

# Taubman

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Black Friday Debunks the Mall is Dead Myth – Value  
Consumers are Flocking to the Malls and Value Investors  
are Buying the Stocks

November 2017

# Encouraging Kickoff to Holiday Shopping is Only Latest News Highlighting the Value in Class A Mall REITs

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- **Bustling activity** – Class A malls were bustling on Black Friday through the Thanksgiving holiday weekend
  - Photo tour of Taubman's nine dominant centers and holiday weekend commentary from leading market participants continue to debunk the mall is dead myth
- **Value investors drawn to discounts** – Steep discounts in the sector are drawing renowned value investors into Class A mall stocks
  - Elliott Management, Starboard Value and Third Point have each recently disclosed stakes in Class A mall stocks
- **Analyst community recognizing value** – Green Street Advisors, a leading independent real estate research firm, recently upgraded TCO noting more than 50% upside to net asset value

*Source: Wall Street research, Land and Buildings' research, Bloomberg*

# Black Friday Crowds Underscore Class A Mall Strength

## THE WALL STREET JOURNAL.

BUSINESS

### Black Friday Kicks Off, With Upbeat Shoppers and Fewer Discounts

By Laura Stevens, Suzanne Kapner Nov. 25, 2017 8:30 am ET

Attention shoppers: Prices may not be as low this time around. Nevertheless, even as this year has proved one of the most challenging for retailers, analysts are predicting robust holiday sales.

*Appeared in the November 25, 2017, print edition as 'Retailers Kick Off Season On Firmer Footing.'*

**BloombergGadfly**

CONSUMER

DOORS, MYTHS BUSTED

AMERICANS PLANNING TO SHOP ON  
BLACK FRIDAY



Sarah Halzack

**Black Friday Is Far From Dead 115 million**

**Tampa Bay Times**

WINNER OF 12 PULITZER PRIZES

**Black Friday still a brick-and-mortar experience for some**

**The Washington Post**

Business

**On this Black Friday, some mall visitors came out for more than bargains**

Top-tier malls proved to be popular destinations on busiest shopping day of the year

Source: Bloomberg, The Wall Street Journal, Tampa Bay Times, The Washington Post

# Encouraging Commentary on Holiday Shopping

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“[Thanksgiving Weekend was] a great indicator for what will be a holiday season full of spending, as **we are seeing a very positive consumer sentiment and willingness to spend**”

*Tom McGee, President & CEO of ICSC (emphasis added)*

“ [Overall, traffic/pricing data points] are **very encouraging** [and should give investors] a little more confidence as we move deeper into the holiday”

*Wells Fargo Research (emphasis added)*

On store checks conducted Thanksgiving Day through Sunday evening: "**pleasantly surprised by traffic**, which was **above our expectations...**[conversion was also] **higher than we have seen in years**"

*SunTrust Research (emphasis added)*

“Strong store checks reinforce our thesis that apparel is back”

*KeyBanc Capital Markets*

Thanksgiving weekend shopping was a success according to industry participants

Source: Bloomberg, Citi Research, Wells Fargo Research, KeyBanc Capital Markets Research, SunTrust Research

# Value Investors Continue to Move into Class A Mall Stocks

- Steep discounts in the sector are drawing renowned value investors into Class A mall stocks
  - **Elliott Management** disclosed a 4% stake in **Taubman Centers**
  - **Starboard Value** and **Third Point** have both disclosed stakes in **Macerich**
  - Brookfield Asset Management made a public offer for GGP
  - **Simon, Westfield** and **Unibail-Rodamco** may be in the holiday spirit as they consider buying more malls and/or mall companies



NOV 17, 2017 @ 02:20 PM

5,184



EDITOR'S PICK

## The Retail Apocalypse And Mall Die-Off Goes From 'Big Short' To Contrarian Buy



## Major US mall owner rallies on \$14.8 billion bid, but some say offer should be sweeter

- Brookfield has offered to pay \$23 per share for the remaining 66 percent of GGP.
- GGP's portfolio consists mainly of "Class A" malls.
- Like its REIT rivals, GGP has struggled to combat retail bankruptcies, store closures and a shift in spending to online platforms.

