NATIONAL ASSOCIATION OF
REAL ESTATE INVESTMENT TRUSTS®

February 15, 2012

Ms. Susan Cosper
Technical Director
File Reference No. 2011-210
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, Connecticut 06856-5116

Re: Real Estate – Investment Property Entities (Topic 973) Proposed Accounting Standards Update

Dear Ms. Cosper:

The National Association of Real Estate Investment Trusts® (NAREIT) welcomes this opportunity to respond to the request for comments from the Financial Accounting Standards Board (FASB or the Board) on the Board's Real Estate – Investment Property Entities (Topic 973) Accounting Standards Update (the Proposed Update).

NAREIT is the worldwide representative voice for U.S. real estate investment trusts (REITs) and publicly traded real estate companies with an interest in U.S. real estate and capital markets. Members are REITs and other businesses throughout the world that own, operate and finance income-producing real estate, as well as those firms and individuals who advise, study and service these businesses.

<u>The Investment Property Business is Global in Nature</u>

The business of owning and operating investment property whether through stock exchange-listed real estate companies or otherwise is a global industry today. This is because: 1) investors increasingly want portfolio diversification through exposure to the real estate asset class (available through direct or indirect investment in real estate around the world), and 2) investors choose to achieve real estate investment diversification through geographic allocation.

An informative way to look at this development is through the increasing importance to investors of stock exchange-listed real estate companies focused on investment property around the world. While there are a number of benchmarks available, the leading global benchmark is the FTSE EPRA/NAREIT Global Real Estate Index which covers 391 companies operating in Africa, Asia, Australia, Europe, North and South America. Of these companies, approximately 60% are REITs operating under national REIT laws. The total equity market capitalization of constituent companies represented in the Index at December 31, 2011 was $1.02 trillion. The Index represents approximately $1.9 trillion in total real estate assets. Together, the constituent companies in the Index generated a compound annual total return (measured in U.S. dollars) over the ten-year period ending at December 31, 2011 of 9.6%, with an income return of 4.6% and a price return of 5.0%.

A significant component of the universe of stock exchange-listed real estate companies resides in the U.S., with the vast majority of them operating as REITs. There are a number of indexes which track the performance and size of these U.S. companies, including the FTSE NAREIT U.S. Real Estate Index which focuses solely on REITs. The total equity market capitalization of this Index was $451 billion at December 31, 2011. The Index represents 160 companies, amounting to approximately $1 trillion of total real estate assets. Approximately 90% of this Index consists of companies that own and operate investment property. The remainder consists of stock exchange-listed mortgage REITs which are in the business of real estate finance.

NAREIT members own approximately 98% of the total assets represented by the FTSE NAREIT U.S. Real Estate Index. Over the ten-year period ending December 31, 2011, the FTSE NAREIT U.S. Real Estate Index generated a compound annual total return of 9.5%, with an income return of 6.0% and a price return of 3.5%.

In today’s world, the vast majority of investors in real estate company constituents of the FTSE EPRA/NAREIT Global Real Estate Index or the FTSE NAREIT U.S. Real Estate Index choose to make their investment through the means of institutional investment, *e.g.*, by way of a mutual fund, exchange-traded fund, pension fund, etc. Of course, whether the investor comes with an institutional or individual perspective, the importance to investors of high quality financial reporting from the companies and of the ability to effectively and efficiently compare financial performance results cannot be overstated.

<u>The Fair Value Approach in IAS 40 is Widely Used Outside the U.S.</u>

Outside the United States most stock exchange-listed real estate companies base their financial reporting on International Financial Reporting Standards (IFRS), including International Accounting Standard No. 40 *Investment Property* (IAS 40), which requires the disclosure of the fair value of investment property either on the balance sheet or in the footnotes. Indeed, according to Ernst & Young and PricewaterhouseCoopers surveys, over 90% of the leading stock exchange-listed real estate companies that report under IAS 40 choose to disclose and utilize fair value on the balance sheet rather than in the footnotes. Prior to the issuance of IAS 40, companies that reported under Statement of Standard Accounting Practice No. 19 *Accounting for Investment Properties* issued by the Institute of Chartered Accountants in England and Wales (SSAP 19) in 1981 were *required* to report investment property at fair value on the balance sheet. This standard applied to investment property held by:

a) a company which holds investments as part of its business such as an investment trust or property investment company; or,
b) a company whose main business is not the holding of investments.

NAREIT Believes Proposed Update Should be Withdrawn and the FASB Should Seek Convergence with IASB

Given the global nature of real estate investment now and the prevalent use of IAS 40 around the world, after careful review of the Proposed Update, NAREIT strongly believes that the Proposed Update should be withdrawn and that FASB should seek to work with the IASB to converge with IAS 40 (with modifications we suggest could be achieved through the convergence process). This would ensure that the global real estate industry's financial reporting is uniform and, therefore, comparable for the benefit of investors worldwide.

In keeping with the global reach of real estate investment today, NAREIT is a member of the Real Estate Equity Securitization Alliance (REESA) – a global coalition of representative real estate organizations from around the world. REESA seeks to help promote equity investment in real estate on a securitized basis. Together, the members of REESA represent the vast majority of constituent companies in the FTSE EPRA/NAREIT Global Real Estate Index. REESA focuses on cross-border investment, international taxation, financial reporting standards initiatives, and educational outreach to investors. REESA members represent major operating real estate companies (including REITs) – companies that acquire, develop, lease, manage and opportunistically sell investment property. One of REESA's primary goals is to achieve uniform financial reporting by these companies. REESA has achieved significant consensus on over a dozen accounting standards proposed by the FASB and the IASB and has submitted comment letters that reflect the global consensus. We anticipate such a letter will be submitted in this instance as well.

Other REESA members are:

- Asia Pacific Real Estate Association (APREA), headquartered in Singapore
- Association for Real Estate Securitization (ARES), headquartered in Tokyo
- British Property Federation (BPF), headquartered in London
- European Public Real Estate Association (EPRA), headquartered in Brussels
- Property Council of Australia (PCA), headquartered in Sydney
- Real Property Association of Canada (REALpac), headquartered in Toronto

NAREIT Has Consistently Supported the Convergence Process

For many years, NAREIT has supported the Board's efforts to achieve convergence of U.S. Generally Accepted Accounting Principles (GAAP) and International Financial Reporting Standards (IFRS). We continue to believe that, with respect to investment property, the Board should seek to converge with the international standard (with modifications to be jointly determined by the Boards after input from the public), rather than adopt an entirely new approach (as contained in the Proposed Update) which will cause investor, user and preparer confusion both in the U.S. and the rest of the world.

NAREIT has provided input to the Board with respect to the measurement of investment property for over five years.

On December 15, 2006, NAREIT provided an education session for the Board and staff focused on the measurement of the fair value of investment property. The NAREIT presentation faculty included one of the industry's preeminent financial statement users and an investment property valuation consultant.

On January 25, 2008, NAREIT representatives discussed with the Board its views regarding the potential for U.S. GAAP convergence with IAS 40. At that time, NAREIT indicated that it would favor a requirement that all investment property be reported at fair value irrespective of the type of entity that owns and operates the property. In addition, NAREIT urged the Board to expand the definition of investment property to include all properties that represent an investment in operating real estate, including lodging and health care facilities.

And most recently, on December 22, 2010, NAREIT met with FASB Chairman Leslie Seidman and FASB Board Member Larry Smith and staff to provide our industry's views on the joint FASB/IASB Leases project and the FASB Investment Property Entities Project. At the conclusion of that meeting, NAREIT urged that the Board, along with the IASB, develop a lessor accounting model that would reflect the underlying economics of lessors in real estate lease transactions and subsequently allow NAREIT to constructively work with the Board to develop an appropriate investment property standard. The issues with respect to the proposed Leases standard have tentatively been resolved through the exclusion of lessors of investment property from the proposed receivable and residual lessor accounting model. However, NAREIT is severely troubled by the tentative conclusions exposed in the Proposed Update and is in complete opposition to them.

Summary of NAREIT's Perspective

Based on the following significant issues, NAREIT believes that the FASB should withdraw the Proposed Update and begin developing an activity-based standard that would: a) converge with IAS 40 with potential modifications agreed to by the FASB and IASB after comment from the Boards' constituents; and, b) achieve consistency with the Board's operating principle to avoid issuing complex specialized industry accounting standards.

NAREIT continues to believe that any U.S. GAAP standard for accounting for investment property should require that all investment property be reported at fair value with changes in unrealized value reported in net income.

NAREIT strongly believes that the Proposed Update should be withdrawn because:

- **It does not converge with IFRS – a primary goal of developing the standard;**

- **It is contrary to a fundamental conclusion of the final report of the Advisory Committee on Improvements to Financial Reporting (CIFiR) to the United States**

Securities and Exchange Commission dated August 1, 2008 that accounting standards should "focus on the nature of the business activity itself, since the same activities, such as lending *(or owning investment property)*, may be carried out by companies from different industries" – italicized wording inserted;

- **It does not recognize the significant distinction between the business and relevant financial reporting of: a) owning and operating investment property; and, b) simply holding real estate as a passive investment;**

- **It creates an entirely false distinction as to whether an entity holds investment property for income only or for income and appreciation in the value of the property – because the universal goal of owners/operators of investment property is to maximize total financial return from the aggregate of operating cash flow and appreciation in value; and,**

- **It establishes criteria to define an investment property entity (IPE) that are so unclear, unwieldy and unrealistic as to falsely create the impression that it *requires* the proposed accounting while in reality it provides preparers with *implicit optionality*.**

In addition, NAREIT's answers to a number of questions asked in the exposure draft are contained in Appendix A.

<u>IAS 40 is a Far Preferable, Fully Tested Way to Report the Fair Value of Investment Property</u>

Further, based on our review of the Proposed Update, NAREIT believes strongly that the so-called "explicit" option to report investment property at fair value in IAS 40 would serve investors and other financial statement users in the U.S. and around the world far better than the readily seen "implicit" option contained in the Proposed Update. The fundamental reality is that IAS 40 effectively *requires* that the fair value of investment property be reported – either on the face of the balance sheet or in the notes. The "implicit" option created by the Proposed Update effectively "requires" no fair value reporting of investment property by any one at all – because it would encourage an opt-in/opt-out approach based on stated intent.

Overview of the Businesses and Financial Reporting Needs of Entities that Own and Operate Investment Property

The business of owning and operating investment property is active – in both the strategic and tactical senses. In fact, the business is quite different than *passively* investing in financial assets. While an investment company oversees its financial investments, operating real estate companies intensively manage non-financial assets – income producing real estate or investment property. This is generally referred to as real estate *asset management* and includes:

- Acquiring property (including development and redevelopment);
- Leasing/re-leasing property;

- Remerchandising retail property;
- Managing the property's operations;
- Evaluating alternatives for enhancing the operating results of the property; and,
- Evaluating factors that determine the timing of monetizing value created and enhanced through sale, contributing the property to a joint venture or refinancing the property.

The primary goal of real estate asset management is to maximize the total return from each property and to create value that is greater than the sum of the parts (*e.g.*, offer tenants a single source of leasing throughout the country). Returns are generated by operating cash flows and directly related increases in the fair value of a property. The following provides a hypothetical illustration of the direct relationships between rental revenue, net operating income (operating revenue less operating expenses) and the fair value of a property:

Rental revenue	$ 2,000
Less operating costs, excluding depreciation	1,200
Net operating income (NOI)	800

The fair value of investment property is generally measured as the present value, at current investor yield requirements, of projected NOI and a residual value at the end of the projection period. A short-hand method of calculating fair value is to capitalize a given year's NOI at a market capitalization rate. For example, if the current market capitalization rate for this property is 6%, the fair value of the property would be $13,333.

Currently, investment analysts evaluate detailed information about a property's rental revenue and operating costs, as well as current investor yield requirements, in order to estimate the fair value of overall property holding. Analysts incorporate this value of the property in their estimate of the Net Asset Value (NAV) of the entity, although the related shares may trade at a premium or discount to NAV estimates. Accordingly, NAV is generally a significant factor for the analyst in establishing a target price for the entity's shares.

The business of intensively managing investment properties, and the use of the information by investment analysts is illustrated in Appendices B and C, by way of looking at two representative operating real estate companies. This material also demonstrates that investment property does not need to be sold in order to impact total returns to investors. These returns include: a) distributions to shareholders, and b) increases in share prices driven by increases in the fair value of the property portfolio.

In light of the businesses involved and their financial reporting needs, what follows is a discussion of the five major reasons issues why NAREIT opposes the Proposed Update.

The Proposed Update does not converge with IFRS – which should be the overarching goal of FASB in this exercise, and the objective that would be of the most benefit to investors around the world.

The Proposed Update does not converge in the most fundamental way with the IFRS standard, IAS 40. While IAS 40 provides accounting guidance for reporting investment property across all industries, the Proposed Update attempts to create a new specialized industry and specialized accounting guidance based on the type of entity holding investment property.

Our view is that, if the FASB concludes that an entity-based approach is preferred, the Board should not adopt a standard for reporting investment property unless and until the IASB joins in the development of a converged entity-based standard.

The costs of divergence and the benefits of convergence are well understood and have been repeatedly embraced by senior FASB and SEC officials.

As an example, following are excerpts of remarks by FASB Chairman Leslie Seidman and Securities and Exchange Commission (SEC) James Kroeker, Chief Accountant, Office of the Chief Accountant, U.S. Securities and Exchange Commission, that emphasize the need for the FASB and IASB to work closely together in order to achieve converged, high-quality accounting standards.

In his remarks before the 2011 AICPA National Conference on Current SEC and PCAOB Developments on December 5, 2011, Chief Accountant James Kroeker, stated that *the impact of global comparability should not be underestimated*. He went on to say:

> I continue to believe it is critical, as it relates to each of the MOU projects, that the Boards take all reasonable steps to maximize the prospect of converged, high-quality solutions….I believe that, in the long run, history will judge this endeavor much more favorably if all the necessary steps were taken to provide for joint projects with integrated teams, joint deliberations and shared timelines. Such an investment in the outcome will prove to be far more beneficial than any gains I believe are perceived by deliberating these issues individually.

