LANDandBUILDINGS

Land and Buildings Issues Open Letter to the Independent Directors of the Board of Taubman Centers

- Last Friday's earnings report and conference call served as stark reminder of why shares of Taubman are severely undervalued –

- Clear that corporate governance changes announced since our involvement are purely cosmetic and the culture in the Boardroom remains unchanged –

- Disturbingly, rather than engaging with Land and Buildings, TCO chose to spend $3 million in the quarter to thwart shareholder efforts to unlock value –

Stamford, CT (February 13, 2017) – Land & Buildings Investment Management, LLC ("Land and Buildings") today issued an open letter to the independent directors of the Board of Directors of Taubman Centers, Inc. (NYSE: TCO) ("Taubman" or the "Company"), following yet another quarter of disappointing earnings results and guidance – which we believe is a direct result of unchecked dominance of the Taubman Family over common shareholders.

The full text of the letter follows:

February 13, 2017

VIA ELECTRONIC MAIL

Taubman Centers, Inc.
200 E. Long Lake Road, Suite 300
Bloomfield Hills, MI 48304-2324
Attn: Independent Members of the Board of Directors

Dear Independent Members of the Board of Directors of Taubman Centers:

Last Friday's earnings report and conference call with the investment community was a stark reminder of why shares of Taubman are severely undervalued: abysmal corporate governance, a bloated cost structure, inferior operating margins, and a lack of capital allocation discipline – despite industry leading sales growth, sales productivity and releasing spreads. It is critical that you, the Independent Members of the Board, hold Bobby Taubman accountable for yet another disappointing quarter and earnings outlook:

- Initial 2017 FFO guidance was below consensus by 4%, marking the third straight year of guidance disappointments

- Management backed off its prior guidance of net operating contribution from recent developments for 2017, suggesting to us a shortfall relative to prior expectations

- Fourth quarter 2016 same store net operating income declined 0.1% year-over-year, materially below its peers

- Inferior net operating income and EBITDA margins with bloated G&A costs for full year 2016 compared to its high-quality peers

- Poor capital allocation decisions continue to plague the Company and development/re-development spending is expected to rise further in 2017 to $400 million

- $3 million of shareholder value destroyed in the fourth quarter to thwart shareholder efforts to unlock value

Taubman's earnings disappointment and guidance shortfall was squarely focused on decisions made by Bobby Taubman and the rest of his management team. Meanwhile, the Independent Members of the Board continue to support the status quo and not hold Bobby accountable. How can sales at retailers in the mall grow by 5% in the quarter, base rents increase by 2%, yet net operating income decline? There appears to be a complete lack of focus on cost controls, a cultural issue at the Company that emanates from the top.

Bobby Taubman gave initial earnings guidance for 2017 that was 4% below consensus estimates, a dreadful outlook given the predictability of its business. This is the third consecutive year of similar earnings outlooks where initial guidance has been as much as 8% below consensus estimates. Troublingly, management backed off its prior guidance of net operating contribution from recent developments for 2017, suggesting to us a shortfall relative to prior expectations. Analysts exhibited their disappointment with the earnings outlook:

> "Disappointing '17 guidance as FFO comes in 4% below expectations… There are a myriad of issues (that we can explain) and others that are difficult to know at this time..." – Evercore ISI, February 9, 2017

> "Guidance misses... again. For the third straight year, management's guidance fell short of consensus by more than 3% at the midpoint" – KeyBanc Capital Markets, February 9, 2017

Taubman's same store net operating income declined 0.1% year-over-year in the fourth quarter, a dreadful result relative to the average 3.7% same store net operating income growth reported for its high-quality peers[1] during the fourth quarter and below guidance given last quarter. Analysts were surprised by the disappointment:

> "4Q15 Results Disappoint…Same-property NOI growth was slightly negative in the fourth quarter – failing materially short of the implied 2.5% growth the company projected" – Green Street Advisors, February 9, 2016

Full year 2016 operating results compared to peers continued to show that you, the Independent Members of the Board, continue to oversee apparent near disregard for keeping costs under control. Taubman's G&A as a percentage of revenue in 2016 was 6.1% of revenue, four times the level of its high-quality peers. The Company's net operating income margins deteriorated in 2016 to 64.5%, 730 basis points below high quality peers, while EBITDA margins remained below 60%, 690 basis points below its peers[2].

Taubman shares have persistently traded at a discount to net asset value and have materially underperformed its high-quality peers, and this quarter's earnings result is unlikely to inspire the investment community that change is underway:

> "It's tough to see the shares regaining traction on the report given the headline miss" – UBS, February 9, 2017

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[1] Based same store net operating income as reported for General Growth, Macerich and Simon Property Group.

[2] Figures reflect Land and Buildings 'estimates of pro rata ownership of assets and includes costs associated with shareholder activism in Taubman's G&A.

The Company outlined on its earnings conference call that spending on development/re-development is expected to rise further in 2017 to $400 million. Disappointments on Taubman's developments over time have been well documented by us and the Board must rein in the aspirations of Bobby Taubman and focus on superior returns on capital.

It is imperative that you, the Independent Members of the Board, immediately hold Bobby Taubman accountable for continued dreadful decisions. The fact that the Company destroyed $3 million of shareholder value in the fourth quarter to thwart Land Buildings' efforts to unlock value and further entrench Bobby Taubman – rather than engaging with us – is highly disturbing. It is clear to us that the corporate governance changes announced since our involvement are purely cosmetic, the culture in the Boardroom remains unchanged and Bobby Taubman continues to run roughshod over you and the common shareholders of the Company.

Sincerely,

Jonathan Litt

Founder & CIO

Land and Buildings Investment Management, LLC

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