Investors see value and are taking advantage of the attractive entry point for the best mall companies

Source: Wall Street research, Land and Buildings' research, Forbes, CNBC, Bloomberg

# Taubman's Malls Are Not the Problem

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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
- **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 substantially underperformed its peers 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 5.9% 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

Source: Land & Buildings' analysis, Wall Street research, Bloomberg

# Taubman Mall Traffic on Black Friday Debunks Dead Mall Myth

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- Photos from Black Friday of Taubman's nine dominant malls highlight the critical role these centers play for both consumers and retailers
- Packed parking lots and long lines were a common theme
- The following pages highlight bustling activity at Taubman's centers on Black Friday



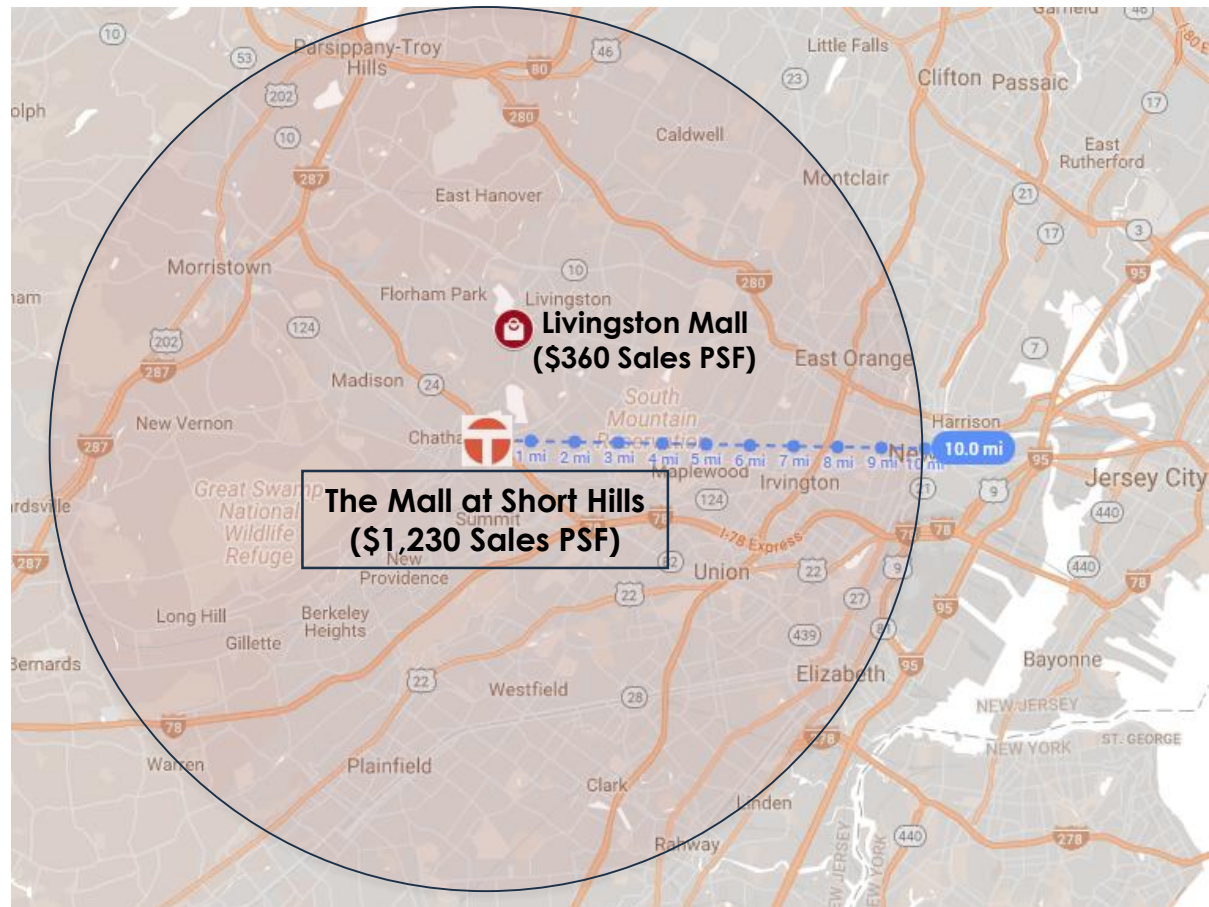
Source: Company website, Land and Buildings' research