In an October 24, 2011 speech to the National Association of State Boards of Accountancy, FASB Chairman Leslie Seidman, shared her view of the most effective way to develop converged financial reporting standards:

> I believe that we have been successful when we have:
>
> 1. Agreed-upon, clear objectives;
> 2. Fully integrated our staff teams;
> 3. Conducted deliberations and outreach jointly; and,
> 4. Coordinated our timing.
>
> In those instances in which our objectives have been unclear and when we have pursued the standard-setting process at different times, we have been less likely to reach consistent conclusions. It's not just inconvenient and no doubt confusing for stakeholders; it undermines the goal of having a common reporting language.

In addition, the leaders of the top twenty industrialized nations have called "on the accounting standard setters to work urgently with supervisors and regulators to improve standards on valuation and provisioning and achieve a single set of high-quality global accounting standards."[1]

NAREIT strongly agrees with the views of SEC Chief Accountant James Kroeker, FASB Chairman Leslie Seidman and the leaders of the world's industrialized nations; and it is therefore *extremely disappointed* that the FASB's route to and due process associated with developing the accounting for investment property is completely inconsistent with these principles. We strongly object to the FASB issuing a standard focused on accounting for investment property that differs so fundamentally from IAS 40 and urge the FASB and IASB to jointly develop a converged standard.

The Proposed Update is contrary to a fundamental conclusion of the final report of the Advisory Committee on Improvements to Financial Reporting to the United States Securities and Exchange Commission dated August 1, 2008 that accounting standards should "focus on the nature of the business activity itself, since the same activities, such as lending, may be carried out by companies from different industries."

On August 1, 2008, the Advisory Committee on Improvements to Financial Reporting provided its final report to the SEC. In Section III.C *Improving the Substantive Design of New Accounting Standards*,[2] the Committee recommended the following:

> To decrease complexity and increase comparability, we are generally advocating a move away from industry-specific guidance in authoritative literature – unless justified by strong conceptual arguments. A better approach would be to focus on the nature of the business activity itself, since the same activities, such as lending, may be carried out by companies in different industries.

NAREIT strongly agrees with this recommendation and sees no reason for the FASB not to proceed in accordance with it. As stated above and consistent with the principles adopted by IFRS, NAREIT believes that a standard providing guidance on accounting for investment property should apply to *all* investment property regardless of the industry, legal structure or entity in which the owner/operator of the property resides or whether it comprises substantially all of the entities' operations or only one of its activities.

We also note that the proposed specialized accounting is inconsistent with two recent initiatives of the Board:

- Eliminating complex industry specific accounting in the joint FASB and IASB revenue recognition project.

[1] http://news.bbc.co.uk/2/hi/business/7979606.stm. This goal was reaffirmed in the last meeting of the G20 last year. http://www.g20.utoronto.ca/2011/2011-cannes-declaration-111104-en.html (item 34).
[2] http://www.sec.gov/about/offices/oca/acifr/acifr-finalreport.pdf.

- Efforts to simplify accounting, *i.e.*, the measurement and accounting for goodwill and other indefinite-lived intangibles.

Some of the Board's constituents appear to believe that reporting the fair value of investment property held by a diversified business entity is not relevant. We disagree with this view. We also applaud a highly diversified company like General Electric for providing an excellent example of a complex global business that owns and operates in part investment property and finds it important to disclose in the company's MD&A an estimate of the difference between the fair value of the portfolio and its carrying amount.

If the Board concludes that highly diversified companies should not report investment properties at fair value in the balance sheet, we would recommend that the fair value be required to be disclosed in the footnotes – a disclosure required under IAS 40.

If the Board is concerned that reporting insignificant levels of investment property at fair value would be an undue burden for smaller owners, NAREIT recommends that the Board consider an alternative. For example, the Board could consider exempting companies that a) have total assets of, say, less than $50 million, or b) where the total amount of investment property is immaterial to the total assets of the reporting entity. This second approach would exempt many non-real estate companies that hold portfolios of investment property that are immaterial in amount and not meaningful to financial statement users of such companies' financial statement users.

The Proposed Update does not recognize the significant distinction between the business and relevant financial reporting of: a) owning and operating investment property; and, b) simply holding real estate as a passive investment.

In the Proposed Update, the Board does not clearly distinguish between an operating business and an investment business and forces operating real estate companies into accounting and reporting tailored for investment companies. The Proposed Update indicates that:

> The Board decided to use the definition of an investment company in the Proposed Update on investment companies as a starting point for developing the criteria to be an investment property entity.

The Proposed Update not only uses the definition of an investment company as a *starting point*, but creates criteria for defining an investment property entity that are very similar to the criteria that would define investment companies in the Board's Proposed Accounting Standards Update *Financial Services – Investment Companies.*

Operating real estate companies are *not* investment companies and they are not so defined by their legal structure. These operating companies, no different than manufacturers or financial institutions can take many legal forms, such as REITs, non-REIT corporations, partnerships, limited liability companies, joint ventures or other legal structures.

The view that REITs are operating companies has been acknowledged by the FASB and the AICPA repeatedly over the years. For example, the AICPA Statement of Position 07-1 *Clarification of the Scope of the Audit and Accounting Guidance Investment Companies and Accounting by Parent Companies and Equity Method Investors for Investments in Investment Companies*, paragraph A25 states the following:

> AcSEC observes, however, that REITs typically would not meet the objective of an *investment company* because REITs typically are involved in the day-to-day management of investees in ways that are inconsistent with the activities of an investment company. For example, REITs typically develop and operate real estate.

Additionally, the Emerging Issues Task Force recognized the fact that REITs are operating companies in their paper on EITF Issue No. 09-D, *Application of Topic 946, Financial Services – Investment Companies, by Real Estate Investment Companies.* Paragraph 27 states:

> Working Group members pointed out that some may interpret paragraph 946-10-15-3 to preclude any entity structured as a REIT for tax purposes from being an investment company. However, others interpret the paragraph to mean that those REITs that have other than insignificant non-investment operations (for example, property development or management activities) or otherwise meet the definition of an investment company are not precluded from applying Topic 946. *This view was based on the belief that the intent of the scope exclusion noted in paragraph 23 was that at the time that guidance was written, REITs generally were structured as operating entities and, accordingly, did not meet the criteria to be considered an investment company under the Investment Company Guide* [emphasis added].

There have been no changes in the operating nature of REITs' business operations since the time that the REIT scope exception was first introduced in U.S. GAAP. At a minimum, stock exchange-listed REITs should continue to be seen by FASB as operating real estate companies, not investment companies.

The goal of these businesses is to maximize total return to shareholders from real estate related assets. This return is represented by operating cash flows and appreciation in the investment property's value. Common characteristics of these entities include developing, acquiring, leasing, financing, intensely managing and opportunistically disposing of investment property. Intensely managing investment property includes:

- Renovating properties to maintain or enhance their tenant and customer appeal;
- Re-merchandising retail space to attract shoppers to the property;
- Re-leasing space to keep pace with market rents;
- Providing services to maintain a property's physical quality; and,

- Developing relationships with national and global tenants.

The business and financial reporting needs of businesses that own and operate investment property, both REITs and non-REITs alike, are well illustrated by the 2010 financial reports and investor reports of Taubman Centers, Inc (Taubman Centers) contained in Appendix B and Forest City Enterprises, Inc (Forest City) contained in Appendix C. These appendices illustrate:

- The intense management of investment properties to maximize net operating income and, therefore, value of the portfolio;
- The goal of providing total returns to investors;
- Investor's need for granular operating revenue and expense data;
- The opportunities to monetize value appreciation; and,
- The use of net asset value by investment analysts as one factor to price public shares of these companies.

Summary of Appendix B – Taubman Centers; a corporation that has elected REIT status, and that is headquartered in Bloomfield Hills, Michigan.[3]

These materials describe the business of owning and operating investment property and indicate that:

> Taubman Centers creates extraordinary retail environments for communities, shoppers, merchants and investors. Our portfolio of regional and super regional malls, located in major markets from coast to coast, is the most productive in the U.S. We delight customers and build shareholder value through the intense management of our existing properties and the highly selective development of new shopping destinations.

At the conclusion of the Letter to Shareholders, The Chairman of the Board focuses on total return to shareholders of 46.8% in 2010. A major part of this return is attributable to increases in the price of the company's equity shares.

The report goes on to describe the business activities required to generate double-digit returns for shareholders. These activities include:

- Redevelopment of properties;
- Remerchandising properties;
- Leasing and releasing to maximize total lease revenue;

[3] http://www.sec.gov/Archives/edgar/data/890319/000095012310018008/k48898e10vk.htm.

- Expanding the portfolio through new development;
- Maintaining and reinvesting in properties to enhance their quality and shopper appeal; and,
- Opportunistically realizing values created through sale, refinancing and contributions to joint ventures.

In addition to the varied business activities required to maximize returns from owning and operating investment property, investors and other financial analysts require significant granular operating data. Critical operating metrics include:

- Tenant sales per square foot;
- Rents – increasing and decreasing in relation to tenant sales expectations;
- Increases in revenues from releasing space – "releasing rent spreads";
- Net operating income – the basis of measuring the fair value of investment property;
- Investment in capital improvements;
- Expected returns on development properties;
- Funds From Operations; and,
- Total return to shareowners.

These metrics, as well as more granular supporting information, are provided by many operating real estate companies in supplemental financial information packages published along with formal financial statements.[4] The attached analyst reports on Taubman Center's operating performance and financial position at December 31, 2010 rely on these metrics and granular operating data to develop investment recommendations.

The intensively active business of owning and operating investment property and important financial data described in this Taubman Center example is similar to the business of owning and operating investment properties around the globe, most of which report investment property at fair value

Summary of Appendix C – Forest City Enterprises; a corporation that has not elected REIT status, and that is headquartered in Cleveland, Ohio.

[4] http://taubman.investorroom.com/file.php/395/4Q10+SUPP+v2.pdf.

Forest City is a diverse operating real estate company focusing on both investment property and land development and sale. The Forest City materials reflect the importance of operating data similar to the data provided by Taubman discussed above.

In addition, Forest City provides extensive information regarding the development of new investment properties and of land. Also, notable is Forest City's strategy with respect to monetizing the value created and enhanced in the investment property portfolio. The annual report states that:

> Throughout 2010 and early 2011, we have used selective asset sales and joint ventures to capitalize on firming asset pricing in key real estate segments, and to capture value and generate liquidity from our portfolio.

The specific transactions, including both sales and contributions of property to joint ventures, provide clear examples of how investment property value represents a capital resource.

NAREIT urges the Board to maintain a separate Topic that provides accounting guidance for investment companies and to address the accounting for investment property on an activities basis through a convergence effort with the IASB that recognizes the success of globally applying IAS 40 and, prior to that, SSAP No.19 since 1981.

The Proposed Update creates an entirely false distinction as to whether an entity holds investment property for income only or for income and appreciation in the value of the property – because the universal goal of owners/operators of investment property as well as of investors in investment property is to maximize total financial return from the aggregate of operating cash flow and appreciation in value

Owners and operators of investment property routinely invest and operate properties to maximize total return. Returns include operating cash flow from the property and capital appreciation. NAREIT currently represents hundreds of publicly traded and public-non- listed companies that own and operate investment property and is not aware of any of them that rely on only operating cash flow to achieve total investment returns.

During a number of Board discussions of the Investment Property Entities Project, some Board members expressed the notion that investment property generally held as a long-term investment should not be within the scope of the standard. Their rationale seemed to be that, if the property was not going to be sold for a long period of time, the fair value would not be relevant to financial statement users. We completely disagree with this view.

Whether or not an investment property is going to be sold in two, five or 30 years, the value of the property is relevant to shareholders or other owners, as well as to lenders and other financial statement users. The value of investment property represents a significant factor in determining the share price or unit value of the business. The fair value of a company's property holdings is also a critical factor in determining the degree to which lenders will provide capital in the form of debt.

The value of investment property represents a capital resource and also is a key metric for investors to measure how well real estate companies have used the equity capital invested in the company. The value can be monetized through sale, refinancing or contributing the property to a joint venture in return for funds from other parties to the venture. Operating real estate companies regularly monetize the value of owned investment property to strengthen their balance sheet. The Forest City Enterprises material clearly illustrates this proposition.

An additional example of the use of the equity value of investment properties is a recently reported transaction by Brandywine Realty Trust, a company headquartered in Philadelphia, Pennsylvania that has elected REIT status. On December 20, 2011, the Company announced that it would contribute three investment properties to a joint venture in return for a payment of $156.0 million and a 50% interest in the joint venture. In a press release, the Company stated that "this transaction enables us to harvest current value in the contributed portfolio, meaningfully participate in its future appreciation …"

Based on the discussion above, NAREIT recommends that the Board abandon a criterion that would require an investment property entity to "express" in its business purpose an objective to realize capital appreciation.

The Proposed Update provides criteria to define an investment property entity (IPE) that are so unclear as to falsely create the impression that the standard *requires* the proposed accounting while in reality it provides preparers with *implicit optionality*.

Of the five criteria that define an investment property entity, the criteria that focus on the *nature of the business* and *express business purpose* are vague and open to the preparer's and auditor's interpretation. As a result, we believe the Board has effectively provided companies with *implicit options* to be either included or excluded from the scope of the Proposed Update, which would result in diversity in practice and negatively affect the comparability of financial reporting by companies with similar businesses.

Following is a recommendation with respect to optionality in accounting policies from the Final Report of the Advisory Committee on Improvements to Financial Reporting to the United States Securities and Exchange Commission:[5]

> Recommendation 1.7: U.S. GAAP should be based on a presumption that formally promulgated alternative accounting policies should not exist. As such, the SEC should recommend that any new projects undertaken jointly or separately by the FASB not provide additional optionality, except in rare circumstances. Any new projects should also include the elimination of existing alternative accounting policies in relevant areas as a specific objective of those projects, except in rare circumstances.

