LANDandBUILDINGS

Land and Buildings Sends Letter to Forest City Realty Trust Shareholders

- *Believes Forest City has more than 40% upside to NAV given enviable collection of high quality real estate and significant embedded upside due to grossly inferior margins –*

- *Company's true failure of corporate governance, characterized by a tangled web of nepotism and self-dealing, has led to significant underperformance, in Land and Buildings' view –*

- *Calls on Forest City Board to call a special meeting of the shareholders immediately following the dissolution of the B share class so that the entire 13-person Board can be put to a shareholder vote; Otherwise shareholders may be forced to take unilateral action –*

- *Calls on Forest City to form a special committee of independent Board members to evaluate all available strategic options to maximize shareholder value –*

Stamford, CT (January 30, 2017) – Today Land and Buildings Investment Management LLC ("Land and Buildings") issued the following letter to Forest City Realty Trust's (NYSE: FCE/A) ("Forest City", "FCE/A" or the "Company") shareholders:

January 30, 2017

Dear Fellow Forest City Shareholders:

For the first time in my 25 years of following Forest City Realty Trust ("Forest City" or the Company"), I believe that the Company is now investable. Forest City is committing to no longer be a family-controlled company seemingly run for the benefit of the Ratner family minority shareholders.

However, it is not enough for the public shareholders to simply have a voice. We need to exercise it. Shareholders should not be fooled into thinking the reclassification into a single class of stock will by itself fix Forest City's problems going forward, specifically:

- Depressed margins, bloated G&A, and value-destroying capital allocation
- Ten Ratner family members continuing to feed at the shareholder trough
- Nepotism extending to non-Ratners, including the CEO's brother and the CFO's sister
- 11 of 13 directors will be Ratners or legacy Board members handpicked by the Ratners
- Horrible shareholder returns, underperforming proxy peers by 482% over twenty years

Only two things will change once Forest City has a single class of stock – the Ratner family[i] will be $120 million richer, and, most importantly, shareholders can finally do something to improve our Company.

Shareholder voices need to be heard. Thus far, management and the Board of Directors ("Board") have had a consistent response to our effort to collaboratively work together to take the necessary steps to ensure value is maximized for all shareholders: pound sand!

Highly Coveted Class A Portfolio of Real Estate

Forest City's enviable collection of Class A coastal apartments and New York City office and lab space, is substantially undervalued. Shareholders have long suffered disappointing total returns, inferior margins, and value-destroying capital allocation. At the root of the Company's abject underperformance is a tangled web of nepotism and self-dealing, which constitutes a true failure in public company corporate governance.

Following active engagement with Forest City's management in hopes of collaboratively improving the Company for the benefit of all shareholders, we are convinced that the Board is further entrenching itself within the new Board structure.

To preserve shareholder rights, on December 8th, two days after the Company announced the elimination of the dual class structure, we nominated three Class A directors to the Board for the only seats up for election at the upcoming FCE/A annual meeting, held each year around late May. However, once the Class B shares are dissolved and the entire 13-person Board can be put to a fair shareholder vote, we believe the superior path for shareholders' voices to be heard is at a special meeting immediately following the annual meeting and where the public shareholders are given an opportunity to nominate alternative candidates for the 13 seats on the Board.

<u>We call on Forest City independent directors to call a special meeting of the shareholders after the 2017 annual meeting where all 13 director seats are put up for a vote and shareholders are given an opportunity to nominate alternate candidates, otherwise shareholders may be forced to</u>.

We believe Forest City has at least 40% upside to a net asset value of $30-plus, and that shareholders must demand the Board makes the changes necessary to maximize value. Therefore, as the next step:

<u>We call on Forest City to form a special committee of independent Board members to evaluate all available strategic options to maximize shareholder value</u>.

Operations: Grossly Inferior Margins and Bloated G&A Create Upside Opportunity

Consensus NAV of approximately $28[ii] per share is likely too low as Forest City's portfolio of Class A coastal apartments, New York City office and lab space (as well at its retail assets being marketed for sale) is high quality real estate with significant embedded upside due to grossly inferior operations. Forest City's underperforming margins clearly illustrate the poor performance of Forest City management (Figure 1).