# 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; All photos on subsequent slides were taken on November 24, 2017





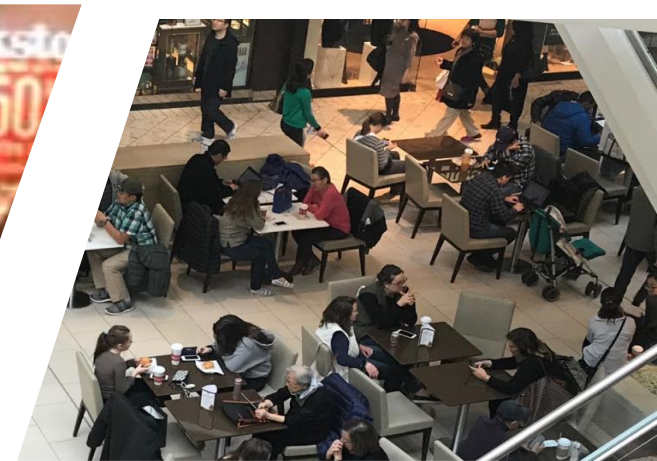
# *The Mall at* SHORT HILLS



Source: NJTV News (PBS)



Source: NJTV News (PBS)

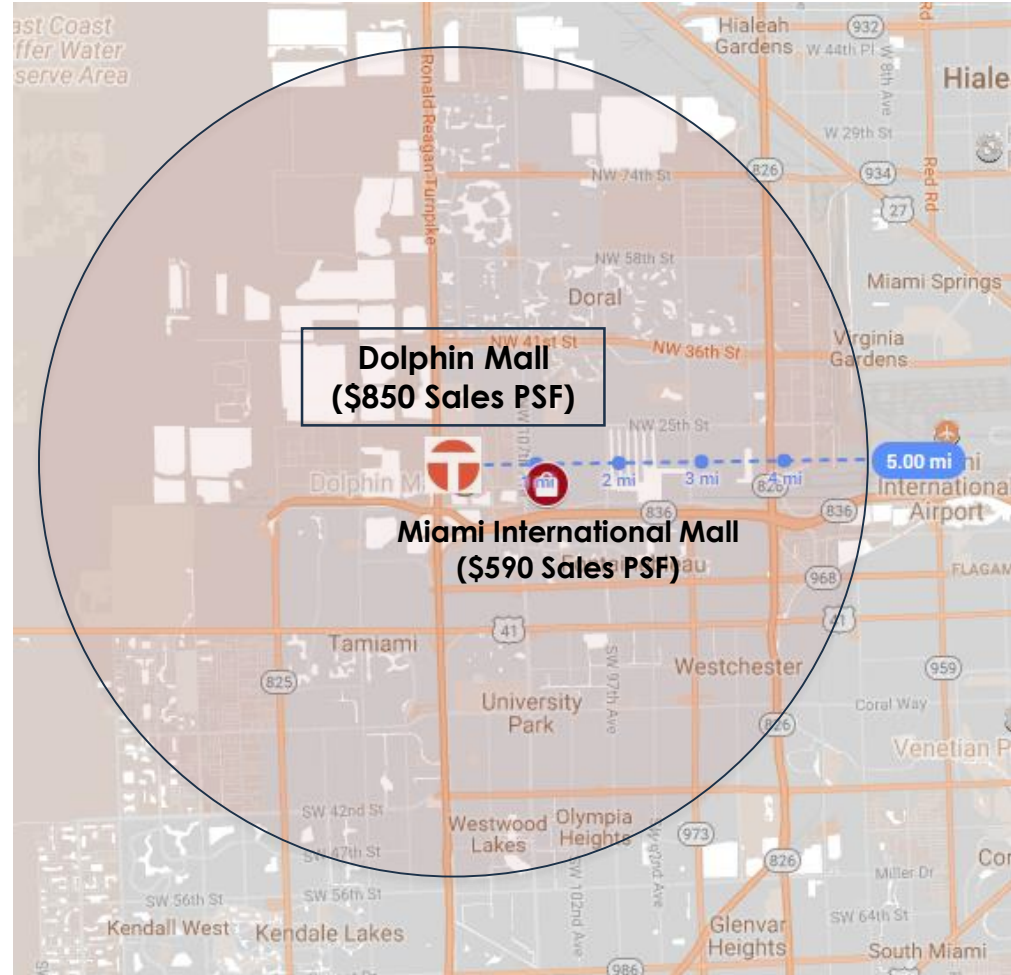




# Dolphin Mall – Miami, FL



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





# 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 and 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 the dominant mall in its trade area, yet it still enjoyed bustling activity on Black Friday