[5] http://www.sec.gov/about/offices/oca/acifr/acifr-finalreport.pdf.

NAREIT understands that the Board intended to provide a standard that would require that investment property be reported at fair value in financial statements of REITs and other listed real estate companies that are similar to those companies reporting under IAS 40 and that elect to use fair value on their balance sheets. The two criteria noted above would not achieve the Board's intended result.

Given the nature and express purpose of the Proposed Update, NAREIT believes strongly that the so-called "explicit" option to report investment property at fair value in IAS 40 would serve investors and other financial statement users in the U.S. and around the world far better than the "implicit" option contained in the Proposed Update. The fundamental reality is that IAS 40 does not contain an option with respect to whether the fair value of investment property is reported (since fair value must be reported in the footnotes if not reported on the face of the balance sheet). IAS 40 merely contains an "option" as to "where" fair value is reported.

Nature of the Business – "Substantially all of the entity's business activities are investing in a real estate property or properties."

While at first glance it would appear that most operating real estate companies, including equity REITs, would meet this criterion, many may not due to the Proposed Update's exclusion of real estate properties held and managed in non-controlled entities. Many of these companies own and operate real estate through these structures. In many cases, the real estate company contributes appreciated property to a joint venture with a financial institution that will own over 50% of the equity in the joint venture. If the real estate company participates in a number of these non-controlled entities and *substantially all* is considered to be greater than 90%, a substantial number of these companies may fail this criterion. Thus, the real estate company would not qualify as an investment property entity and would be precluded from measuring investment property at fair value.

Further, NAREIT believes that the exclusion of real estate held in a non-controlled affiliate would cause entities to shift in and out of the Proposed Update. The following business transactions could cause these shifts:

- a significant contribution of investment property to a non-controlled venture;
- the receipt of proceeds from a refinancing by a non-controlled venture; and,
- the sale of an interest in a non-controlled venture.

And finally, a company could use this criterion to opt in or out of the standard by structuring joint venture arrangements at the margin in ways that would determine whether such ventures would be consolidated or reported as unconsolidated investments – providing companies with an implicit option to be covered by the standard.

NAREIT believes that investment property owned through a non-controlled joint venture should be *included* in any test to determine if substantially all of an entity's business activities are involved in real estate properties. Otherwise, structuring opportunities exist that would cause an entity to meet or not meet this criteria.

Further, with respect to reporting investments in non-controlled affiliates, NAREIT disagrees with reporting these investments at fair value. As indicated above, operating real estate companies use joint venture structures regularly and, therefore, the company's equity in the operating results of these investees may be significant to the operating results of the investor. The most useful reporting for these investments in non-controlled entities would be to consolidate their accounts with those of the investor on a proportional consolidation basis. Short of this most useful reporting, these investments should be reported using the equity method, but with the investor's share of the investee's earnings reported in two lines – one reporting the investor's share of operating results of the investment property and the other reporting the investor's share of the changes in unrealized fair value of the investment property.

Express business purpose – "The express business purpose of the entity is to invest in real estate property or properties for total return including an objective to realize capital appreciation."

This criterion requires that a company provide an *express* objective to realize capital appreciation and would clearly result in *implicit optionality* to be scoped into or out of the standard. From an informal survey of public filings of ten of the largest NAREIT member companies, NAREIT found no *express* objective to realize property appreciation. If any of these companies determined that they wanted to be scoped into the standard, they could simply express a policy that the value of investment property would be realized opportunistically to maximize total return from the property. Whether expressly stated or not, these companies operate to maximize the total return from cash flow and capital appreciation. Further, these companies do not need to *sell* investment property to have the appreciation in value impact total return.

Total return may be measured from the perspective of the entity or of the equity investor. An entity may measure total return based on cash flow from investment property and the change in unrealized value. On the other hand, total return to a shareholder may be measured by dividends and change in the value of shares. A major factor in changes in share value is changes in the fair value of the real estate held by the entity.

Further, with respect to this criterion, after consulting with two senior real estate auditors from two major accounting firms who operate under IFRS, we learned that they believe that real estate companies that now own investment property on a quite substantial scale, as defined under IAS 40, would *not* be scoped into the IASB's exposure draft *Investment Entities* simply because these entities do not have an *express* strategy to realize capital appreciation. If operating real estate companies that report under U.S. GAAP would take this position with respect to the Proposed Update, many of them would be scoped out of the proposed guidance.

***

We thank the FASB for the opportunity to comment on this important proposal and would appreciate an opportunity to share our views on the Proposed Update directly in a meeting with the Board. In addition, we would welcome the opportunity to work with the Board as it works to converge the reporting requirements for investment property in U.S. GAAP with the existing requirements in IFRS.

If you would like to discuss our comments, please contact George Yungmann at gyungmann@nareit.com or 202-739-9432, or Christopher Drula at cdrula@nareit.com or 202-739-9442.

Respectfully submitted,

Steven A. Wechsler
President and CEO

George Yungmann
Senior Vice President, Financial Standards

Christopher Drula
Senior Director, Financial Standards

CC: Mr. James Kroeker, Chief Accountant,
U.S. Securities and Exchange Commission

Ms. Sue Lloyd, Senior Director, Technical Activities,
International Accounting Standards Board

Appendix A

Response to Certain Questions included in the Proposed Update

Question 1: The proposed amendments would require an entity that meets the criteria to be an investment property entity to measure its investment property or properties at fair value rather than require all entities to measure their investment properties at fair value. Should all entities measure their investment properties at fair value or should only an investment property entity measure its investment properties at fair value? Why? Is fair value measurement of investment properties operational? Please describe any operational concerns.

All property meeting activity or asset-based criteria that would define investment property should be reported at its fair value irrespective of the type of entity holding the property because the appreciation or depreciation in the value of investment property affects the total return to both: a) owners and operators of investment property; and, b) equity holders in shares or units of companies that own the investment property. In addition, reporting the fair value of investment property results in a more relevant measurement of the financial strength and credit-worthiness of a company that owns and operates investment property. At the same time, NAREIT would be sympathetic to a rule under which the fair value requirement is not required when investment property represents an immaterial amount of a company's assets.

Measuring the fair value of investment property is clearly operational as evidenced by the wide range of entities that report investment property at fair value. These entities include:

- over 90% of the major listed real estate companies that elect to report investment property at fair value under IAS 40;
- investment funds report investment property at fair value;
- certain insurance companies and insurance company separate accounts also report investment property at fair value; and,
- even when an entity does not regularly report investment property at fair value, existing U.S. GAAP literature on impairment testing requires, in specified circumstances, that companies compare the fair value of the underlying property with its carrying amount.

Question 3: Do the criteria in the proposed amendments appropriately identify those entities that should be required to measure their investment property or properties at fair value, and, therefore, should be excluded from the scope of the lessor accounting model in the proposed Update on leases? If not, what changes or additional criteria would you suggest, and why are those criteria more appropriate?

NAREIT does not believe that the entity-based approach developed by the FASB appropriately identifies those entities that should be required to measure their investment property or properties at fair value.

NAREIT believes that the Board's actions may result in an unintended consequence that could force operating real estate companies to follow Investment Company accounting and financial reporting. The proposed standard would negatively affect the current financial reporting model that provides critical information to financial statement users who focus on operating real estate companies.

The prime example of an unintended consequence is that the proposal would eliminate the equity method of accounting by the investment property entities and require that these investments be reported at fair value. This requirement alone would eliminate important information used by investors and other financial analysts with respect to investment property held in non-controlled joint ventures. The most useful reporting for these investments in non-controlled entities would be to consolidate their accounts with those of the investor on a proportional consolidation basis. Short of this most useful reporting, these investments should be reported using the equity method but with the investor's share of earnings reported in two lines – one reporting the investor's share of operating results and the other reporting the investor's share of the changes in unrealized fair value.

In addition, the proposed criteria that would define an investment property entity are vague to the extent that they provide an *implicit option* for companies to "opt in" or "opt out" of the standard. These views are more fully discussed in our letter.

Further, NAREIT is aware that current statutory reporting requirements for insurance companies include a requirement to disclose the fair value of each underlying investment property. However, because insurance companies would generally not meet the definition of an investment property entity, they would be precluded from recognizing in their financial statements the fair value of investment properties.

Additionally, the Board rejected the asset-based approach under IAS 40, and instead pursued an entity-based model for their Investment Property Entities Standard. The following is from the basis for conclusions, par. B8:

> In developing the criteria for which entities should be required to measure their investment properties at fair value, the Board identified the types of entities that elect the fair value option under IAS 40 for their investment properties. The Board noted that, typically, publicly traded property entities elect the fair value model under IAS 40. The Board also noted that entities with investments in real estate properties but in which substantially all of their business activities are not investing in real estate properties typically do not elect the fair value model under IAS 40 for their investment properties. The Board believes that the entities that would be investment property entities by applying the amendments in this proposed Update generally would be the types of entities that elect the fair value model under IAS 40.

In evaluating the scope of the use of the fair value model under IAS 40, NAREIT determined that insurance companies in the UK measure their investment properties at fair value. Under the proposed FASB model, an insurance company would not meet the definition of an investment property entity, and thus would be precluded from measuring their investment property at fair value. It would seem odd that, in the spirit of global convergence, an insurance company residing in the U.S. would be forced to measure investment property at historical cost, while an insurance company residing in the UK would be able to measure investment property at fair value.

Question 6: To be an investment property entity, the proposed amendments would require substantially all of an entity's business activities to be investing in a real estate property or properties. Should an entity's business activities be limited to investing in a real estate property or properties rather than investing in real estate assets in general (such as real-estate-related debt securities and mortgage receivables) to be an investment property entity? If not, why? Is this requirement operational? Please describe any operational concerns.

See our comment letter for a full discussion of the "substantially all" criterion.

Question 7: The implementation guidance in this proposed Update specifies that when evaluating whether substantially all of the parent entity's business activities are investing in a real estate property or properties, the parent entity would not consider real estate properties held indirectly through investments in which the parent entity does not have a controlling financial interest. Should the evaluation of an entity's business activities consider properties held through noncontrolling financial interests (for example, investments in which the entity can exercise significant influence)? Why or why not?

NAREIT strongly believes that the evaluation of an entity's business activities should consider properties held through non-controlling interests. The great majority of NAREIT member companies finance operating properties through joint ventures with financial partners. Without considering these properties, many of NAREIT's member companies may not meet the "substantially all" test.

Question 8: To be an investment property entity, the proposed amendments would require that the express business purpose of an entity is to invest in a real estate property or properties for total return with an objective to realize capital appreciation, for example, through disposal of its real estate property or properties. Real estate properties held by an entity for either of the following purposes would not meet this criterion:

a. **The entity's own use in the production or supply of goods or services or for administrative purposes.**

b. **Development for sale in the ordinary course of business upon completion (such as land developers and homebuilders).**

Should an entity whose express business purpose is to hold real estate properties for the reasons listed above be excluded from the amendments in this proposed Update? If not, why? Is the express-business-purpose criterion operational? Please describe any operational concerns.

See our comment letter for a full discussion of NAREIT's views on this question.

Question 9: To meet the express-business-purpose criterion, the implementation guidance in this proposed Update would require that an investment property entity have an exit strategy to dispose of its real estate property or properties to realize capital appreciation to maximize total return. An entity that invests in a real estate property or properties to collect rental income long term and does not have an exit strategy for its real estate property or properties would not be an investment property entity under the proposed amendments. Should those entities be excluded from the amendments in this proposed Update? If not, why? Is the exit strategy requirement operational? Please describe any operational concerns.

Our comment letter provides our views with respect to this question. In addition, the Board should be aware that if a REIT acts as a "dealer" of real estate, it pays a confiscatory 100% excise tax to the Internal Revenue Service on any gains from the sale of that property. Further, a REIT that acquires investment property with an intent to sell it could well be considered a dealer in this context and therefore would be very resistant to state in its financial statements that it has an intent to sell it, *i.e.*, an exit strategy.[6]

Question 15: The proposed amendments would prohibit an investment property entity from applying the equity method of accounting in Topic 323 unless the investee is an operating entity that provides services to the investment property entity. Is that exception to the equity method of accounting requirements in Topic 323 appropriate for investment property entities? If not, why?

See response to question 16 below.

Question 16: The proposed amendments would require an investment property entity to measure investments in which it does not have a controlling financial interest or cannot exercise significant influence in accordance with U.S. GAAP. For example, that would currently require held-to-maturity debt securities to be measured at amortized cost and would permit certain equity securities to be measured using the cost method, unless the fair value option in Topic 825, Financial Instruments, is elected. Should an investment property entity be required to measure those investments at fair value with all changes in fair value recognized in net income instead of applying other U.S. GAAP? Why or why not?

Our comment letter, as well as our response to Question 7, provides our views on questions 15 and 16. To reiterate, NAREIT strongly believes that eliminating the equity method of accounting

[6] Section 857(b)(6) of the Internal Revenue Code of 1986, as amended.

for non-controlling interests would severely diminish the information required by investors and other financial statement users in their analysis of operating real estate companies that finance investment property through joint venture arrangements.

Question 18: The proposed amendments would require an investment property entity to recognize rental income on investment properties subject to a lease when lease payments are received or as the lease payments become receivable in accordance with the contractual terms of the related lease rather than on a straight-line or other basis. Is that basis of recognizing rental revenue appropriate for investment properties measured at fair value? If not, why?

NAREIT believes that the most appropriate method of recognizing rental income in a fair value approach to reporting investment property would be to recognize rental revenue when it becomes receivable under the terms of the lease contract. This method of recognizing rental income would mirror the rental income pattern used to develop cash flow projections used to value the investment property and, therefore, the impact of rental income reflected in the income statement would be consistent with the impact of rental income implicitly recognized on the balance sheet.

That said, NAREIT underscores the importance of the FASB and IASB conforming the method of recognizing rental income under U.S. GAAP and IFRS to provide consistent reporting for investors and other financial statement users.

