

# Taubman

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## Value Investors Buying Class A Malls

The Class A Mall is Not Dead – Photo Mall Tour Reveals Bustling Activity

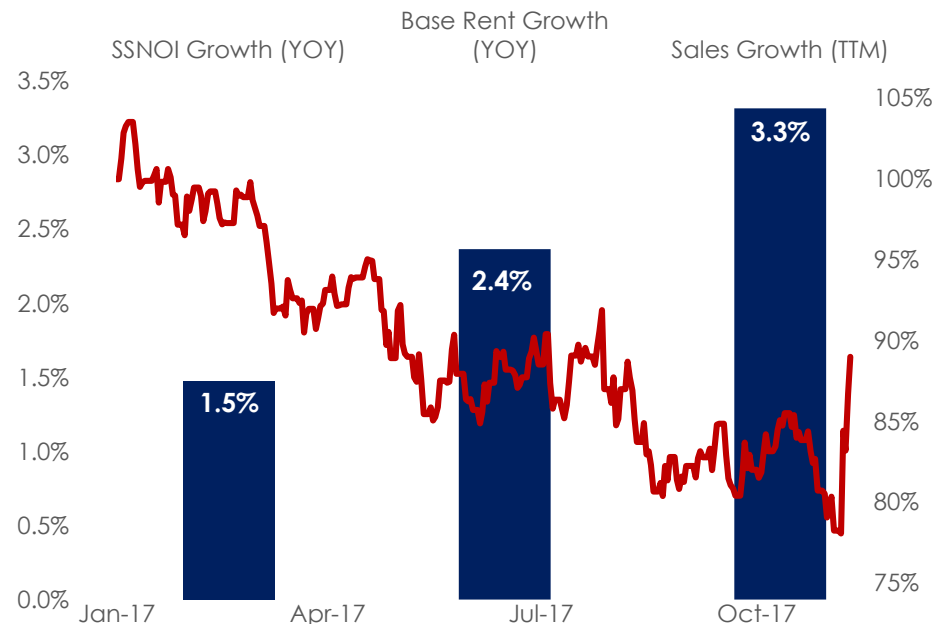
November 2017

# Class A Mall Growth Drawing Value Investors as Share Prices Sink

- Class A Mall REITs boasted solid operating metrics in the third quarter while the stocks continued to sink

- ✓ **3.3% Sales Growth**
- ✓ **2.4% Base Rent Growth**
- ✓ **1.5% Same Store NOI Growth**
- ✓ **12.0% Re-leasing Spreads**

## Stock Price Decline Despite Solid 3Q17 Operating Metrics Among Class A Mall REITs



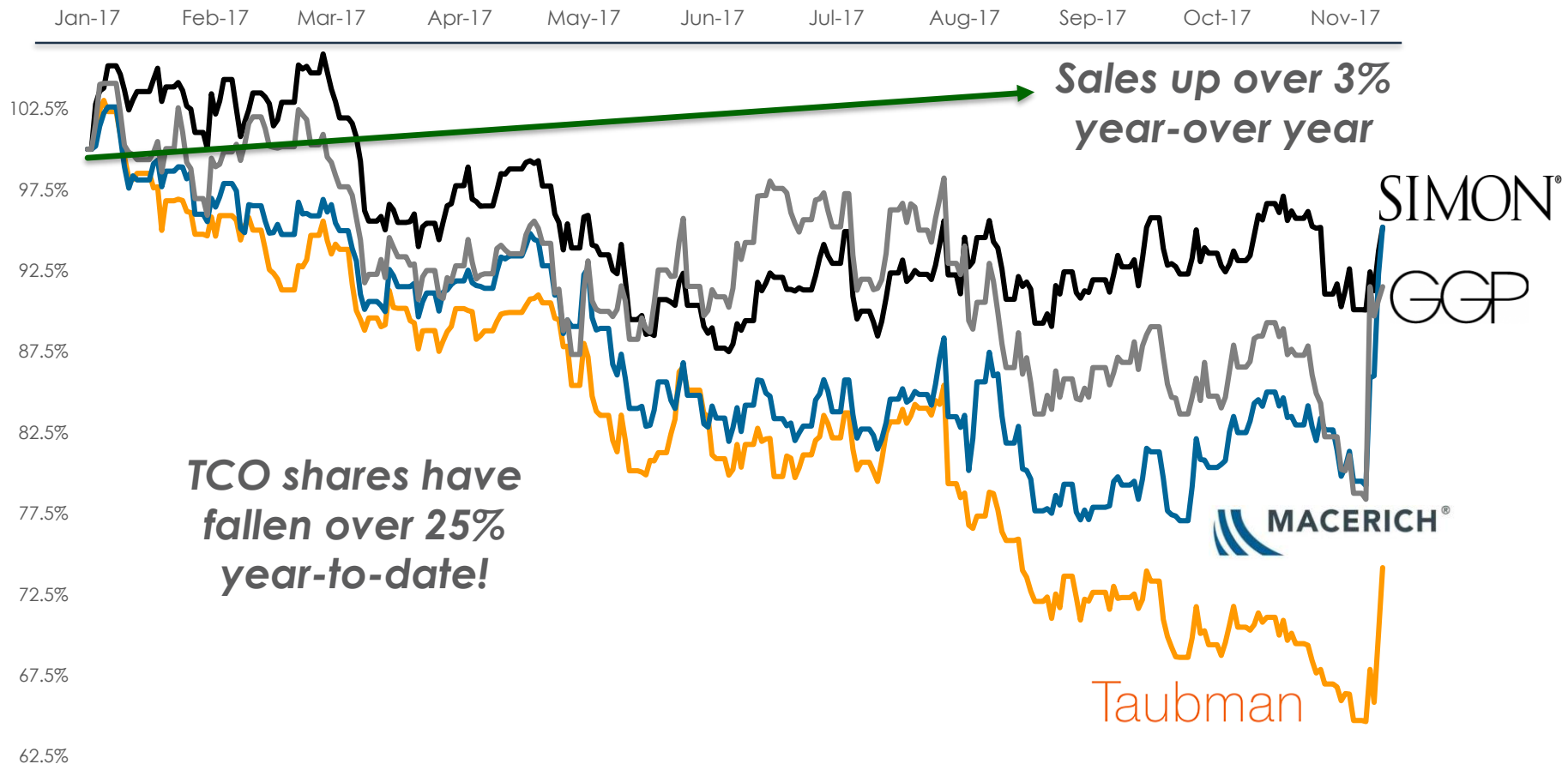
Despite the solid fundamentals, Class A Mall REIT stocks have declined 11% throughout the year