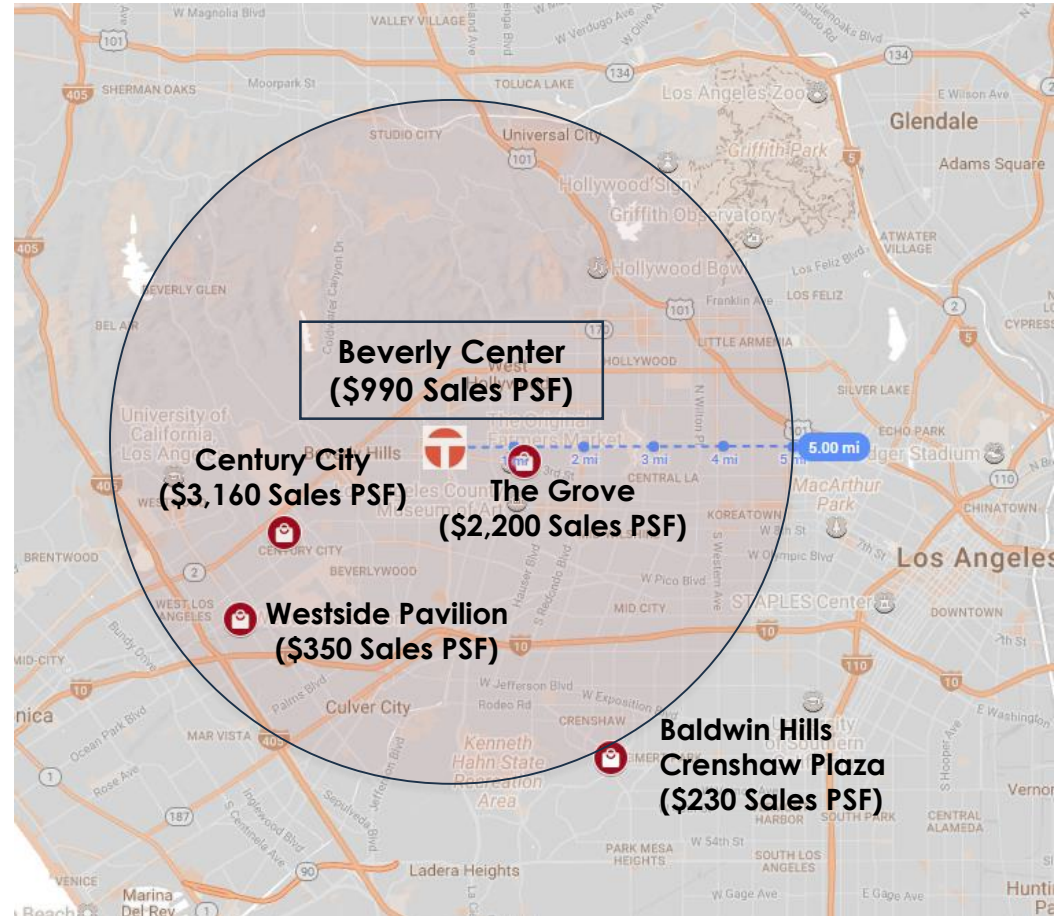
2017 DEMOGRAPHICS	TRADE AREA
Population	3,939,706
Households	1,425,527
\$75K+ Households	493,881
\$100K+ Households	349,272
\$150K+ Households	183,524

GUCCI PRADA BURBERRY

SAINT LAURENT PARIS *giy* GIUSEPPE ZANOTTI 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





Neiman Marcus

NORDSTROM

DAVID YURMAN

TORY BURCH

BURBERRY



GUCCI

LOUIS VUITTON

TIFFANY & CO.