Question 22: How much time would be necessary to implement the proposed amendments?

NAREIT believes that most owners and operators of investment property have current estimates of the value of the properties – either individual or in aggregate. At the same time, these fair value estimates may not be controlled to the extent required by financial reporting under FAS 157 *Fair Value Measurement*. Therefore, an entity would be required to evaluate its internal control systems related to measuring fair value, its sources of market information, required financial disclosures, audit documentation requirements, internal valuation processes and whether there is a need for outside valuation support. We believe that these steps to establish a controlled valuation infrastructure would take between 12 and 18 months.

As to costs of establishing valuation processes and implementing them, we do not fully agree with implications of paragraph BC76 of the Proposed Update. While we agree that entities that currently measure their investment property at fair value on the face of the balance sheet or in the notes to their financial statements would not incur significant additional costs, the proposed accounting would result in a measurable increase in costs for those entities that do not currently report the fair value of investment property in their financial statements or notes thereto.

Question 23: The proposed amendments would prohibit early adoption. Should early adoption be permitted? If yes, why?

NAREIT believes that, to achieve reporting consistency, early adoption should not be permitted. At the same time, any final standard that requires or allows investment property to be reported at fair value should be effective no later than the effective date of the joint FASB/IASB Leases project.

Taubman Centers Material

Appendix B

2010 ANNUAL REPORT

CORE STRENGTH

Taubman

TAUBMAN CENTERS creates extraordinary retail environments for communities, shoppers, merchants and investors. Our portfolio of regional and super regional malls, located in major markets from coast to coast, is the most productive in the U.S. We delight customers and build shareholder value through the intense management of our existing properties and the highly selective development of new shopping destinations.

2010

Long-term success in any business requires resilience. The ability to recover from challenges and respond effectively to change is a key attribute of all great companies. In 2010, Taubman Centers once again demonstrated the resilience that has helped sustain our performance and growth over the last six decades. Rebounding from the depths of the Great Recession, tenant sales per square foot in our properties reached $564, well above our previous high of $555 in 2007, setting a new record for the publicly held U.S. regional mall industry.

Clearly this is a welcome sign of an economic recovery and improving confidence among retailers and consumers. But during this difficult period, we always believed in the power of our **core strengths**: *People, Assets, Strategy* and *Values*. Thanks to these enduring qualities, I believe we've emerged from the worst economic climate in decades as an even stronger, more confident company.

Taubman people, the heart of our organization, bring unmatched expertise, commitment and passion to the pursuit of our mission.

PEOPLE

RETURNING TO GROWTH

Notwithstanding the uncertainties of the economic environment, the strong sales trends we saw in 2010 give us reason for optimism. Customers began to spend at pre-recession levels in our centers across the nation, resulting in a 12.4 percent increase in mall tenant sales for the year. Especially encouraging was the outstanding fourth quarter holiday season, with sales up 12.9 percent over the same period in 2009.

These sales increases throughout the portfolio – well ahead of our industry – significantly improved retailer expectations, enhancing the leasing environment. Importantly, our leasing momentum is continuing into 2011 and retailers across categories and price points are returning to expansion mode.

Net Operating Income (NOI) for 2010 finished the year up 0.5 percent, which was well ahead of our initial expectations. An analysis of NOI over the last three very challenging years underscores the attractiveness – and yes, resilience – of our business model and core assets. Despite a collapsing economy in 2008, NOI actually grew 4.9 percent. The following year, arguably the worst since the Great Depression, we experienced the only negative year in our history, with 2009 NOI down 2.7 percent. Then in 2010, NOI began growing again.

Such steady performance through extraordinary turbulence is possible because our portfolio is dominated by A-quality regional mall assets. This income flows from thousands of tenants with laddered lease terms who have made investments in our properties. It's rare that 15 percent of the portfolio will turn over in any year. This provides a very predictable income stream in good times and bad. As pioneers of the modern regional mall concept, we've always had great confidence in our business model, and were not surprised that our cash flows over the last three years never dropped as deeply or as quickly as the general economy.

OUR COMMITMENT TO THE CORE

Working every day to maximize the potential of each center in our portfolio is how we have operated for 61 years. The benefits of that commitment to the core have never been clearer than they were in 2010.

For example, two of the best performing centers over the last three years have been our Connecticut properties, Stamford Town Center and Westfarms. Each benefitted from recent strategic investments and

Taubman's portfolio of extraordinary retail properties is the highest quality and most productive in the regional mall industry.

ASSETS

remerchandising. At Stamford we redeveloped the former Filene's department store space with a new restaurant wing to better serve the city's booming daytime office worker population. At Westfarms we enhanced the center's historic positioning of unique-to-the-market merchandise, with the introduction of central Connecticut's only Louis Vuitton and Tiffany & Co. stores. This continues to strengthen the extended draw of Westfarms. We also substantially upgraded the restaurant lineup, encouraging the destination nature of the center.

Also experiencing robust sales per square foot growth have been our Florida centers as the economy improves and tourism rebounds. We have the dominant assets with the highest price points and sales productivity in Orlando, Tampa and Naples; the third strongest in Palm Beach County; and with Dolphin Mall, we have the dominant value center in Miami-Dade County. These assets are constantly increasing their market positioning, with a focus on unique store leasing, a willingness to continually reinvest and a vigilance toward operational detail.

At The Shops at Willow Bend in Plano, Texas, there's a similar story. We're strengthening the center's merchandise mix with new large-format Crate and Barrel and Restoration Hardware stores. Recent investments in our home state of Michigan have contributed significantly to our sales growth, with the opening of The Mall at Partridge Creek, the Nordstrom wing at Twelve Oaks, new restaurants at Fairlane Town Center, and a very successful rebranding in 2010 at Great Lakes Crossing Outlets.

We're in the midst of yet another renovation and expansion at The Mall at Short Hills in northern New Jersey – our fifth in 30 years. We're adding additional luxury tenants – including Miu Miu, Zegna, flagship Prada and Hermès stores, and an expanded Louis Vuitton – upgrading the common areas, opening a Cheesecake Factory restaurant, and creating space internally to accommodate a new 40,000 square foot, two-level XXI Forever. We expect to achieve a double-digit return on the expanded space, augmenting one of the most productive retail properties in the U.S.

As you can see, continually reinvesting in our assets is for us a natural, self sustaining activity – it's the way we breathe. Over the last ten years we've renovated, expanded or built from scratch more than three quarters of our centers.

We grow in good times and bad through the intense management of our existing centers and the disciplined development of new properties.

STRATEGY

The manageable size of our core portfolio allows us to be nimble and focus intensely on every property – our brands – to keep them fresh and competitive for our customers, whose tastes are ever-changing. Our center management teams, the best in the industry, think and act like owners. We've created innovative ways to monetize many customer amenities, enhancing the shopper experience while growing NOI and driving traffic. For example, we have developed a destination holiday experience featuring our common area "Ice Palaces," which are sold each year to major motion picture studios for content sponsorship. In 2010 we partnered with Twentieth Century Fox and Walden Media to support their release of The Chronicles of Narnia: The Voyage of the Dawn Treader. This studio alliance also tied to our Santa experience and photo sales, which created a synergistic national sponsorship opportunity with Fujifilm to offer a unique, digital promotion for our customers. Again this creates more reasons for our shoppers to come to us – and it makes money. In 2010, alternative sources of income including sponsorship, operations, specialty leasing and temporary tenants represented 12 percent of our NOI. In just twelve years, this type of income has increased more than 500 percent.

Also in 2010, our operations professionals were very successful in reducing costs at the centers, using new methods to become more energy efficient, and further partnering with our national vendors to reduce expenses and rebidding contracts.

For us, this is all about our commitment to managing our core and maximizing our assets to their highest potential.

FOUR PRONGS OF EXTERNAL GROWTH

With the positive shift in the economy and the rebound in our sales performance, we are once again optimistic about the outlook for investment in new properties. We feel well-positioned to find good opportunities through our four prongs of external growth: U.S. Mall Development, Asia Development, Outlet Development and Acquisitions.

There continues to be steady population growth in America – with nearly three million new people each year. While generally there is substantial supply in most markets – and even attrition in some – there are many reasons a new center gets built: whether because of unique pockets of growth creating new demand, outdated assets, an ownership that hasn't

We love what we do, striving every day for excellence, embracing innovation and celebrating teamwork.

VALUES

been responsive to market changes, or a retailer wanting to enter a new market. We believe there will be as many as 15 to 20 new centers over the next decade throughout the U.S. We're hopeful we'll develop four to five of those new centers over this period, with the first opening as soon as 2014.

In the meantime, we're very excited about our progress at City Creek Center in Salt Lake City, which is on schedule to open in March 2012. This amazing property, part of a major mixed-use development in the heart of Utah's capital city, is anchored by Nordstrom and Macy's and will feature a retractable glass roof over the central mall corridor. It's the only regional mall under construction in America today and when it debuts, we are confident it will be one of our nation's most attractive urban marketplaces.

In Asia, we continue to be optimistic about development opportunities in China and South Korea. We're operating with a long view, confident that our Taubman Asia initiative will ultimately make significant contributions to our growth. We consider our approach to be very affordable R&D in a region of explosive growth and wealth creation. Along the way, we've managed our costs by generating fees from our involvement in projects in Seoul and New Songdo, South Korea and Macao. Working for others has been helpful as we build and train our team while we pursue good investment opportunities. And during the year, we were delighted to announce the appointment of René Tremblay as our new Taubman Asia president. He is a proven executive with extensive financial and real estate experience and a history of successful international activity.

Also, we're very bullish about the future of our outlet business. Over the last three years, some of our strongest improvement in sales has come at our three value and outlet centers. Recognizing the opportunities ahead for this popular retail format, we've teamed up with a company headed by Bruce Zalaznick, former executive vice president of Prime Outlets and Chelsea. He's scouring the U.S. for potential sites, targeting markets that can support higher productivity outlet centers capable of achieving tenant sales of at least $400 per square foot. Our goal is to build five to ten outlet centers over the next ten years. We'll have a 90 percent ownership interest in this joint venture. I'll be disappointed if we're not in a position to announce one or two new outlet projects by the end of 2011.

As for acquisitions, the U.S. mall sector is extremely consolidated – especially the better assets we find attractive. We're always watching, and have the capital available to take advantage of selective opportunities. We're also open to acquisition activities in Asia and think the markets there may provide more for us to consider.

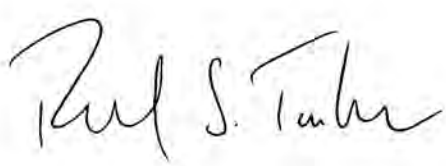
Whether through new U.S. or Asian centers, outlet malls or an acquisition, we're very confident over the next period of years we'll find ways to invest capital wisely and augment our core growth.

REWARDING OUR SHAREOWNERS

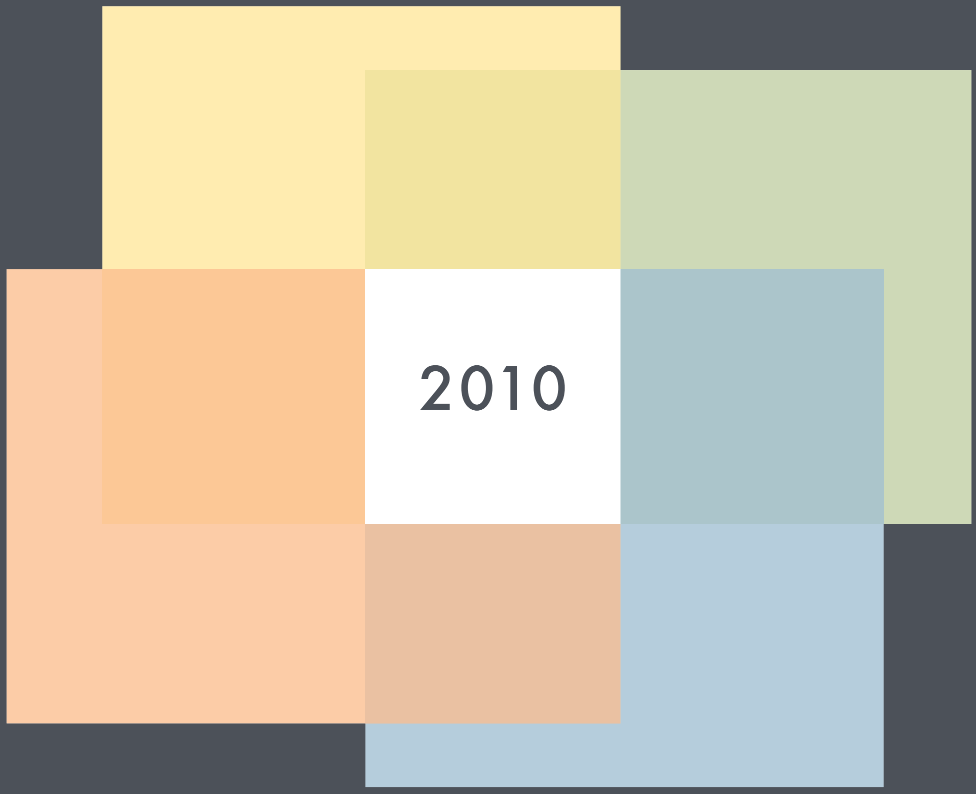
Even with great people, assets, strategy and values, successfully weathering the storm of the last several years would not have been possible without a strong balance sheet – and pound for pound ours is as solid as any in our industry. In recognition of our stability and performance, the Taubman Centers Board of Directors approved in December 2010 a regular quarterly dividend increase of 5.4 percent. Since our public offering in 1992, Taubman Centers' dividend, which has never been decreased or paid in stock, has been increased 13 times, achieving a 3.9 percent compound annual growth rate.

We're proud that during 2010 we rewarded our shareowners with a total return on their investment of 46.8 percent. Over the last 10 years ending December 31, 2010, the company's compounded annual shareholder return has been 22.2 percent. That compares very favorably to the performance over that same period of the MSCI US REIT Index of 10.6 percent, the FTSE NAREIT Equity Index of 13.2 percent, and the S&P 500 Index of 1.4 percent.