Source: Company website, Wall Street research, Land & Buildings' research

Notes: Class A Mall REITs defined by Land & Buildings as Taubman Centers, GGP, Inc., The Macerich Company, and Simon Property Group Inc. (collectively, "Class A Mall REITs"); Sales, base rent and NOI growth represent averages of reported figures for respective comparable or same store portfolios for Q3 2017; Stock price chart represents average shareholder return of GGP, MAC, SPG and TCO from January 1, 2017 through November 10, 2017

# Class A Mall Valuations at Bargain Pricing, Disconnected from Fundamental Growth

- Taubman and Class A Mall Peer shares have declined an average of 11% year-to-date despite top and bottom line growth



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

Note: Based on returns through November 10, 2017

# Taubman Mall Growth at Odds with Dead Mall Rhetoric

- Taubman Centers is growing
  - ✓ **2.8% Sales Growth (Q3)** - *Fifth consecutive quarter of positive sales growth!*
  - ✓ **2.0% Sales Growth (YTD)**
  - ✓ **0.6% Base Rent Growth (Q3)**
  - ✓ **1.0% Base Rent Growth (YTD)**
  - ✓ **6.7% Re-leasing Spreads (Q3)** - *Over 15% excluding short-term leases!*
  - ✓ **0.7% Same Store NOI Growth (YTD)**
  - ✓ **Leased Space of 96.3%** - *270 bps above in-place occupancy!*

Despite improving operations, Taubman shares have fallen over 25% year-to-date

Source: Company website, Land & Buildings' research; Company third quarter earnings press release, November 1, 2017

Notes: Results reflect comparable center figures reported by the Company in the third quarter earnings press release; A small number of leases with average lease terms of less than two-and-a-half years had a significant impact. Without these leases, spreads were over 15 percent.

# Third Quarter 2017 Earnings Calls Are Upbeat

“There's good demand as you heard....We are planning to be 96% occupied by the end of this year...**we're actually 73% complete with our 2018 leasing**”

Bobby Taubman, Chairman & CEO of Taubman Centers

Taubman Q3 2017 Earnings Call, November 2, 2017 (emphasis added)

“If I look at the A-rated centers, which make up nearly 80% of our sales volume, sales were up 1.6%...**excluding apparel, sales in the A centers were up 4.4%**”

Sandeep Mathrani, CEO of GGP

GGP Q3 2017 Earnings Call, October 31, 2017 (emphasis added)

“**Digital commerce is our friend, it is a breeding ground for new businesses** and these will be the businesses that will fuel the excitement in our portfolio going forward”

Arthur Coppola, Chairman & CEO of Macerich

Macerich Q3 2017 Earnings Call, October 31, 2017 (emphasis added)

“There is **a lot of that new business out there that is exciting for us** because we are bringing in the up and coming retailers or food operators that know how to connect directly through the consumer”

David Simon, Chairman & CEO of Simon Property Group

Simon Property Group Q3 2017 Earnings Call, October 27, 2017 (emphasis added)

Despite the strong outlook, Class A Mall stocks declined 11% year-to-date

# Value Investors See Opportunity After Mall Pronounced Dead by the Media

- **Value investors are feeding on the carnage of the dead mall rhetoric**
  - Brookfield Asset Management is reportedly in discussions to take GGP private
  - Dan Loeb's Third Point, a notorious value investor, reportedly took a 5% activist stake in Macerich
  - Barry Rosenstein's Jana Partners, a leading value investor, has reportedly taken an activist position in Taubman Centers