# International Plaza

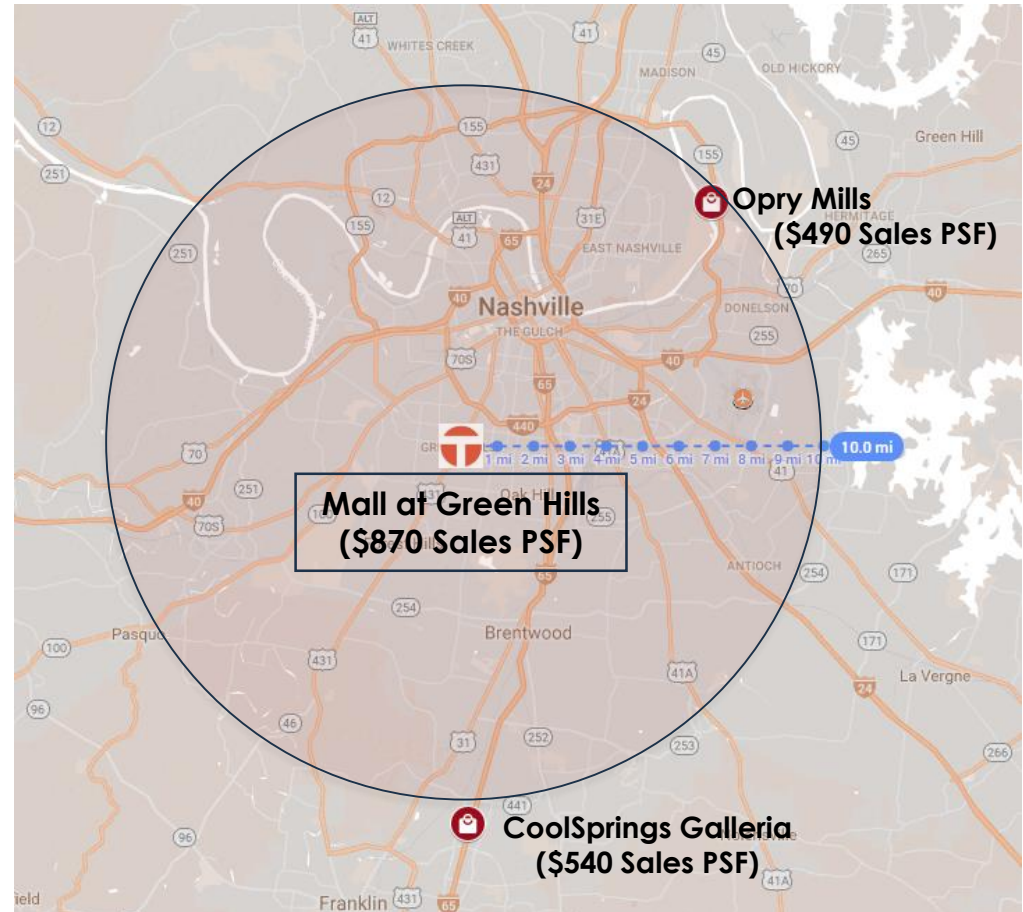
AND BAY STREET





# The Mall at Green Hills – Nashville, TN

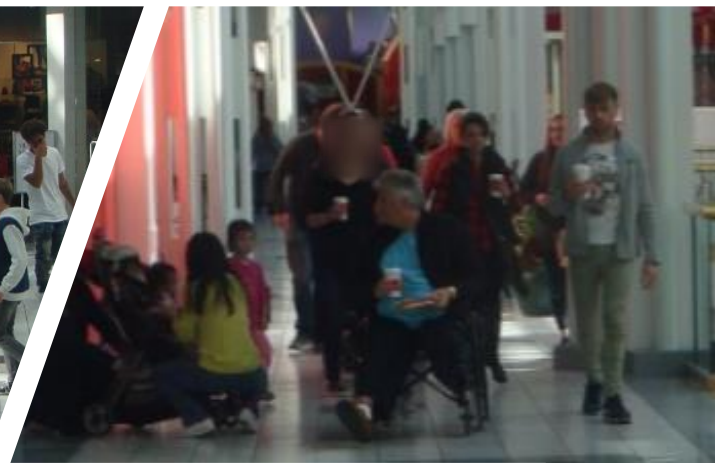
2017 DEMOGRAPHICS	TRADE AREA
Population	2,002,767
Households	771,926
\$75K+ Households	281,362
\$100K+ Households	184,112
Daytime Population (within 5 miles)	348,201



