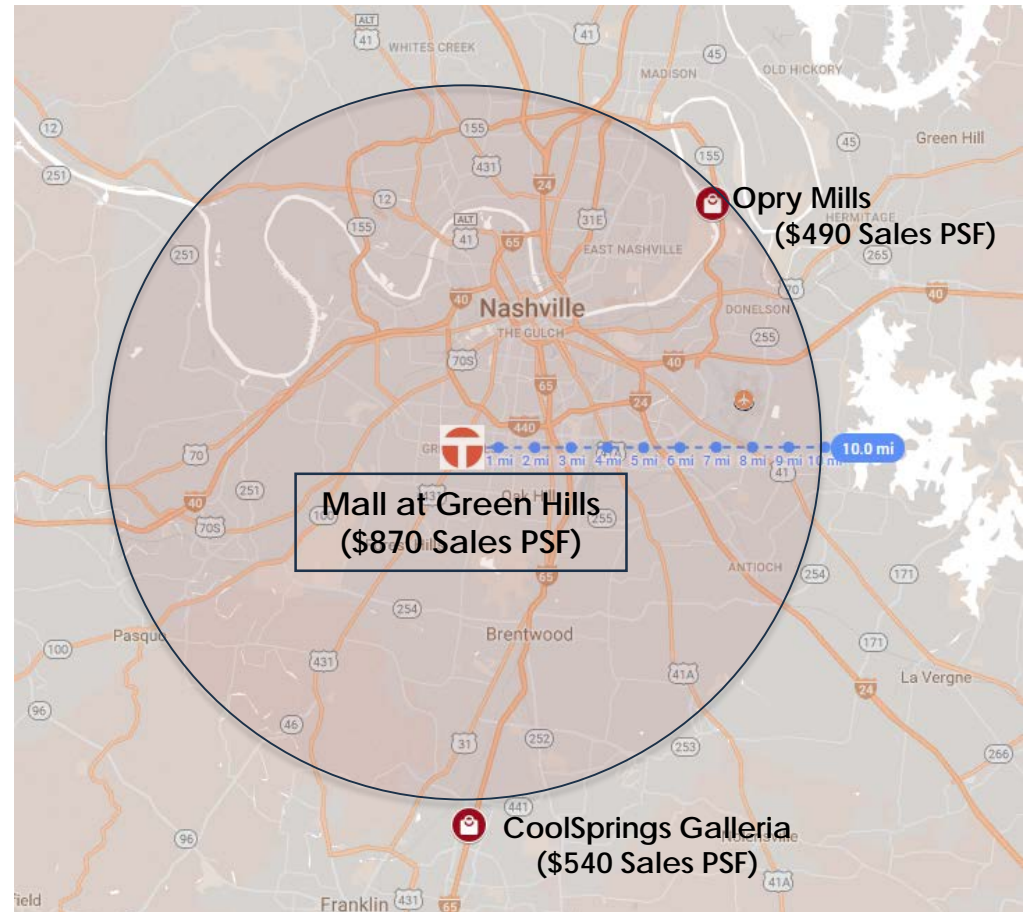
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### 7. The Mall at Green Hills – Nashville, TN



# The Mall at Green Hills – Nashville, TN

2017 DEMOGRAPHICS	TRADE AREA
Population	2,002,767
Households	771,926
\$75K+ Households	281,362
\$100K+ Households	184,112
Daytime Population (within 5 miles)	348,201



Source: Company website, Land and Buildings' research, Wall Street research, Google Maps  
 Note: Retailers listed are representative of Taubman tenants at the property

# The Mall at Green Hills – Nashville, TN

- Attendance at the upscale Nashville mall was healthy through weekends in October



Source: Land and Buildings' research, All photos were taken on the weekends of October 14 and October 21, 2017



# The Mall at Green Hills – Nashville, TN

the MALL at  
GREEN HILLS



Source: Land and Buildings' research, All photos were taken on the weekends of October 14 and October 21, 2017