**CRAIN'S**  
CHICAGO BUSINESS.

GGP shares rise 17 percent  
on takeover report

**Bloomberg**

**Loeb's Third Point Takes  
Stake in Mall-Owner Macerich**

November 9, 2017, 12:59 PM EST

**Bloomberg**

**Brookfield Holds Preliminary  
Talks About GGP Takeover**

November 7, 2017, 3:04 PM EST

CHAIN STORE AGE  
**CSA**  
THE BUSINESS OF RETAIL

**Activist investor takes increased  
stake in Macerich**

November 9, 2017

Investors seizing on bargain valuations for Class A Mall REITs

Source: Bloomberg, Wall Street research, Crain's, REIT Zone, Chain Store Age

# Retail is Clearly Evolving – Emerging Brands Want Omnichannel

**“They all want to be omnichannel, which means that they want to gravitate towards brick and mortar over time...ALEX AND ANI, Amazon Books, Aritzia, b8ta, Ballard Design, Blue Nile, Drybar, Dyson, E.I.F Cosmetics, Frye, Kendra Scott, Monica & Andy, Morphe, Nespresso, NYX, Peloton, Sage, Shinola, SoulCycle, Superdry, UNTUCKit and Warby Parker.”**

Arthur Coppola, Chairman & CEO of Macerich  
Macerich Q3 2017 Earnings Call, October 31, 2017 (emphasis added)



These emerging brands are the next generation tenants in the class A mall portfolios

*Note: Logos are representative of companies leasing new retail space in the past few years based on the Class A Mall Peers recent earnings transcripts*

# Taubman Mall Visits Continue to Debunk Dead Mall Myth

- Photos from the weekend of November 4<sup>th</sup> demonstrate Class A Malls are bustling, consistent with the weekends observed in October (please [click here](#) to view)
- **Taubman's dominant malls generating 40% more sales than peers** – Taubman's dominant nine malls account for the vast majority of the company's value and generate sales of nearly \$1,000 per square foot
- **Prevailing rhetoric not driver for Taubman's dominant malls** – Taubman's dominant malls cannot be painted with the same brush as media portrays 2,000 malls in the United States



Source: Company website, Land & Buildings' research



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

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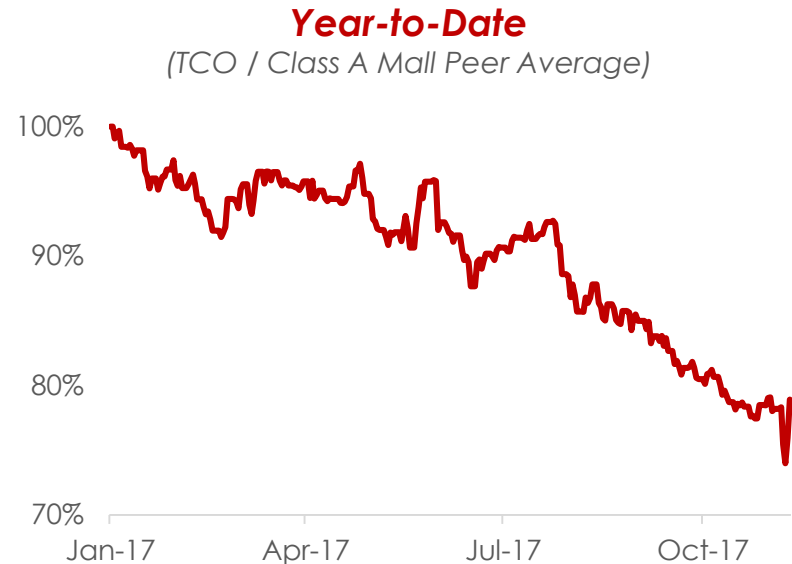
- **Taubman's problems are self-inflicted** – Taubman has repeatedly blamed poor performance on the industry when the problems lie with management and poor oversight by the Board of Directors
- **Taubman's comments are in stark contrast to peers** – Management's excuses are not credible, as evidenced by its Class A Mall Peers
  - Taubman repeatedly blamed the Company's horrible operating results on challenges in the macro retail environment, while peers went as far as calling the negative news flow regarding malls “fake news”
  - Taubman's outlook for the business was bleak, stating “retail is evolving, and no one knows exactly where the transition will take it”, while 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”
- **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

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

Note: Based on returns through November 10, 2017

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

- **Significant share price upside** - In the next 14 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 14 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
    - The Board's unilateral adoption in September of an exclusive forum By-Law amendment limits the jurisdiction in which shareholders can legally challenge the Company to Taubman's home turf in Michigan, a move leading proxy advisory firms have criticized
    - The Board chose a friend of the firm and an advocate for the Company during its IPO as one of its two new directors last week
- **Taubman's NAV could be double current share price** – Taubman trades at a 6.0% 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