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



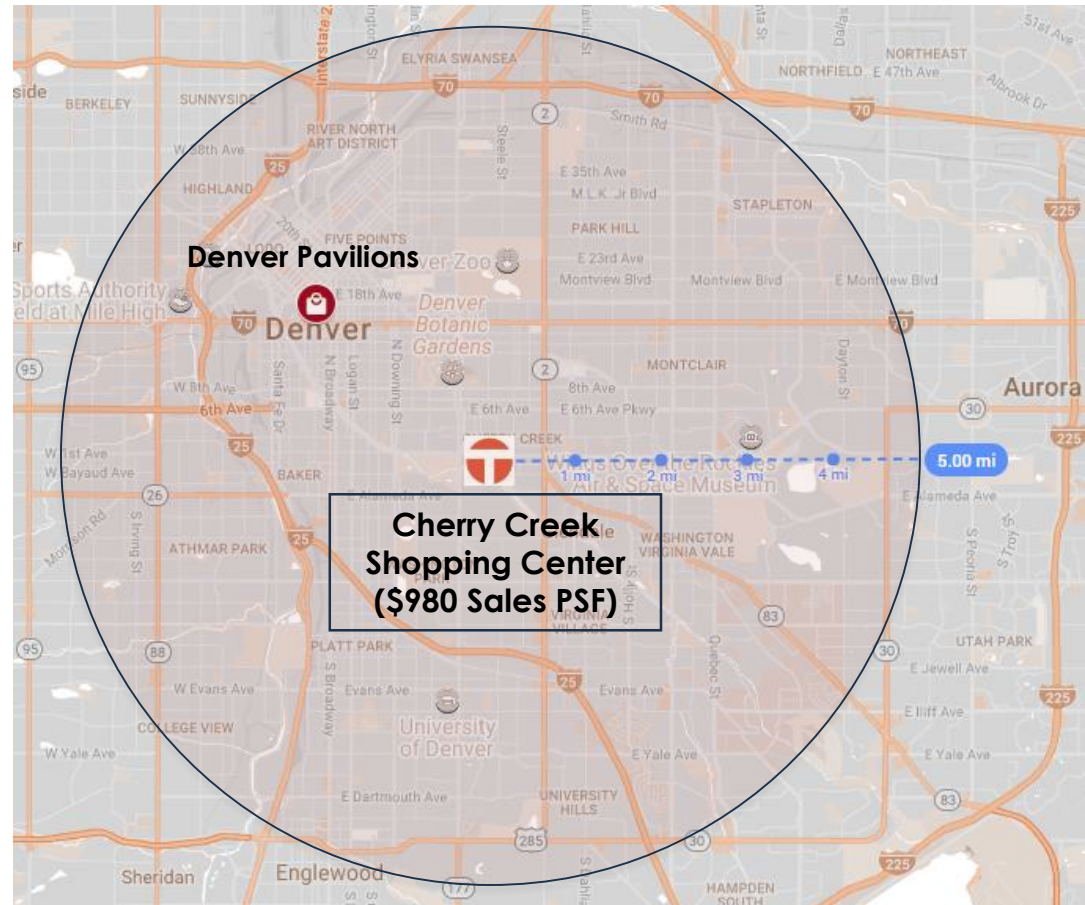
# *the* MALL *at* GREEN HILLS





# 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



BOSS  
HUGO BOSS



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





## Even in the Amazon era, Black Friday shows stores are alive

THE ASSOCIATED PRESS | Friday, Nov. 24, 2017, 10:51 p.m.

Source: AP (<http://triblive.com/usworld>)

# CHERRY CREEK SHOPPING CENTER



Zainab Alhameid, right, tries a new Coconut flavored soap at Lush store on Black Friday Nov. 24, 2017 at Cherry Creek Shopping Center in Denver, Colo. The 24-year-old is visiting Denver from Saudi Arabia and is shopping for her birthday which was on Thanksgiving. She has already surpassed her budget by \$100 and plans to continue spending.