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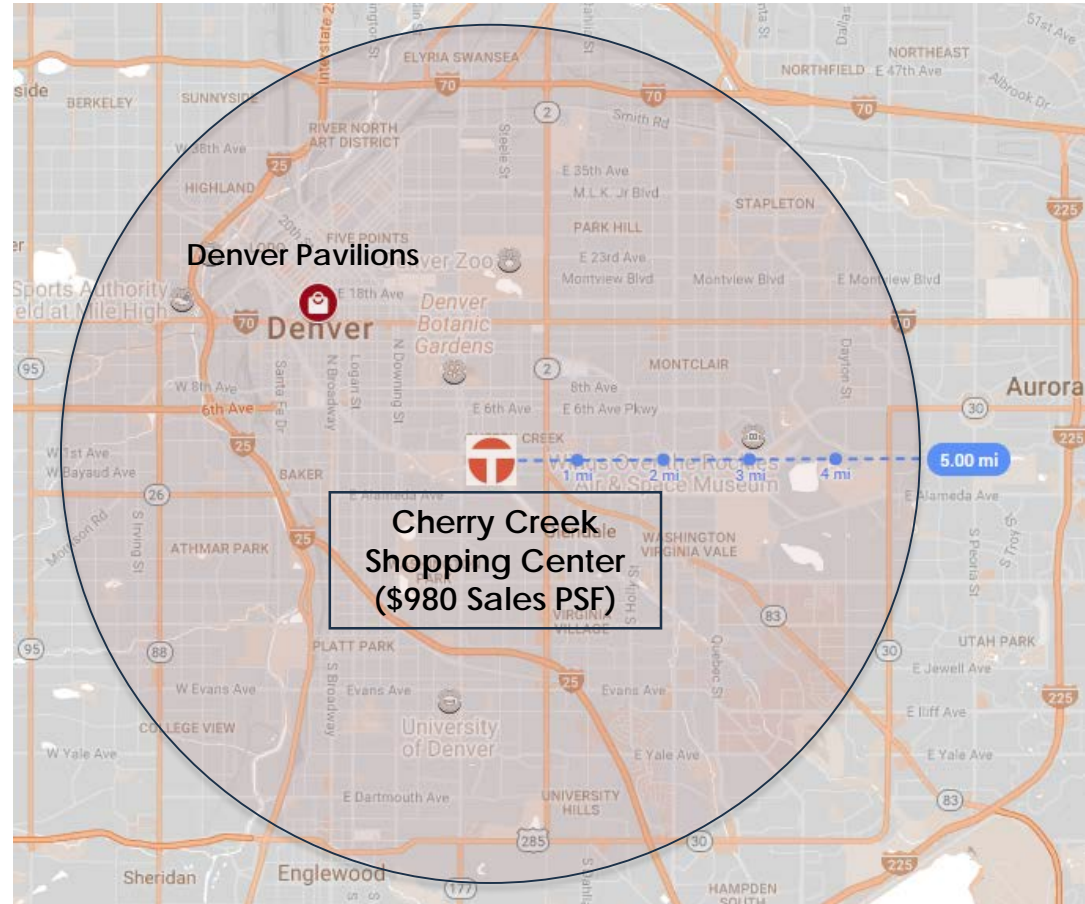
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### 8. Cherry Creek Shopping Center – Denver, CO



# Cherry Creek Shopping Center – Denver, CO

2017 DEMOGRAPHICS	TRADE AREA
Population	2,641,953
Households	1,062,452
\$100K+ Households	347,661
\$150K+ Households	169,632
Average Household Income	\$94,966



LOUIS VUITTON    TIFFANY & CO.    BURBERRY



MICHAEL KORS



DAVID YURMAN



Source: Company website, Land and Buildings' research, Wall Street research, Google Maps  
Note: Retailers listed are representative of Taubman tenants at the property

# Cherry Creek Shopping Center – Denver, CO

- The photos show that Cherry Creek Shopping Center was packed the past two weekends



Source: Land and Buildings' research, All photos were taken on the weekends of October 14 and October 21, 2017



# Cherry Creek Shopping Center – Denver, CO



Source: Land and Buildings' research, All photos were taken on the weekends of October 14 and October 21, 2017

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### 9. Twelve Oaks Mall – Novi, MI



# Twelve Oaks Mall – Novi, MI

2017 DEMOGRAPHICS	TRADE AREA
Population	1,708,320
Households	692,290
\$75K+ Households	299,765
\$100K+ Households	212,497
Average Household Income (within 7 miles)	\$113,110
Daytime Population (within 5 miles)	131,128



Source: Company website, Land and Buildings' research, Wall Street research, Google Maps  
 Note: Retailers listed are representative of Taubman tenants at the property

# Twelve Oaks Mall – Novi, MI

- Traffic was strong at the Twelve Oaks Mall on the past two weekends



Source: Land and Buildings' research, All photos were taken on the weekends of October 14 and October 21, 2017