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

bloomingdale's

CHANEL

LOUIS VUITTON

PRADA

★ macy's

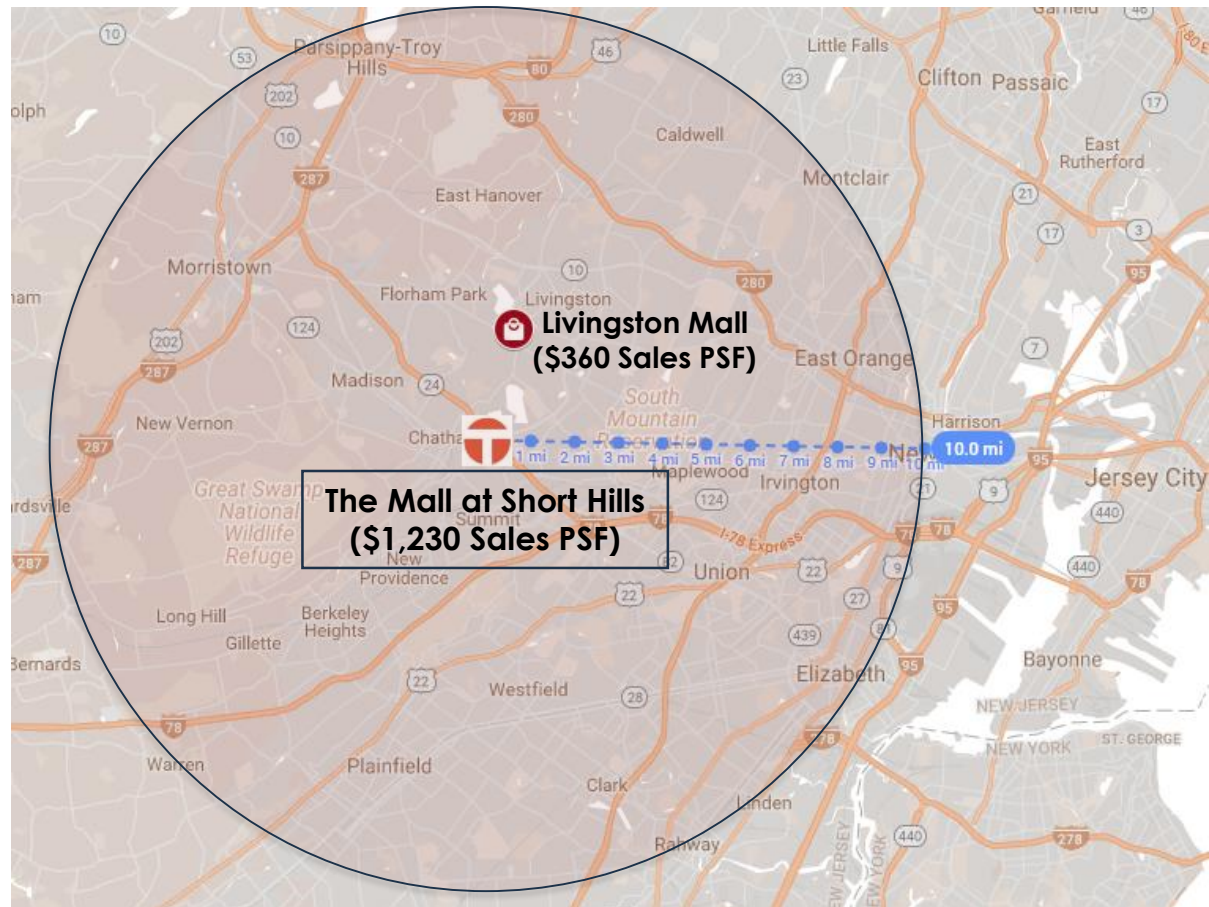
SAINT LAURENT  
PARIS

Dior

G U C C I



*Cartier*



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

Note: Retailers listed are representative of Taubman tenants at the property; All photos on subsequent slides were taken on November 4 and November 5, 2017