A sales attendant gives a soap demonstration to a group of shoppers at Lush stores at Cherry Creek Shopping Center in Denver, Colo. on Black Friday Nov. 24, 2017. The store says it does not have Black Friday sales yet customers still shop there each year loyally. The store's products are all handmade and fight animal testing.



★macy's      Lord & Taylor      ATHLETA

Sur la table      J.CREW      MICHAEL KORS

POTTERY BARN      H&M      Apple

SEPHORA      WILLIAMS-SONOMA      lululemon







WXYZ STUDIOS

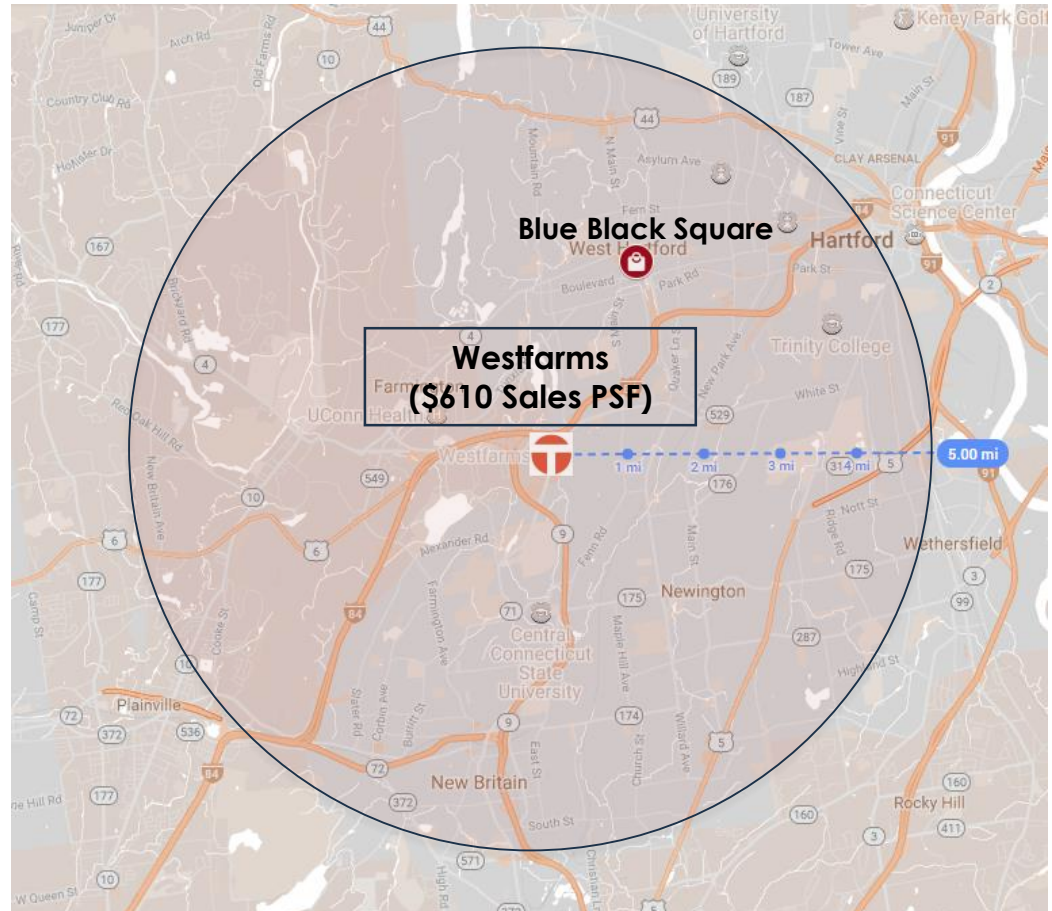
NOVI

READY...  
Set...  
SHOP!

**BLACK FRIDAY A TRADITION FOR MANY**

# 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



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





*Westfarms*



Source: NBC Connecticut ([www.nbcconnecticut.com/news/local](http://www.nbcconnecticut.com/news/local))



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