<u>Figure 1: Forest City NOI Margins Well Below Peers</u>

Same-Store NOI Margins	Apartments	Office	Retail
Forest City	**58.4%**	**58.9%**	**60.1%**
Peer Average	69.7%	63.1%	69.8%
FCE/A Underperformance	**-11.3%**	**-4.2%**	**-9.7%**

Source: Company reports, Land and Buildings
Notes: All margins are 3Q16 year-to-date; Apartment peers are AVB, EQR, ESS and UDR; Office peers are ARE, BXP, PGRE, SLG, VNO; Retail peers are EQY, FRT, GGP, MAC, SPG, TCO. All averages are equal-weighted except Office in which ARE is given an approximately 1/3 weight to account for FCE/A lab space exposure

If Forest City's NOI margins were brought up to peer levels, more than $80 million in incremental cash flow could be generated ($0.30 per share) or 20% upside to the Company's 3Q16 FFO run-rate. Additionally, applying market cap rates to the incremental NOI would yield over $5.50 in additional NAV per share beyond the current $28 consensus estimates.

G&A expenses are bloated, in our view, because Forest City is poorly run, inefficiently structured and a dubious source of income for countless Ratners and other insiders. The Company's G&A expense as a percent of revenue is nearly 50% higher than proxy peers and its G&A expense as a percent of enterprise value is 75% higher.[iii] Right-sizing the Company's G&A from more than $70 million annually to $35 million would generate an additional $0.13 per share in FFO, or another 9% upside to current 3Q16 cash flow run-rate. Combined with margin improvements, total FFO upside is potentially ~30%.

Capital Allocation: Current Board Has Overseen History of Substantial Value Destruction

Forest City shareholders have endured $2.3 billion of impairments over the past decade (Figure 2), which is equal to nearly 40% of the Company's current equity market capitalization, as management, led by numerous Ratner family members, has repeatedly destroyed value through development. No one has been held accountable for the losses and the Company maintains over $800 million of construction in progress despite the abysmal track record.

The vast majority of the $1.8 billion in write-downs since 2013 have originated out of the Bruce Ratner-controlled New York City office. Downtown Brooklyn developments, including Pacific Park and B2, were impaired by $743 million and Ridge Hill, the Yonkers, NY upscale mall, was impaired by $399 million. The investment in the Brooklyn Nets and the construction of the Barclays Center in Brooklyn was another billion-dollar distraction that did not benefit Class A holders of Forest City, in our view.

Figure 2: $2.3 Billion of Impairments Since 2007

Year	Impairments (000's)
2016	$473,283
2015	$474,812
2014	$281,874
2013	$538,488
2012	$31,050
2011	$220,605
2010	$94,601
2009	$90,297
2008	$74,758
2007	$7,202
Total	**$2,286,970**

Source: Company reports, Land and Buildings
Notes: Includes consolidated/unconsolidated impairments and write-offs of abandoned development projects; Year is defined as fiscal year; All dollar amounts in thousands

Additional oversight is desperately needed, and we believe the Company should continue to lower leverage and scale back its external growth ambitions.

The Current Board has Overseen Abysmal Shareholder Returns

FCE/A's total shareholder return has consistently underperformed peers by a significant margin over short, medium, and long-term time horizons (Figure 3) as the Company suffered and continues to suffer from numerous operational, capital allocation and, in particular, corporate governance deficiencies. Over the trailing three years, Forest City has underperformed peers by 47% as the Company's half-measures to modernize and improve were deeply insufficient.