## *The Mall at* SHORT HILLS

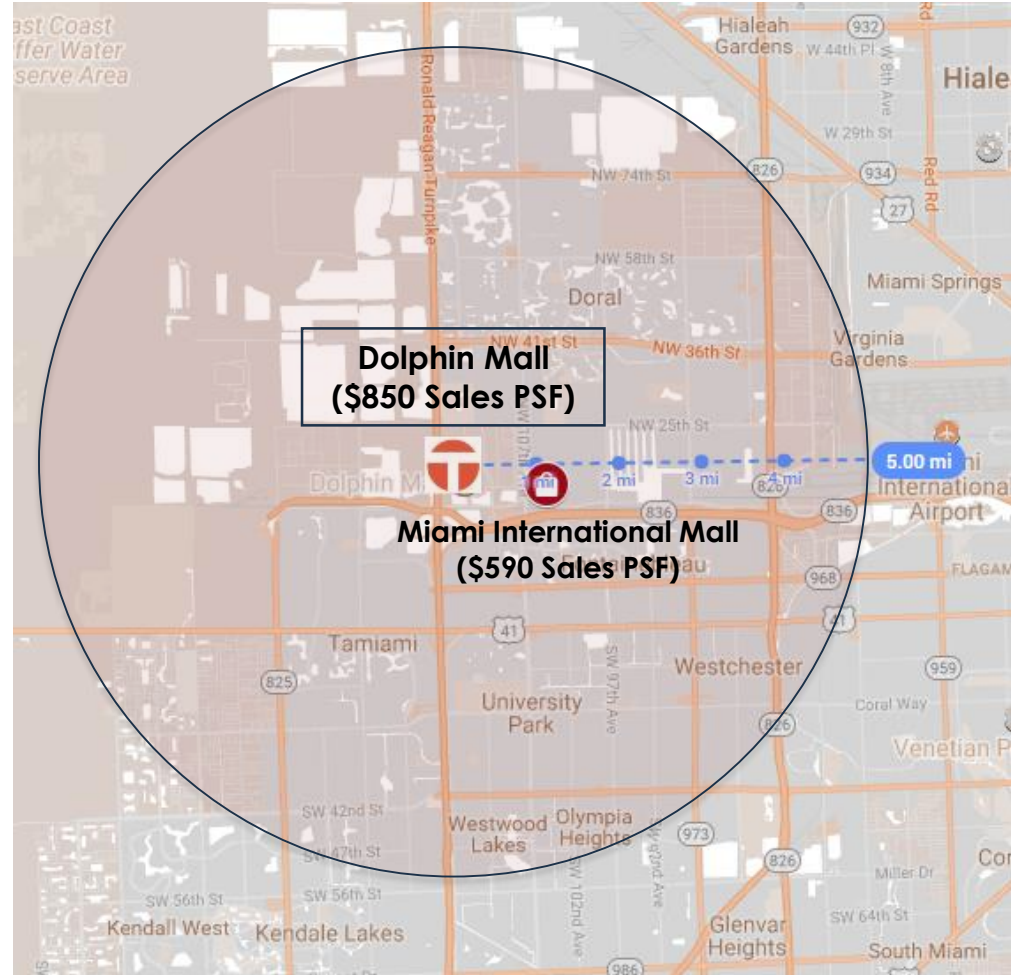




# Dolphin Mall – Miami, FL



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 & Buildings' research, Wall Street research, Google Maps  
 Note: Retailers listed are representative of Taubman tenants at the property





# DOLPHIN MALL





# 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

bloomingdales

★ macy's

CHANEL

LOUIS VUITTON

TIFFANY &amp; CO.

GUCCI BURBERRY

Cartier

Salvatore Ferragamo

ROLEX

JIMMY CHOO

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





# THE MALL AT MILLENIA





# 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 ZANOTTI DESIGN

Salvatore Ferragamo

bloomingdales

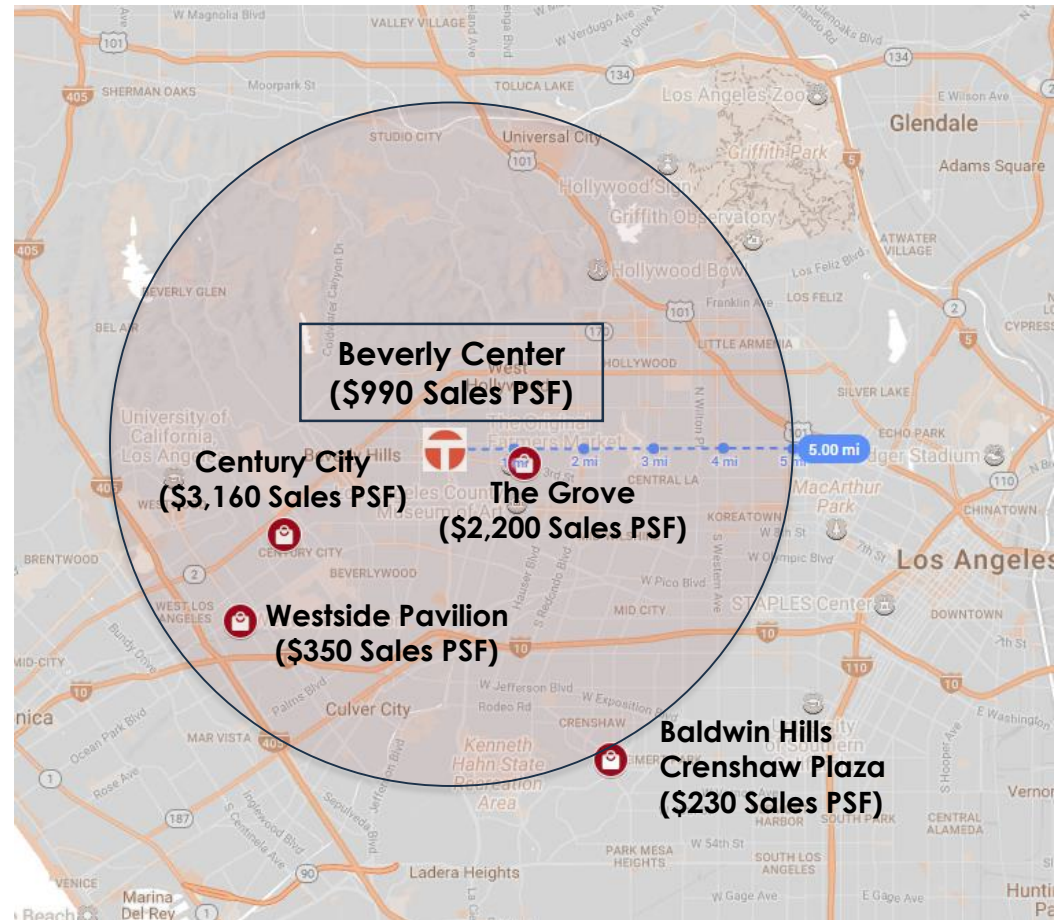
★ macy's

LOUIS VUITTON

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TIFFANY & CO.