I would like to thank my talented, dedicated Taubman Centers colleagues for the resilience they demonstrated through the most trying of times. Their confidence and focus, along with the steadfast leadership of our Board of Directors, assured our success and has positioned us for continued growth as we see the welcome signs of economic recovery. And as always, special thanks to you, our shareowners, for your interest and support.

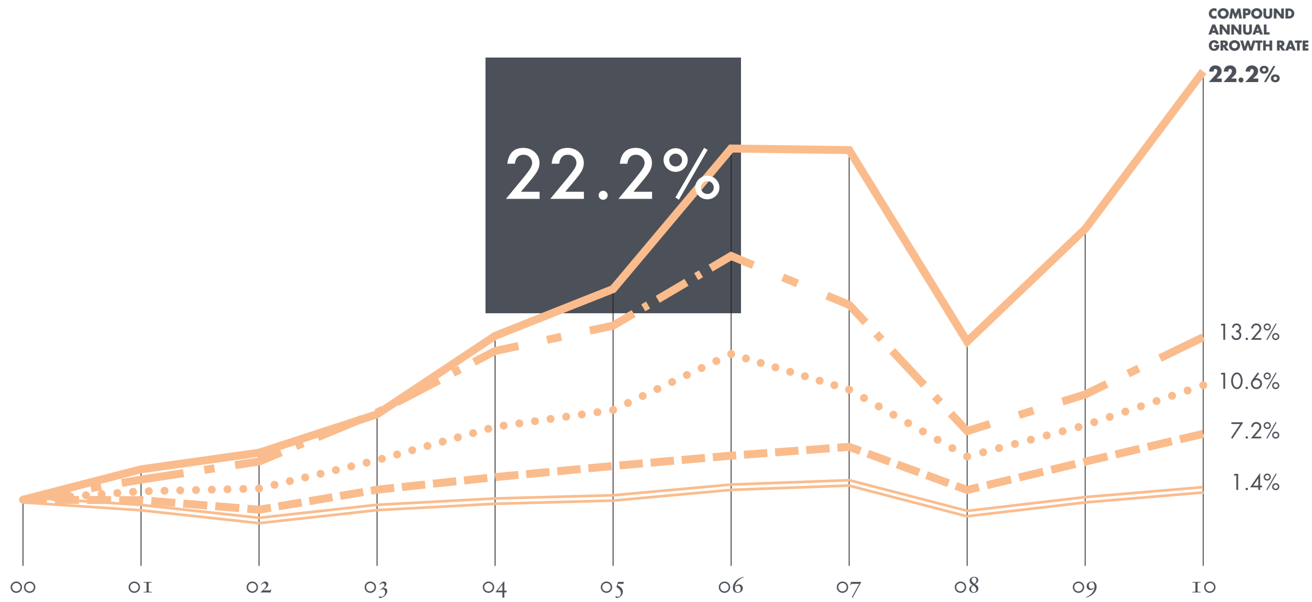


ROBERT S. TAUBMAN
Chairman of the Board, President & Chief Executive Officer



Core strength is measured in many ways.

It's evident in the spirit, energy, intelligence and commitment that our 582 employees bring to work every day. It's in the loyalty and friendship of our valued shoppers and the success of our approximately 2,800 retailers. It's in the numbers that give shareowners confidence in our ability to build long-term value on a foundation of carefully-conceived and well-executed growth.

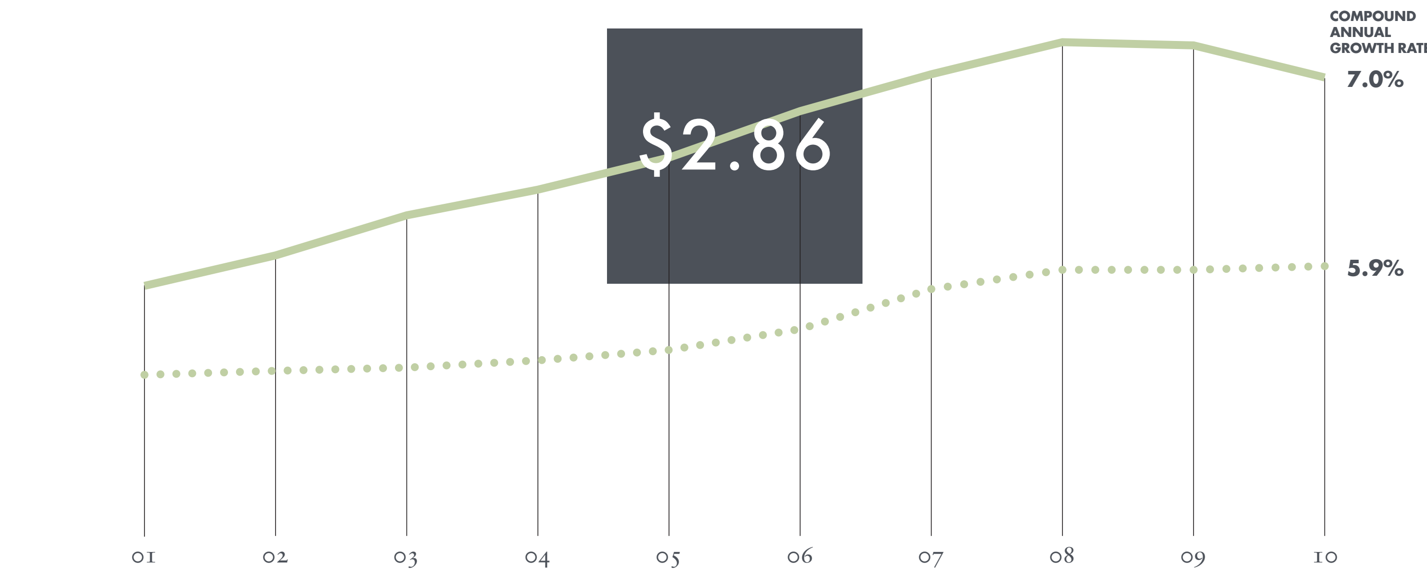


100.00	**146.43**	**171.12**	**229.29**	**347.87**	**418.72**	**631.25**	**628.93**	**339.31**	**509.59**	**747.91**
100.00	130.42	157.90	231.75	324.98	363.33	468.73	394.81	203.88	259.28	345.90
100.00	112.83	116.94	159.91	210.26	235.78	320.46	266.57	165.36	212.66	273.32
100.00	99.40	84.97	115.24	134.24	151.10	166.70	179.99	114.78	157.68	199.69
100.00	88.11	68.64	88.33	97.94	102.75	118.97	125.51	79.07	100.00	115.06

Taubman Centers Inc. FTSE NAREIT Equity Retail Index MSCI US REIT Index
S&P MidCap 400 Index S&P 500 Index

COMPARISON OF CUMULATIVE SHAREHOLDER RETURN

Very few companies can boast a 22.2 percent compound annual growth rate in their stock over a ten year period. That's what Taubman Centers' stock has returned to its shareowners from December 31, 2000 through December 31, 2010, with reinvestment of dividends. We ranked seventh out of more than 100 REITs. Our total return handily beats all of the relevant benchmarks: The FTSE NAREIT Equity Retail Index, the MSCI US REIT Index and the S&P 500 Index. We were also proud to be added to the prestigious S&P 400 MidCap Index in January 2011.



	01	02	03	04	05	06	07	08	09	10
Adjusted FFO per share ($)	1.56	1.75	2.00	2.16	2.36	2.65	2.88	3.08	3.06	2.86
Dividend per share ($)	**1.005**	**1.025**	**1.05**	**1.095**	**1.16**	**1.29**	**1.54**	**1.66**	**1.66**	**1.683**[1]

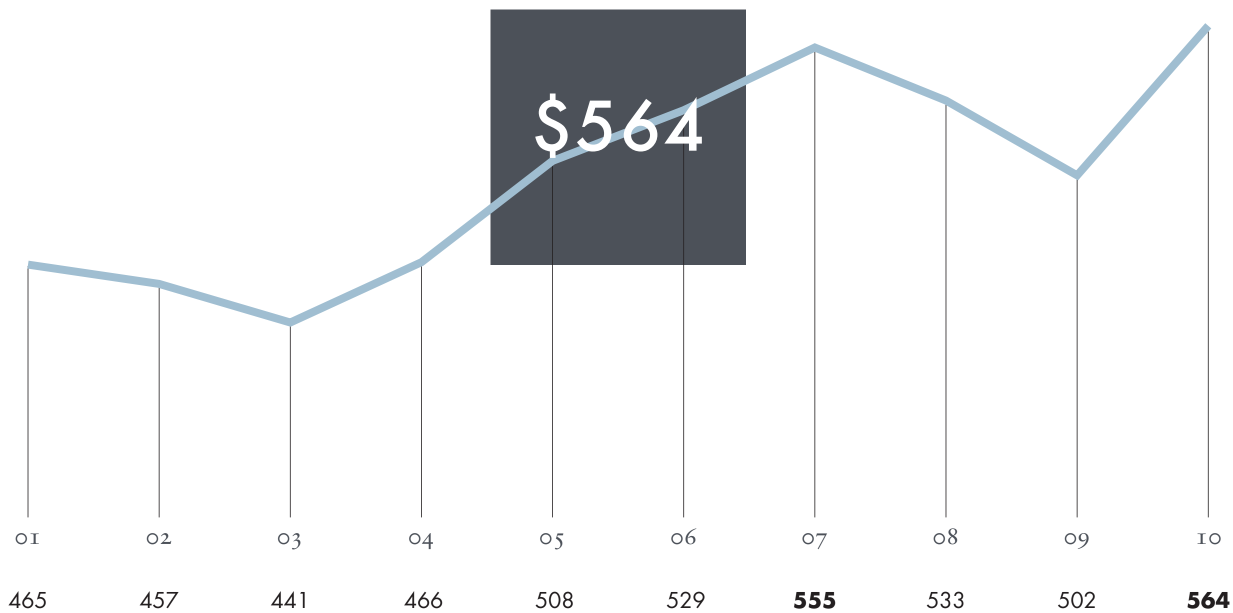
Adjusted FFO per share ($) Dividend per share ($)

ADJUSTED FUNDS FROM OPERATIONS/ DIVIDENDS PER SHARE ($)

Taubman Centers' 2010 adjusted Funds from Operations[2] grew at a 7.0 percent compounded annual rate over the past decade, even with the Great Recession. This illustrates the steady, predictable income stream generated by the regional mall in good times and in bad. And thanks to its strong balance sheet, Taubman Centers has never cut its dividend or found it necessary to pay its dividend in stock. Over the 10-year period ended December 31, 2010, Taubman Centers' dividend has grown 67.4 percent – a compounded annual growth rate of 5.9 percent.

[1] Excludes special dividend of $0.1834 per share paid in December, 2010. The annualized amount of the fourth quarter 2010 regular dividend is $1.75.

[2] Adjusted Funds from Operations excludes Westfarms litigation settlements, restructuring and impairment charges and costs related to the unsolicited tender offer in 2002 and 2003. See Reconciliations page at the end of this report.

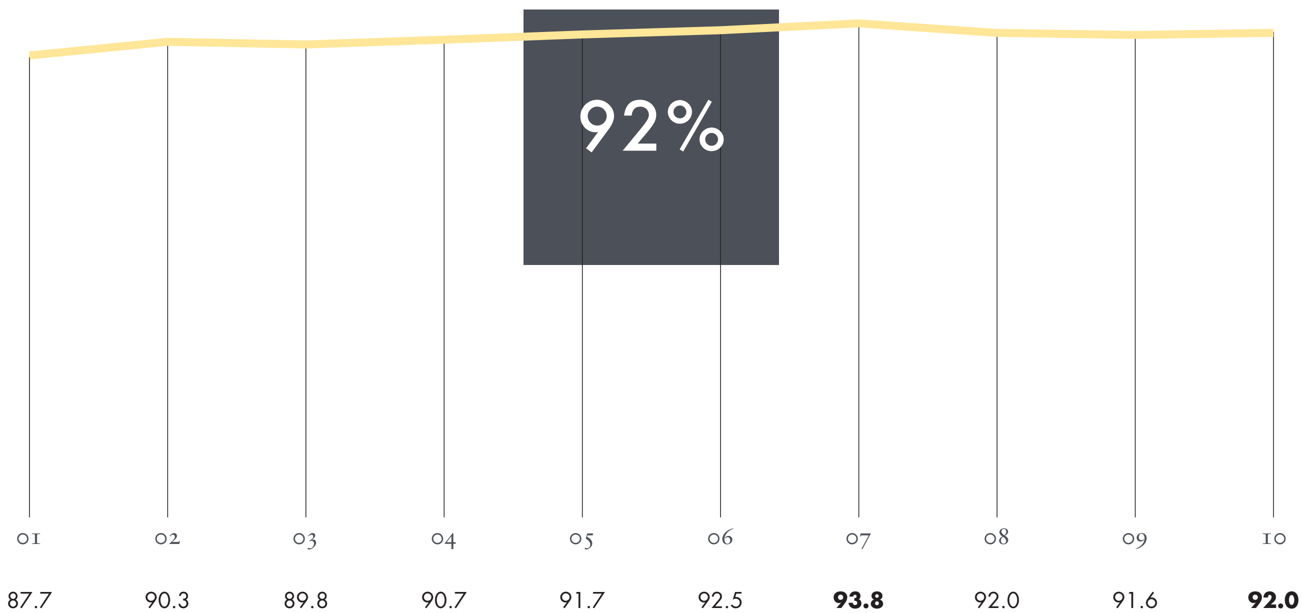


TENANT SALES PER SQUARE FOOT ($)[1]

Tenant sales per square foot is the most important measure of the quality of regional mall assets. Once again in 2010, Taubman led the publicly held U.S. regional mall industry with a sales per square foot increase of 12.4 percent and a record performance of $564 per square foot. This is above our previous record of $555 per square foot and is 46 percent above the $385[2] per square foot average reported by the International Council of Shopping Centers in 2010. The higher the retailers' sales, the higher the rents those retailers can pay. This means greater rewards to the landlord and its shareholders.