Figure 3: Forest City Total Shareholder Returns Significantly Underperform Proxy Peers

Total Shareholder Returns	Trailing 20 Years	Trailing 10 Years	Trailing 5 Years	Trailing 3 Years	Trailing 1 Year
Forest City	**236%**	**-67%**	**54%**	**-2%**	**-14%**
Proxy Peer Avg.	719%	35%	78%	45%	3%
FCE/A Underperformance	**-482%**	**-102%**	**-23%**	**-47%**	**-17%**

Source: Company reports, Land and Buildings, Bloomberg
Notes: Total shareholder returns are through December 5th, 2016; "Proxy Peers" are as disclosed in Forest City's most recent proxy statement, filed on April 7, 2016 as the Company's compensation peer group: ARE, AIV, AVB, BXP, CBL, DDR, DRE, EQR, FRT, KIM, MAC, SLG, UDR, VNO

Corporate Governance: Nepotism and Self-Dealing Running Rampant

Following decades of mismanagement, poor capital allocation and inferior total returns, shareholders had to pay dearly to free themselves from the Ratner family's golden share. Outrageously, ~$120 million, or a 31% premium, will be paid to the Ratner family to relinquish their controlling Class B shares. To add insult to injury, in 2015, millions were paid to the ten members of the Ratner family that will likely remain on the payroll despite the family's only ~12% ownership of the Company's Class A shares (following the Class B share buyout).

The current 13-person Board has shown its allegiance to the Ratner family and has seemingly engaged in pervasive nepotism at the public shareholders' expense, as outlined below. Of the 13 proposed directors of the Company, four will still be Ratners and seven will be continuing directors who were previously hand-picked by the Ratner family and have sanctioned the egregious corporate governance practices that have severely damaged shareholder trust in the Company and Forest City's credibility in the public markets. Clearly, more change is needed.

Ratners Feeding at the Shareholder Trough

1. In exchange for giving up their super voting shares, the Ratner family not only will receive ~$120 million, but also will continue to have the right to four Board designees. Additionally, Jim Ratner will be appointed as Chairman of the Board. Many of the Ratners will continue to work for the Company.
2. Ten Ratner family members have and seemingly will continue to feed at the FCE/A shareholder trough, including:
    a. **Bruce C. Ratner (72)** is an Executive Vice President of the Company, Executive Chairman of Forest City Ratner Companies (the Company's New York City subsidiary), and an officer and/or director of various other subsidiaries of Forest City.
        i. In 2016, while Bruce Ratner was a director and employee of the Company, he and/or his private entities earned an $11 million development fee from the Company on Westchester's Ridge Hill (a regional mall property which suffered $399 million of impairments), more than $6 million for tax indemnification on the Fulton property sale and $450,000 in annual salary.
        ii. Over the last ten years he or entities he controls have received from the Company 3.9 million units, or ~$80 million, in relation to 30 properties sold to the Company, $121 million for interests in the New York Times Building and Metro Tech office buildings, and tax indemnification payments by the Company.
        iii. Bruce continues to have economic interests in property which the Company must fund on his behalf.
        iv. Despite the glaring conflicts of interest and outrageous payments, Bruce will continue to be an employee of the firm, earning a salary, being eligible for discretionary bonuses and we fear being incentivized to build potentially non-economic Company developments for his personal entities' gain.
        v. Bruce leases luxury apartments at the Company's fashionable 8 Spruce Street apartment development.
    b. **Charles A. Ratner (74)** was Chairman of the Board, earned $400,000 base, $400,000 bonus, was eligible for undisclosed corporate perquisites in 2015, and may continue to be an employee of the Company despite resigning from the Board as part of the reclassification.
    c. **Albert B. Ratner (88),** Co-Chairman Emeritus, earned $425,000, was eligible for undisclosed perquisites in 2015, and may continue to be an employee of the Company.
    d. **Brian J. Ratner (59)**, a continuing Director and continuing EVP of Development, earned over $775,000, and was eligible for undisclosed equity awards in 2015.

e. **Deborah Ratner Salzberg (62)**, a continuing Director and continuing EVP, earned over $1.7 million in 2015.
f. **Ronald A. Ratner (69)**, a continuing Director and continuing EVP of Development, earned over $2.7 million in 2015.
g. **Samuel H. Miller (94)** (son-in-law of Leonard Ratner), Co-Chairman Emeritus, earned $375,000, was eligible for undisclosed perquisites in 2015, and may continue to be an employee of the Company.
h. **James A. Ratner**, the nominated Chairman and current EVP of Development, earned over $2.7 million in 2015.
i. **Kevin Ratner** is the continuing President of Forest City West, a subsidiary of the Company, and his compensation is not disclosed.
j. **Jonathan Ratner** is continuing Senior Vice President of Residential Asset Management, and his compensation is not disclosed.