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Source: Company website, Land & Buildings' research, Wall Street research, Google Maps  
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# BEVERLY CENTER





# 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 & CO.



Source: Company website, Land & Buildings' research, Wall Street research, Google Maps  
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# International Plaza

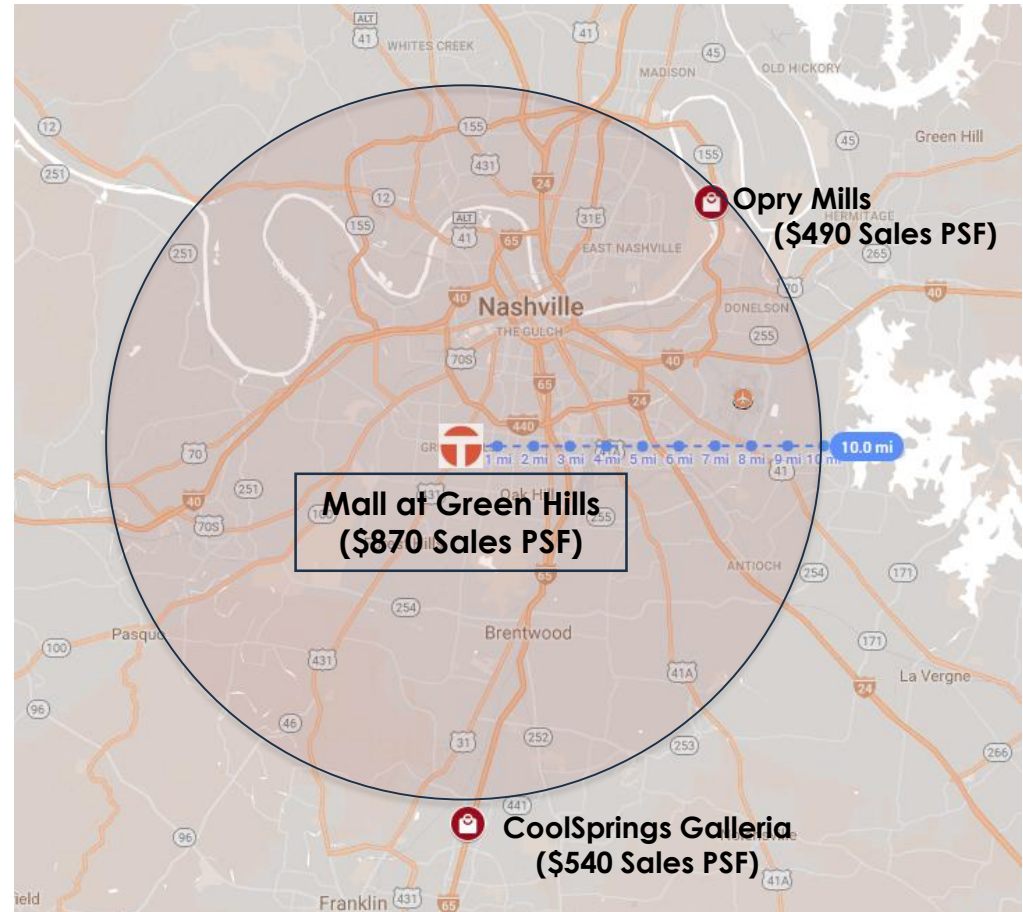
AND BAY STREET



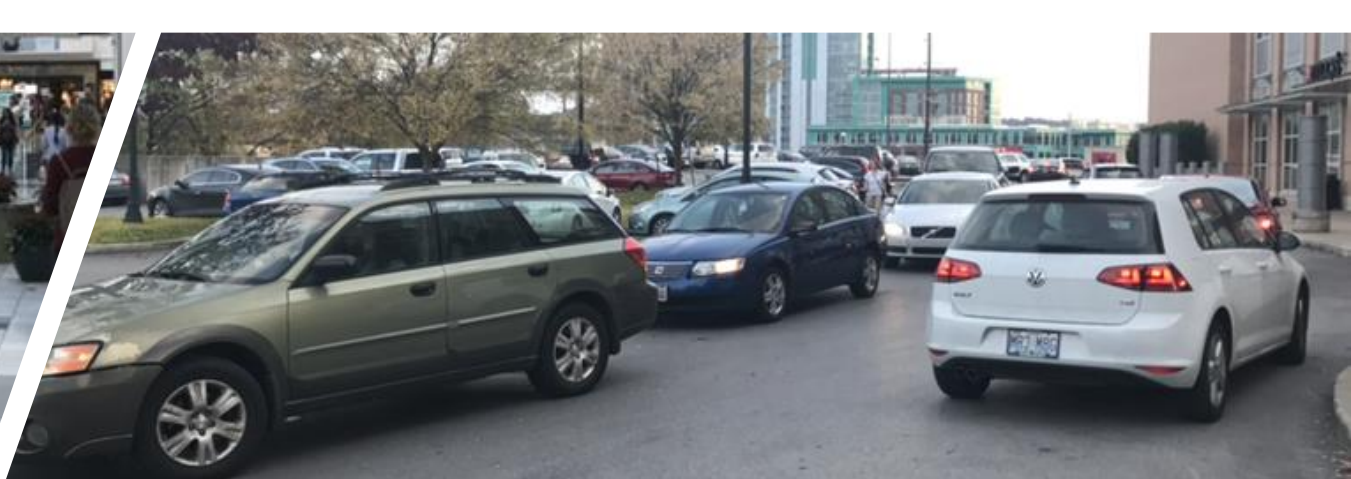


# The Mall at Green Hills – Nashville, TN

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 & Buildings' research, Wall Street research, Google Maps  
 Note: Retailers listed are representative of Taubman tenants at the property