(1) Excludes The Pier Shops and Regency Square in 2010 and 2009. The Pier Shops is also excluded in 2008. Added International Plaza, The Mall at Millenia, The Mall at Wellington Green, and The Shops at Willow Bend beginning in 2003. Added Arizona Mills, Dolphin Mall, and Great Lakes Crossing beginning in 2004.

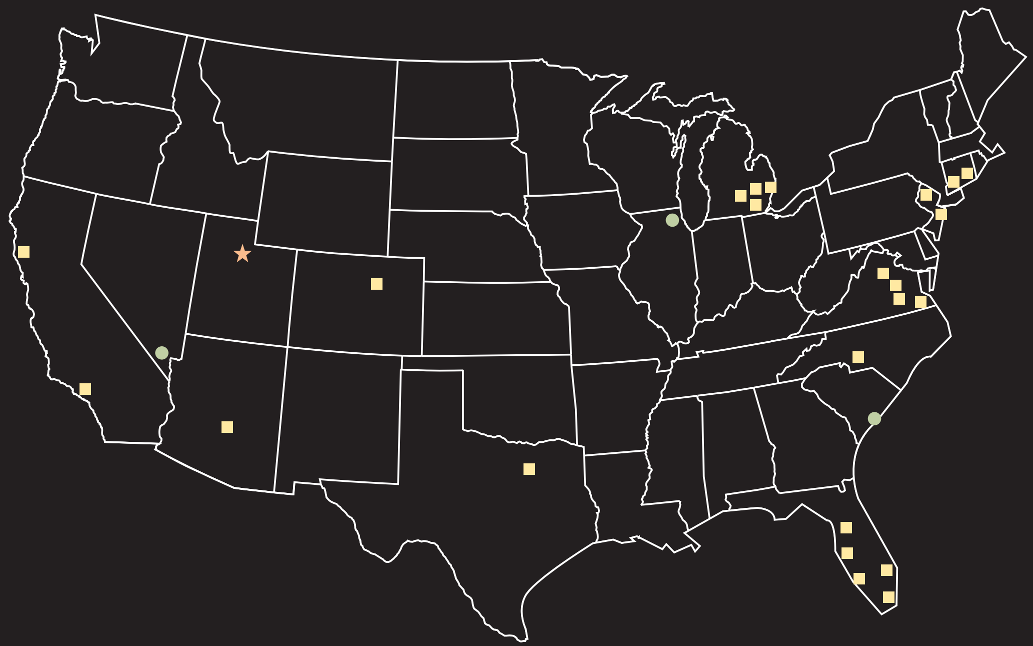
(2) Includes over 500 regional and super-regional malls. Sales per square foot information is self-reported data provided to the International Council of Shopping Centers by participating companies.



LEASED SPACE (%)

Since 2002, our leased space percentage has been consistently about 90 percent or greater, reaching its peak in 2007 at 93.8 percent. Even in the Great Recession of 2008 and 2009, our centers remained well-leased. Significantly, this important statistic began to grow again in 2010 indicating retailer interest in our high quality properties. It's not surprising that the world's greatest merchants want to do business in the most productive retail environments in the U.S.

2010
PORTFOLIO



ARIZONA MILLS
Tempe, AZ
arizonamills.com

BEVERLY CENTER
Los Angeles, CA
beverlycenter.com

SHOPS AT CHARLESTON PLACE
Charleston, SC
(leasing services)

CHERRY CREEK SHOPPING CENTER
Denver, CO
shopcherrycreek.com

CITY CREEK CENTER
Salt Lake City, UT
(Opening March 22, 2012)
shopcitycreekcenter.com

CRYSTALS AT CITYCENTER
Las Vegas, NV
(Leasing and development services)
crystalsatcitycenter.com

DOLPHIN MALL
Miami, FL
shopdolphinmall.com

FAIR OAKS
Fairfax, VA
shopfairoaksmall.com

FAIRLANE TOWN CENTER
Dearborn, MI
shopfairlane.com

GREAT LAKES CROSSING OUTLETS
Auburn Hills, MI
greatlakescrossingoutlets.com

IFC MALL
Yeouido, Seoul, South Korea
(Leasing, development
and management services)
ifcseoul.com

INTERNATIONAL PLAZA
Tampa, FL
shopinternationalplaza.com

MACARTHUR CENTER
Norfolk,VA
shopmacarthur.com

THE MALL AT MILLENIA
Orlando, FL
mallatmillenia.com

NORTHLAKE MALL
Charlotte, NC
shopnorthlake.com

THE MALL AT PARTRIDGE CREEK
Clinton Township, MI
shoppartridgecreek.com

THE PIER SHOPS AT CAESARS
Atlantic City, NJ
thepieratcaesars.com

REGENCY SQUARE
Richmond, VA
shopregencysqmall.com

THE MALL AT SHORT HILLS
Short Hills, NJ
shopshorthills.com

STAMFORD TOWN CENTER
Stamford, CT
shopstamfordtowncenter.com

STONY POINT FASHION PARK
Richmond, VA
shopstonypoint.com

SUNVALLEY
Concord, CA
shopsunvalley.com

TWELVE OAKS MALL
Novi, MI
shoptwelveoaks.com

WATERSIDE SHOPS
Naples, FL
watersideshops.com

THE MALL AT WELLINGTON GREEN
Palm Beach County, FL
shopwellingtongreen.com

WESTFARMS
West Hartford, CT
shopwestfarms.com

THE SHOPS AT WILLOW BEND
Plano, TX
shopwillowbend.com

WOODFIELD
Schaumburg, IL
(Leasing and management services)
shopwoodfield.com

MAP KEY
■ Owned centers
● Leasing, management
and/or development services
★ Project under development

Taubman

Taubman Centers, Inc.
Investor Presentation

August 2011

TCO
LISTED
NYSE

Who We Are – Over 60 Years in Business!

- **We were founded by Alfred Taubman in 1950 and have developed over 80 million square feet of retail and mixed-use properties**
- **We have developed urban and suburban malls that have redefined the shopping experience for both customers and retailers**
- **Studying the great marketplaces of the world, we incorporated timeless design features and innovations that have become the industry standard, including**
  - **Earliest two-level centers**
  - **First food courts and multiplex theatres**
  - **First ring road traffic systems**
  - **First column-free store design**

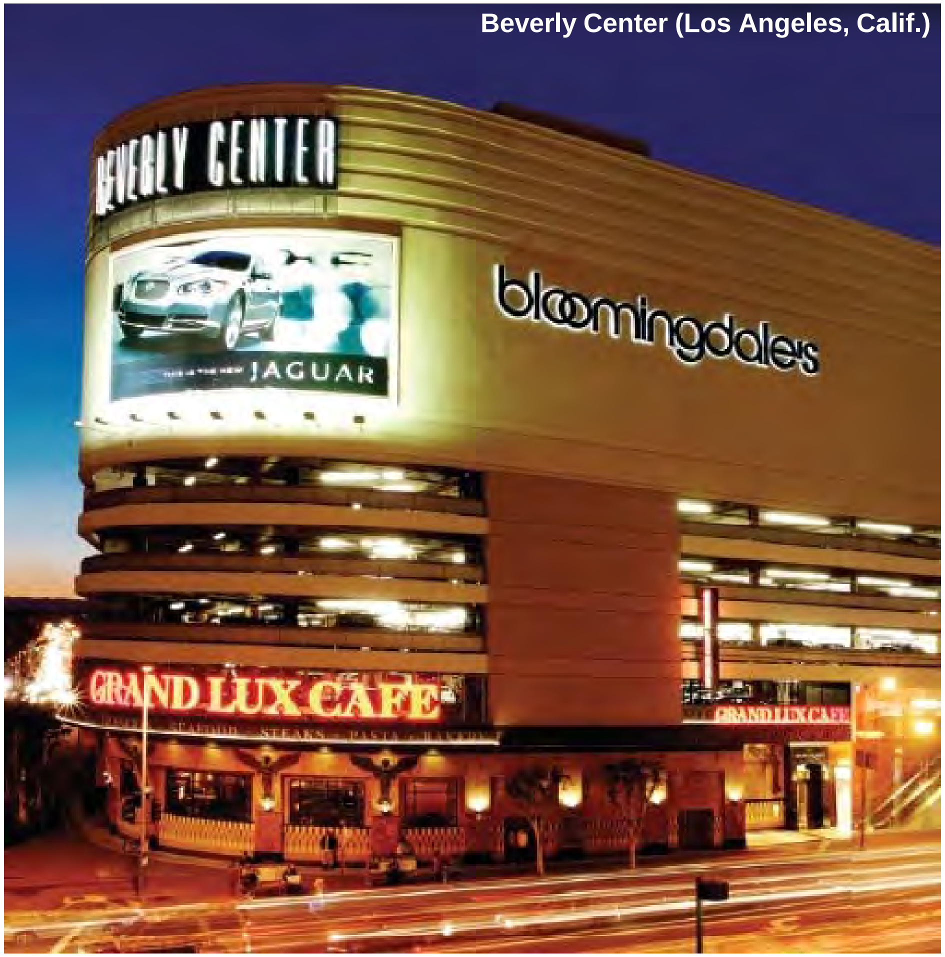
The Mall at Millenia (Orlando, Fla.)

- **We have always believed in the power of planning – every decision we make in the development and operation of our properties is guided by our commitment to break down *threshold resistance***
- **We have always approached our business with the mindset and passion of a retailer**
- **We have developed exceptional relationships with the world's great retailers – many select our centers for their first locations**
- **Taubman (NYSE: TCO) became the first publicly traded UPREIT in 1992, laying the groundwork for real estate companies in all sectors to access the public equity markets**

Our Mission and Values

The Taubman Mission
Our mission is to own, manage, develop and acquire retail properties that deliver superior financial performance to our shareholders. We distinguish ourselves by creating extraordinary retail properties where customers choose to shop, dine and be entertained; where retailers can thrive. We foster a rewarding and empowering work environment, where we strive for excellence, encourage innovation and demonstrate teamwork.

Our Values
✓ We Take The High Road
✓ We Play For The Team
✓ We Respect Everyone
✓ We Push The Envelope
✓ We Pursue Excellence
✓ We Honor Tomorrow Today
✓ We Are Accountable For Our Results
✓ We Love What We Do



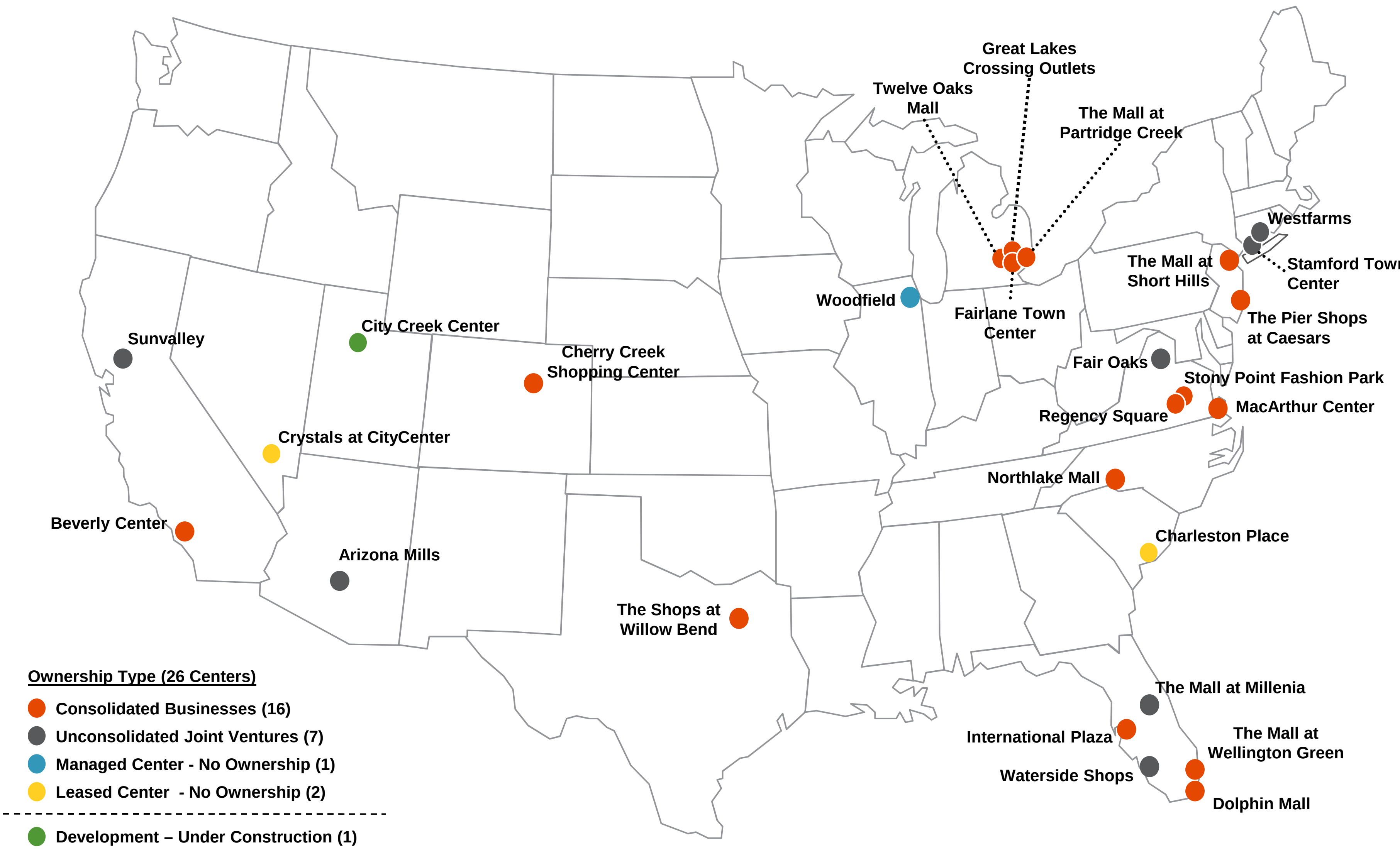
Our Points of Difference

- **Retailing is in our DNA**
  - Our approach is with a deep respect for and knowledge of our customers – both shoppers and retailers
- **We have an experienced, cycle-tested management team**
  - Members of the Operating Committee have been with Taubman for, on average, 18 years
- **We strive for quality rather than sheer size**
  - Our portfolio of 26 centers is large enough to give us important economies of scale and solidify our relationships with the world's best retailers
  - Yet not so large that we can't maximize the potential of every property – every asset receives the attention of senior management
- **We sweat every detail of the plan**
  - While cultures vary from place to place, there are universal elements to the way people shop, move through and experience retail environments
  - Getting the development planning right to maximize productivity is one of Taubman's most valuable and exportable strengths
- **We intensively manage every center**
  - We continually reinvest in our assets - over the last ten years we have renovated, expanded or built from scratch more than three quarters of our centers
  - Rising rent from new tenants and lease rollovers is the most significant element of our organic growth
  - Income is further bolstered by "non-traditional" and innovative sources such as corporate sponsorships, kiosks and temporary tenants