3. **Nepotism at work beyond the Ratner Clan**
    a. **James LaRue** is the Director of Asset Management and the brother of CEO David LaRue, his compensation is not disclosed, and he will continue to be an employee of the Company.
    b. **Barbara Brown's** firm BrownFlynn provides contract work for the Company, leases space from the Company and she is the sister of the Company's Executive Vice President and Chief Financial Officer Robert O'Brien.
4. In conjunction with Forest City's conversion to a REIT in 2016, the current Board moved the Company from Ohio to Maryland, the most shareholder unfriendly state in our view, and refused to opt out of the Maryland Unsolicited Takeover Act (MUTA), which allows the Company to stagger the Board without shareholder approval.

Land and Buildings Collaborative Engagement Rejected

Shortly after Forest City announced the elimination of the Ratners' golden shares, we established a significant position in FCE/A, as it appeared investible for the first time in over 25 years. The timing of the Board's announcement of the plan to eliminate the dual class structure left only two days before the window to nominate directors for the 2017 Annual Meeting closed. Land and Buildings nominated the three Class A directors for the only three seats that were up for a vote to preserve the public shareholders' rights to have their voices heard on an alternate slate of directors.

On December 14, 2016, we met with CEO Dave LaRue, a 30-year veteran of the Company, and CFO Bob O'Brien, also a 30-year veteran of the Company, in their Cleveland office to discuss our concerns about the Board composition and the Company's ability to stagger the Board at will. We asked management and the Board to consider three suggestions, all of which, on January 6, 2017, they rejected:

Land & Buildings' Suggestions	Forest City's Response
1. Allow Land and Buildings to propose the two new directors the Company announced it will nominate to the Board, which are reasonably acceptable to the Corporate Governance and Nominating Committee, rather than the incumbent Ratner Board making the selection; these are the same terms the Ratner family can use to nominate their four directors as outlined in the 8-K filed December 5, 2016.	NO

Land & Buildings' Suggestions	Forest City's Response
2. Add up to an additional three new directors to the Board at the next annual meeting, as the two new directors will be outgunned by the eleven continuing Ratners/legacy Board members.	NO
3. Permanently opt out of the Maryland Unsolicited Takeover Act (MUTA), so the Board cannot unilaterally decide to stagger the Board.	NO

Shareholder Voices Need to Be Heard

Shareholders' voices need to be heard. We strongly encourage shareholders to communicate their outrage to management and the Board and compel them to consider our suggestions so we can improve the Board and avoid the distraction of the Board's and management's time on a proxy contest.

Time is of the essence, and we question if this same, old, entrenched Board that has overseen decades of value destruction and nepotistic self-dealing can be trusted to oversee the significant capital allocation initiatives underway, including the potential retail portfolio sale and re-investment of billions of dollars into core assets.

The Board at Forest City can run but they cannot hide. While only three Class A directors are up for election at the next annual meeting, if shareholders approve the reclassification, the day after the 2017 Annual Meeting the entire 13-person Board becomes annually elected by a single class of public shareholders. We believe shareholders must be significantly represented on the Board and will do what it takes to see it done.

Sincerely,

Jon

Jonathan Litt

Founder & Chief Investment Officer

Land and Buildings

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About Land and Buildings:

Land and Buildings is a registered investment manager specializing in publicly traded real estate and real estate related securities. Land and Buildings seeks to deliver attractive risk adjusted returns by opportunistically investing in securities of global real estate and real estate related companies, leveraging its investment professionals' deep experience, research expertise and industry relationships.

Media Contact:
Dan Zacchei / Joe Germani
Sloane & Company
212-486-9500

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[i] Inclusive of the associated Miller and Shafran families
[ii] Based on readily available Wall Street estimates
[iii] Based on actual results year-to-date and enterprise value as of January 26, 2017; Source: Company reports and Bloomberg