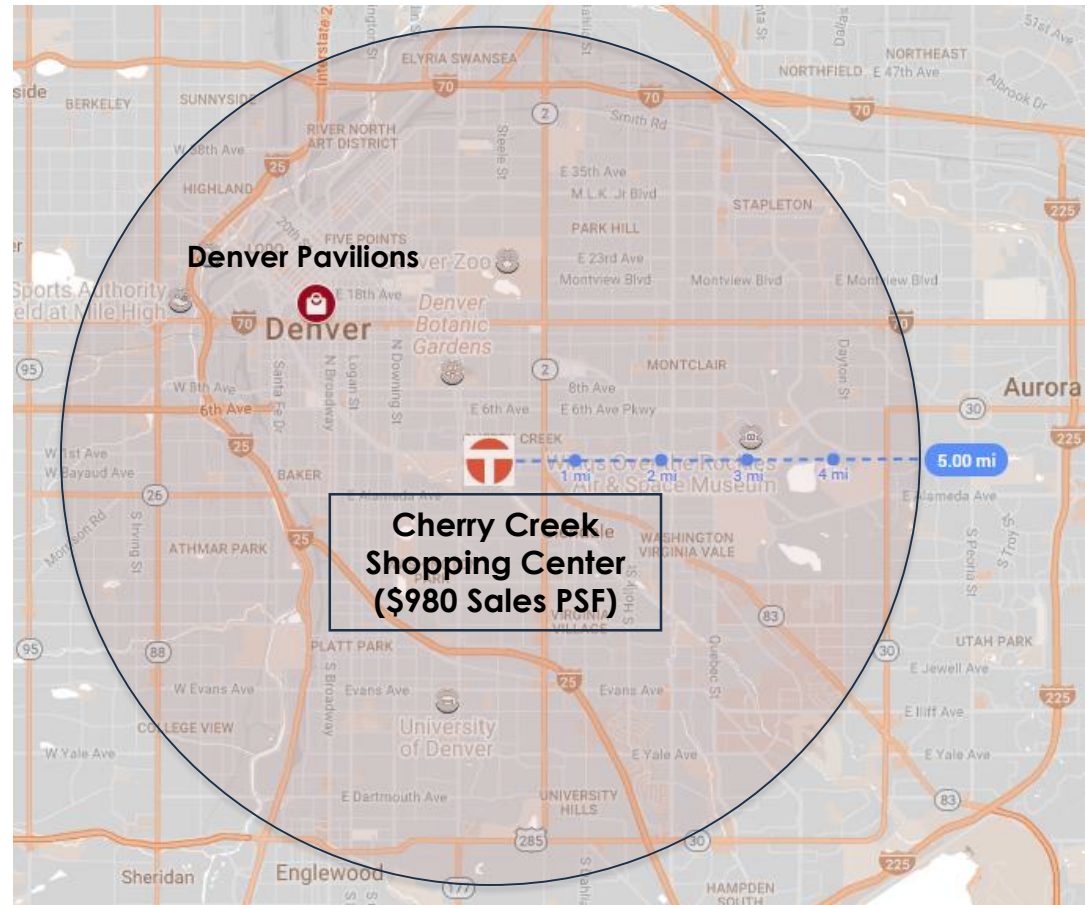
# *the* MALL at GREEN HILLS





# 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 & Buildings' research, Wall Street research, Google Maps  
Note: Retailers listed are representative of Taubman tenants at the property





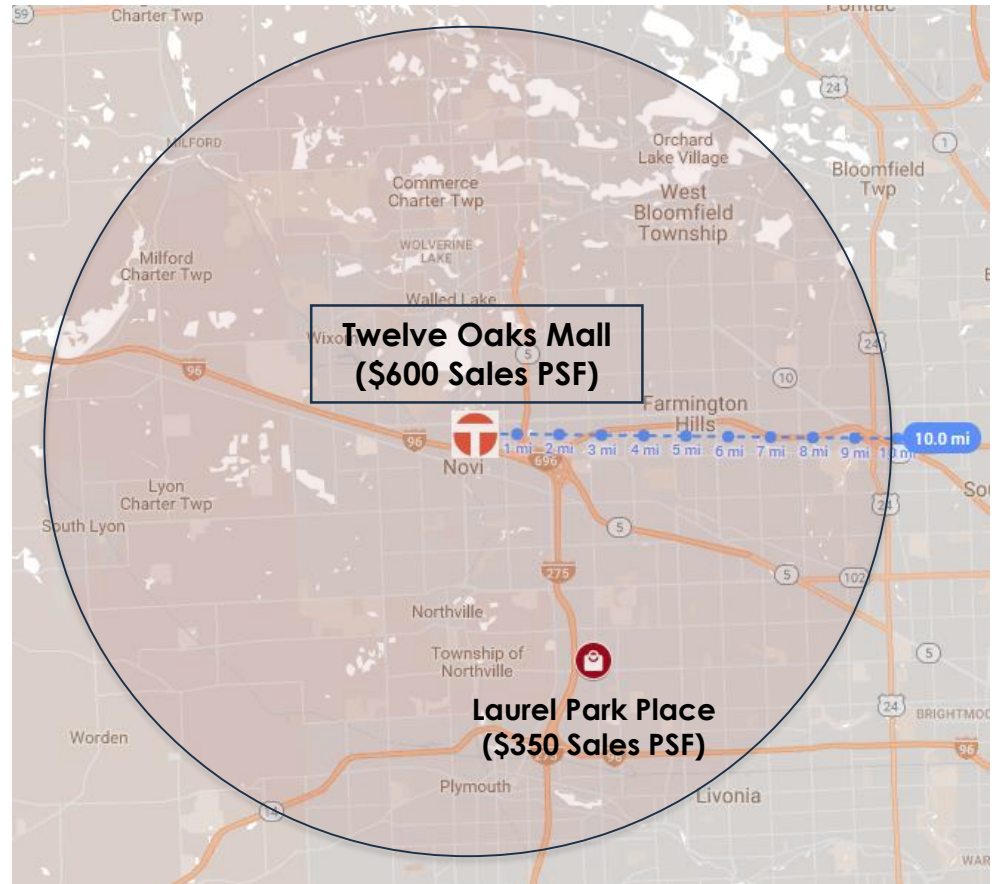
# CHERRY CREEK

SHOPPING CENTER



# 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 & Buildings' research, Wall Street research, Google Maps  
 Note: Retailers listed are representative of Taubman tenants at the property