Intensively Managed Portfolio

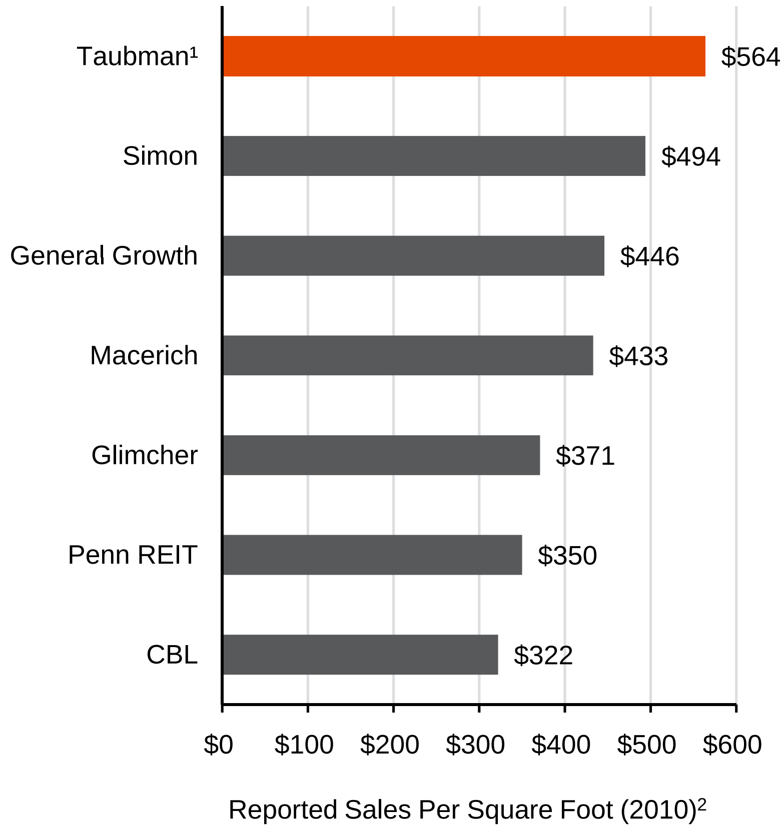
Number of centers owned at IPO (1992)	19
Centers developed	12
Centers acquired	8
Centers sold/exchanged	(16)
Number of centers owned today	23
Number of centers managed today	1
Number of centers leased today	2
Total	26

National Footprint Despite Smaller Size



Highest Quality Portfolio in the Mall Industry

Highest Portfolio Sales Per Square Foot



Centers Located in the Best Markets

UBS Investment Research Study

Trade Area Demographics (Jan. 27, 2009)

Taubman vs. Peers

- **Highest average household income ($82,600) – 12% higher than peer weighted average**
- **Aggregate household income ($14.2 billion) – 38% higher than peer weighted average**
- **Population density – 28% higher than peer weighted average**
- **Household density – over 20% higher than peer weighted average**

- **More than half of our owned centers are located in one of the top 20 most populous MSAs; 20 out of 23 owned centers are located in the one of top 50 MSAs**
- **Trade areas contain, on average, over 170,000 households earning $100,000 or more annually, with over 70,000 households earning $150,000 or more[1]**

Note: (1) Excludes The Pier Shops and Regency Square
(2) Typically excludes all anchors, temporary tenants and 10,000+ sf tenants
Source: Company SEC Filings, UBS, Taubman analysis

We are a Developer, Not a Consolidator

Taubman Developments (1999-2010)

Project	Opening Year	Investment in $MM Through 2010
MacArthur Center	1999	$159
Dolphin Mall	2001	327
The Shops at Willow Bend	2001	255
International Plaza	2001	343
The Mall at Wellington Green	2001	221
The Mall at Millenia	2002	208
Stony Point Fashion Park	2003	113
Northlake Mall	2005	171
The Mall at Partridge Creek	2007	146

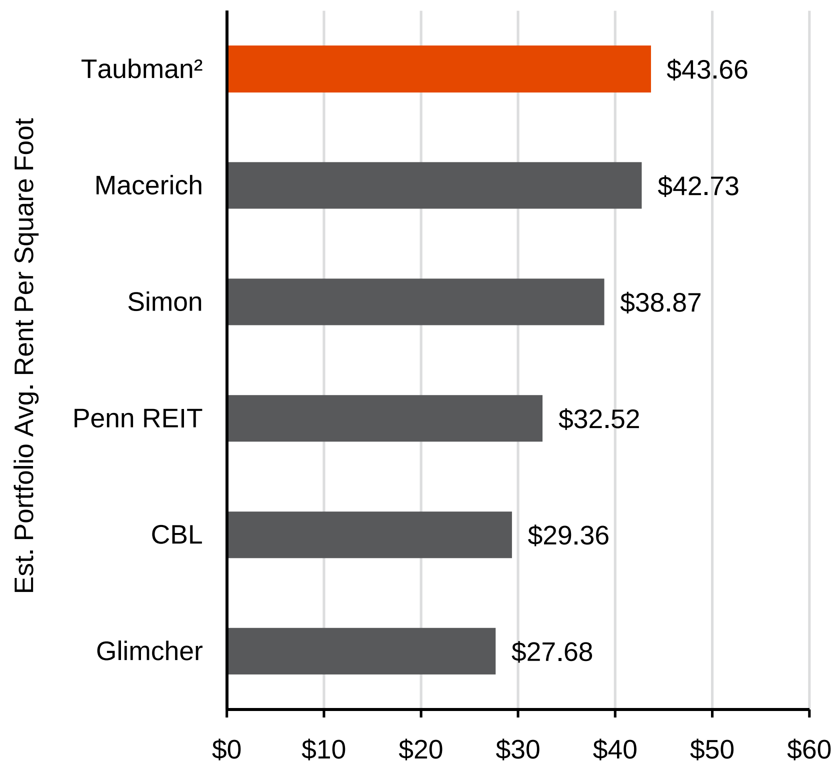
Close Relationships With Upscale Dept. Stores

- **Our U.S. developments since 1999 have delivered robust returns**[1]
  - On a total capital investment of about $2 billion, the leveraged IRR is approximately 26% based on a terminal cap rate of 7%
  - On an unlevered basis, the IRR would have been approximately 13%
  - On average, these centers are at least equal in quality to our portfolio average
- **Taubman has fostered close relationships with the upscale fashion department stores, becoming their developer of choice when they pursue expansion**
  - Most of our centers are anchored by at least one of these department store concepts – nearly half have two or more
  - Between 2001 and 2008, Taubman developed almost 40% of all ground up projects anchored by a full-line upscale fashion department store
- **We are one of the few developers remaining that possesses a full set of development capabilities internally**
  - City Creek Center is currently under construction and is expected to open in March 2012

Note: (1) Development Returns Analysis Notes: Includes all pre-development expenses and costs related to Sarasota and Oyster Bay; terminal values based on 2009 NOI; additional costs related to acquisition costs are excluded from the analysis per the notes and reconciliations page in the 2009 Annual Report
Source: Company Annual Report, Literature Research, Taubman analysis

Industry's Premier Leasing Team

Industry Leading Economics (2010)
Avg. Rent Per Square Foot[1]



Note: (1) General Growth excluded as they do not report Avg. Rent Per Square Foot
(2) Excludes The Pier Shops and Regency Square
Source: Company Filings, Company Quarterly Earnings Conference Call, Taubman analysis

Unique-to-Market Tenants

Examples of Tenants Whose First U.S. Mall Location Was at a Taubman Center

D&G DOLCE & GABBANA
DIESEL FOR SUCCESSFUL LIVING
RESTORATION HARDWARE
SONY
Desigual
J.LINDEBERG
MAX&Co.
MAC
Ben Sherman
PIAZZA SEMPIONE

Fiscally Disciplined Property Management With the Industry's Highest Standards

- **Since 2005, an increased number of our tenants are paying a fixed Common Area Maintenance (CAM) charge rather than the traditional net lease structure. This allows the retailer greater predictability of their costs. Our analysis shows premiums will balance our additional risk.**

- **Our centralized management structure yields economies of scale in purchasing, which often result in significant cost savings that fall to the bottom line in a fixed CAM system. At June 30, 2011, approximately 70% of our tenants effectively pay a fixed charge for CAM.**

The Mall at Short Hills (Short Hills, N.J.)

International Plaza (Tampa, Fla.)

Judicious Monetization of Common Areas – Specialty Leasing and Sponsorship - 12% of NOI

Illustrative Examples of Innovative Sponsorship Programs

Ice Palace Destination Holiday Experience – Twentieth Century Fox and Walden Media

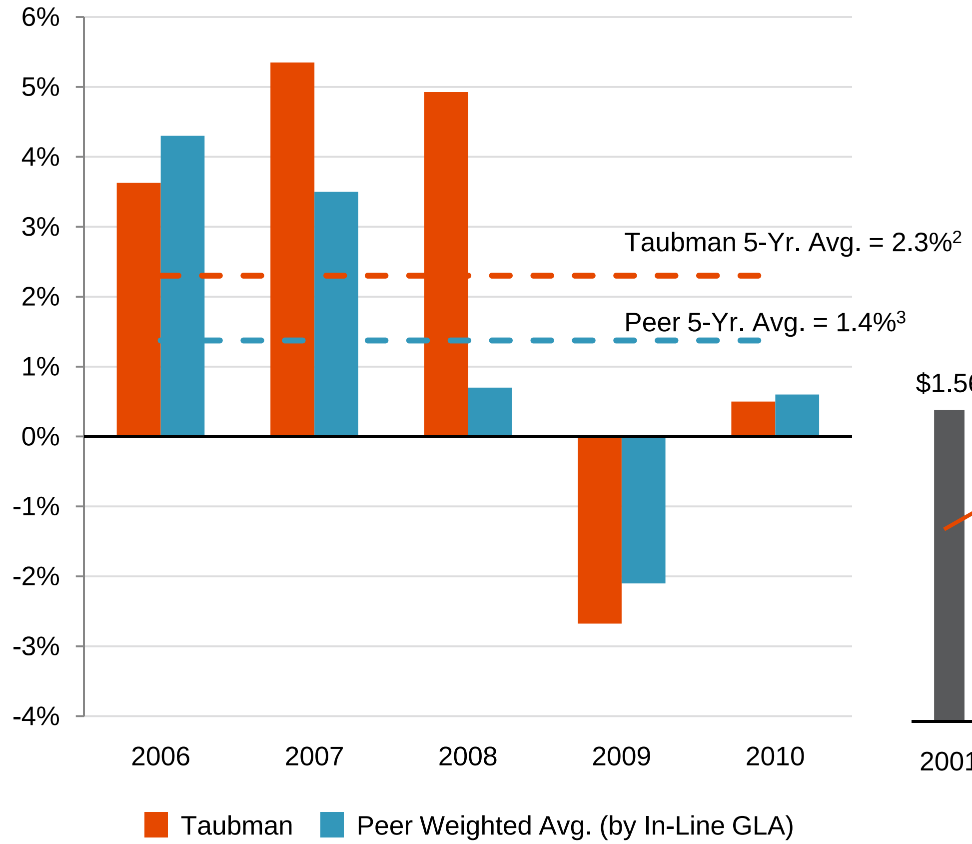
Customer Service Programs – e.g., Ticketmaster, AmEx Gift Cards

Sponsored Play Areas – e.g., Tampa Bay Rays & Warner Bros.