# Twelve Oaks Mall – Novi, MI



Source: Land and Buildings' research, All photos were taken on the weekends of October 14 and October 21, 2017



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### 10. Westfarms – West Hartford, CT

# Westfarms – West Hartford, CT

2017 DEMOGRAPHICS	TRADE AREA
Population	1,335,580
Households	524,472
\$75K+ Households	241,760
\$100K+ Households	175,591
Average Household Income	\$94,325
Daytime Population (within 5 miles)	194,952

NORDSTROM ★macy's Lord & Taylor

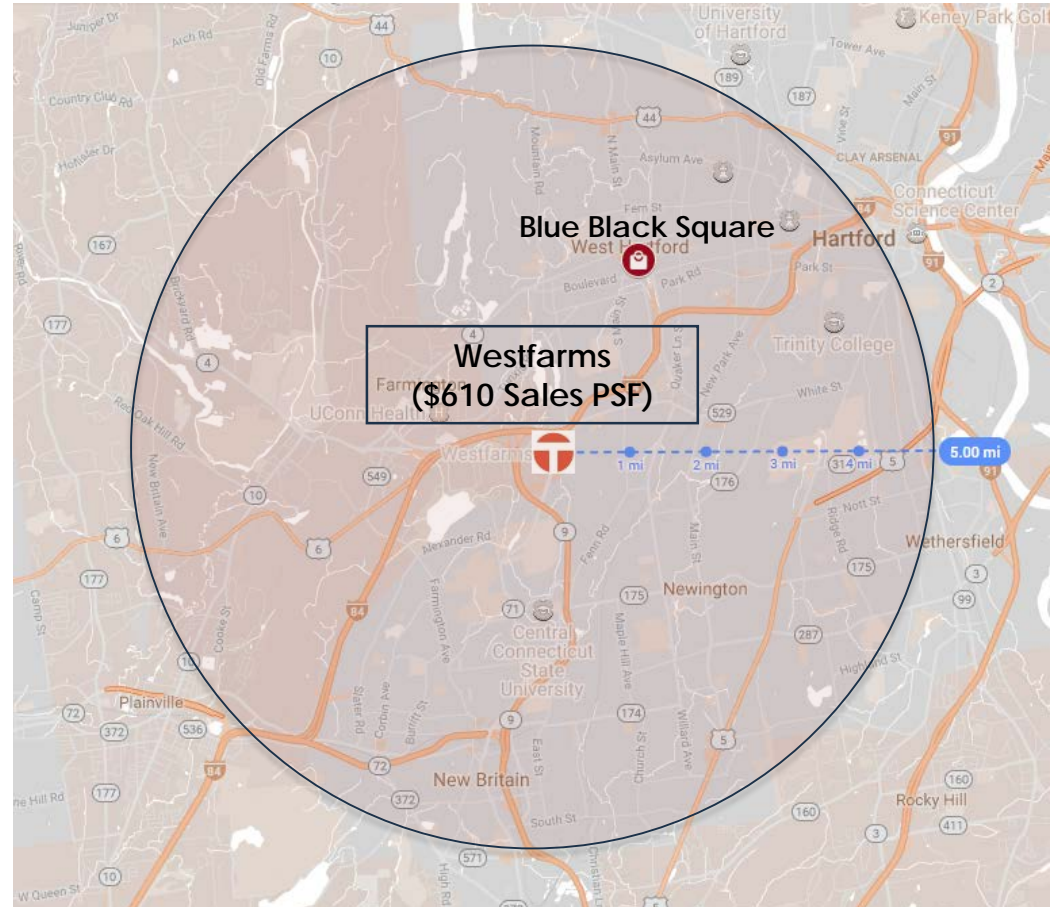
ANTHROPOLOGIE J.CREW lululemon

TIFFANY & CO. LOUIS VUITTON

P.F. CHANG'S

BRIO  
tuscan grille

SEPHORA



Source: Company website, Land and Buildings' research, Wall Street research, Google Maps  
 Note: Retailers listed are representative of Taubman tenants at the property

# Westfarms – West Hartford, CT

- Much like Taubman's other top malls, Westfarms was busy over the past two weekends



Source: Land and Buildings' research, All photos were taken on the weekends of October 14 and October 21, 2017



# Westfarms – West Hartford, CT



Source: Land and Buildings' research, All photos were taken on the weekends of October 14 and October 21, 2017

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