TWELVE OAKS



# 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 &amp; Taylor

ANTHROPOLOGIE

J.CREW

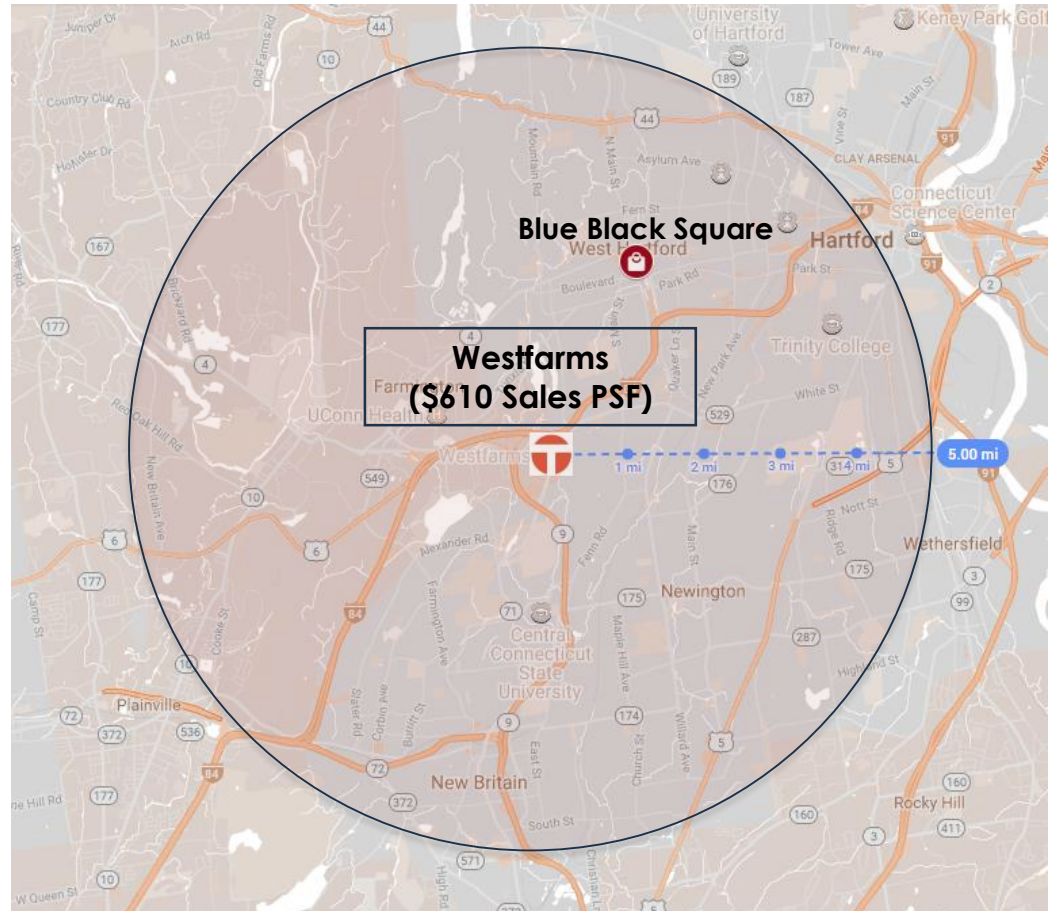
lululemon

TIFFANY &amp; CO.

LOUIS VUITTON



P.F. CHANG'S

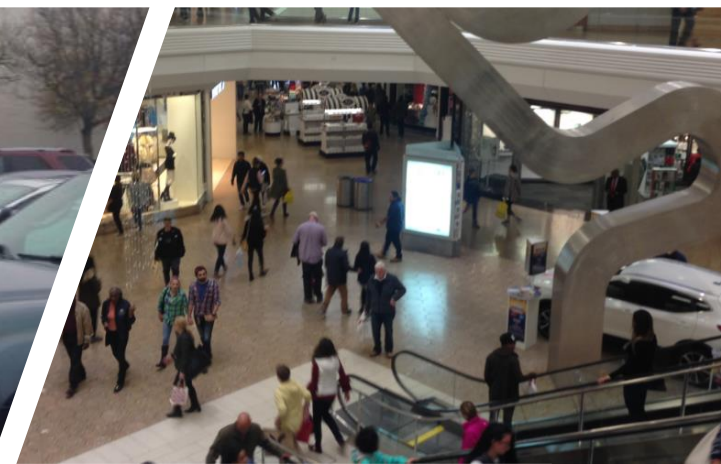


Source: Company website, Land & Buildings' research, Wall Street research, Google Maps  
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*Westfarms*



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