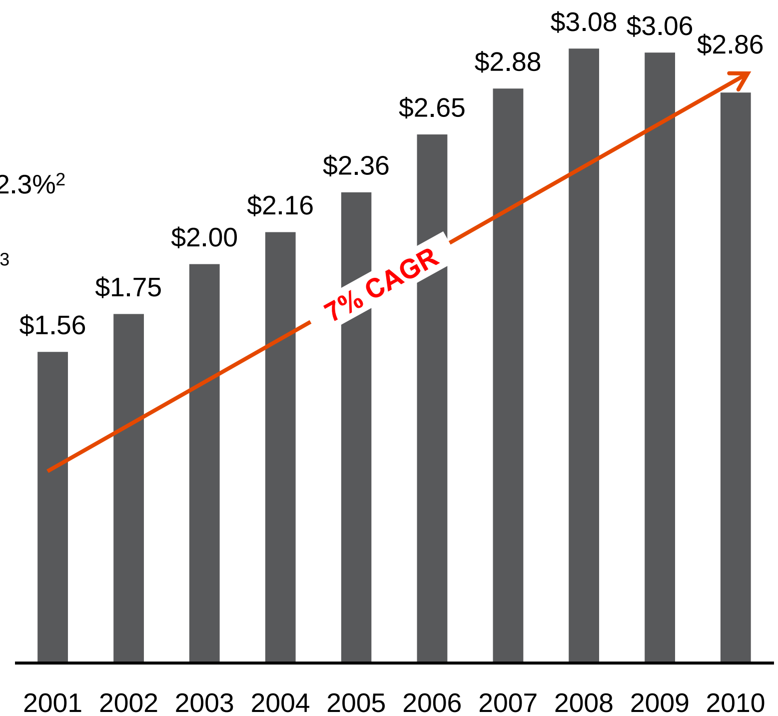
Turnkey Attractions – e.g., Wicked The Musical

Superior Operating Results[1]

Core NOI Growth



Adjusted Funds from Operations Per Diluted Share

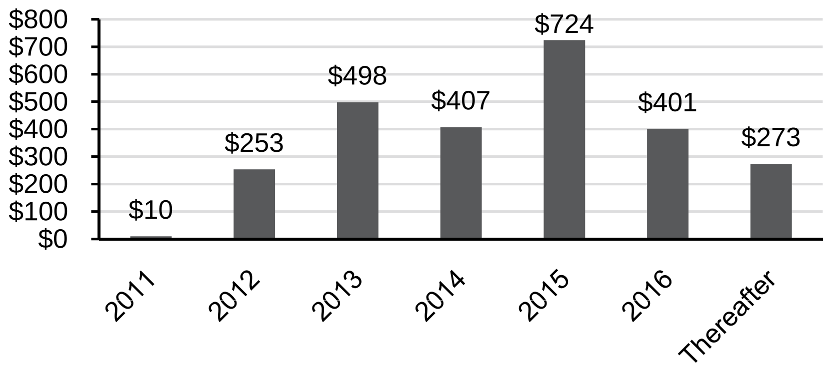


Note: (1) See page 21 regarding reconciliations to the most comparable GAAP measures
(2) Excludes lease termination income, The Pier Shops for all years and Regency Square for 2009 and 2010.
(3) As calculated by Green Street Advisors

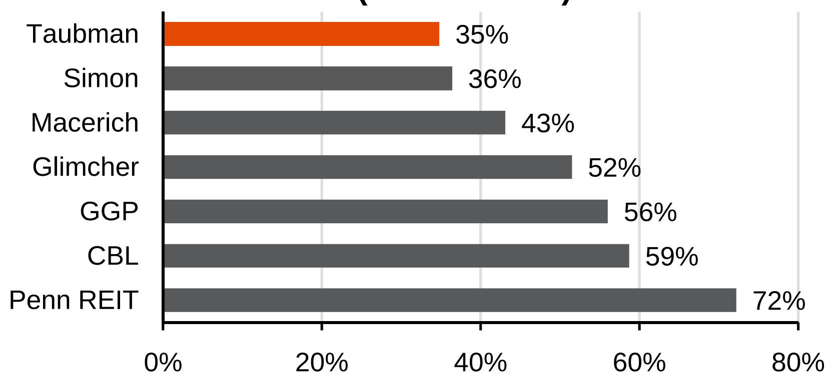
Source: Green Street Advisors, Taubman SEC Filings, Taubman analysis

Operational Excellence Complemented With Prudent Financial Management

Debt Maturities by Year
(As of 6/30/11, In Millions)[1]



Debt to Total Market Capitalization
(As of 6/30/11)

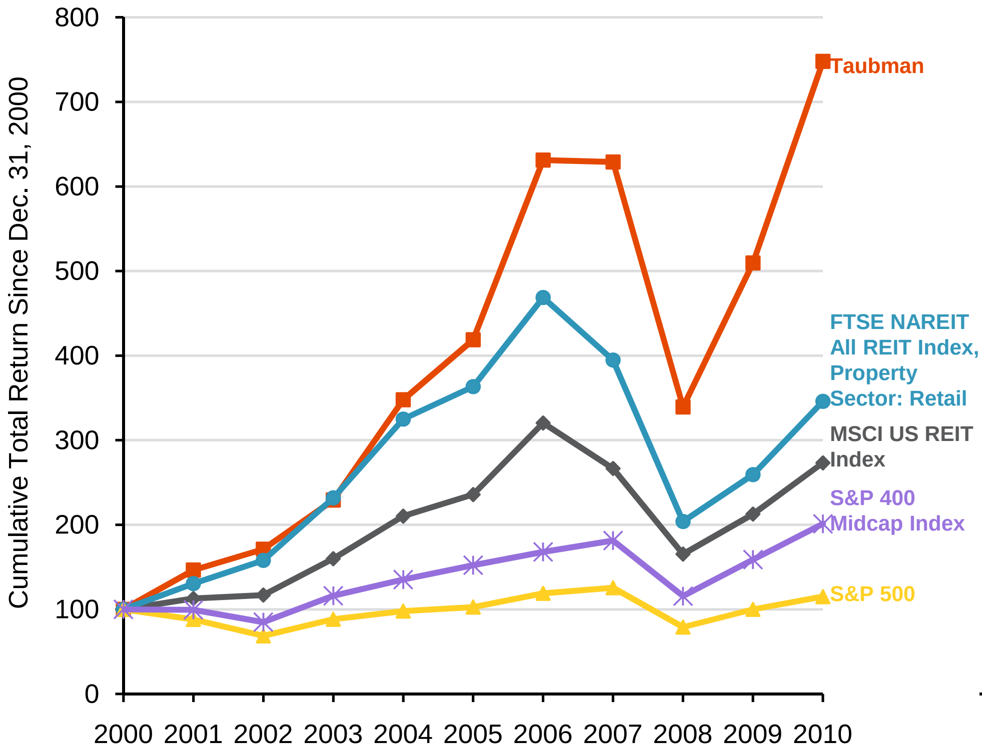


- **Taubman was one of a handful of U.S. REITs that were not forced to sell assets or raise common equity in 2009 or 2010, avoiding shareholder dilution**
- **Taubman completed $112 million equity offering in June 2011, enhancing our liquidity for future investments**
- **Healthy coverage ratios, as of June 30, 2011**
  - Interest coverage ratio: 2.4
  - Fixed charge coverage ratio: 2.0
- **Secured lines of credit: $715 million[2]**
  - Availability: $565.3 million (as of June 30, 2011)
  - In July 2011, we refinanced our primary line of credit
  - The new line increased the borrowing capacity from $550 million to $650 million, and matures in January 2015
- **Property-specific secured debt carries lower risk compared to peers**
  - Use of moderate leverage historically mitigates future re-financing risk
  - Typically non-recourse loans to the parent
  - No cross collateralization

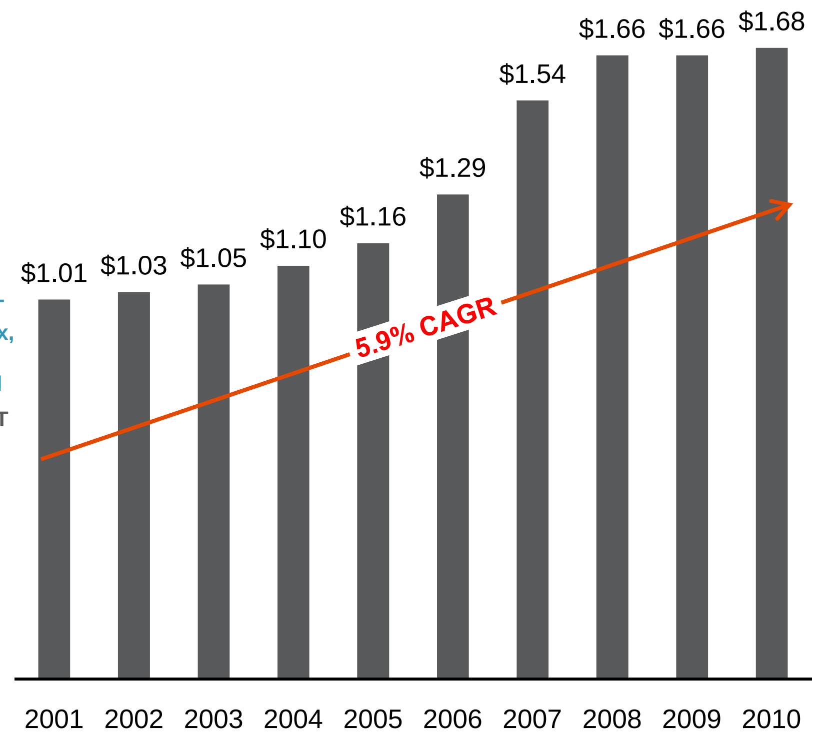
Note: (1) Maturities assume that all extension options have been exercised and no pay downs are required upon extension; at TRG share. Excludes The Pier Shops and Regency Square.
(2) Subsequent to July 2011 refinancing of our primary line of credit.
Source: Company Quarterly Supplementals, Taubman analysis

History of Delivering Superlative Performance for Shareholders

Shareholder Returns



Dividend Payout Per Share[1]



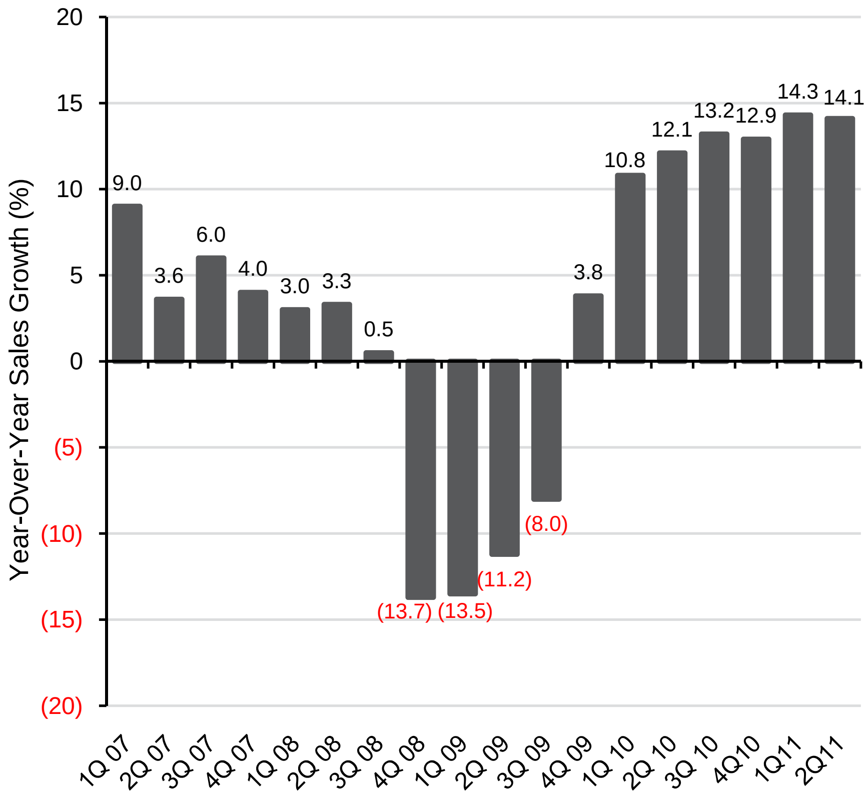
- **Taubman has never reduced its dividend since our IPO in 1992**
- **In 2009, Taubman was the only mall REIT among its peers[2] not to reduce its dividend – Taubman also maintained an all-cash dividend throughout the year**

Note: (1) 2010 excludes special dividend of $0.1834 per share paid in December, 2010. The annualized amount of the fourth quarter, regular dividend is $1.75.
(2) Peer group includes CBL, Glimcher, Macerich, Penn REIT and Simon
Source: Company SEC Filings, Taubman analysis

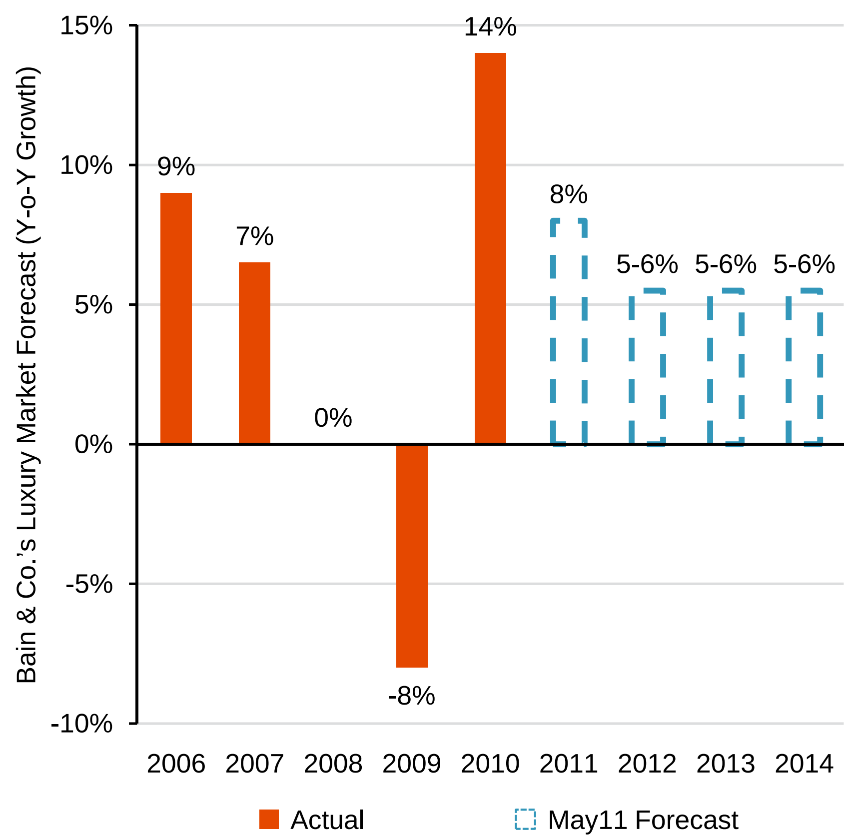
Future Growth

Internal Growth – Poised for a Rebound Based on Sales Recovery

Taubman's Sales Rebounding



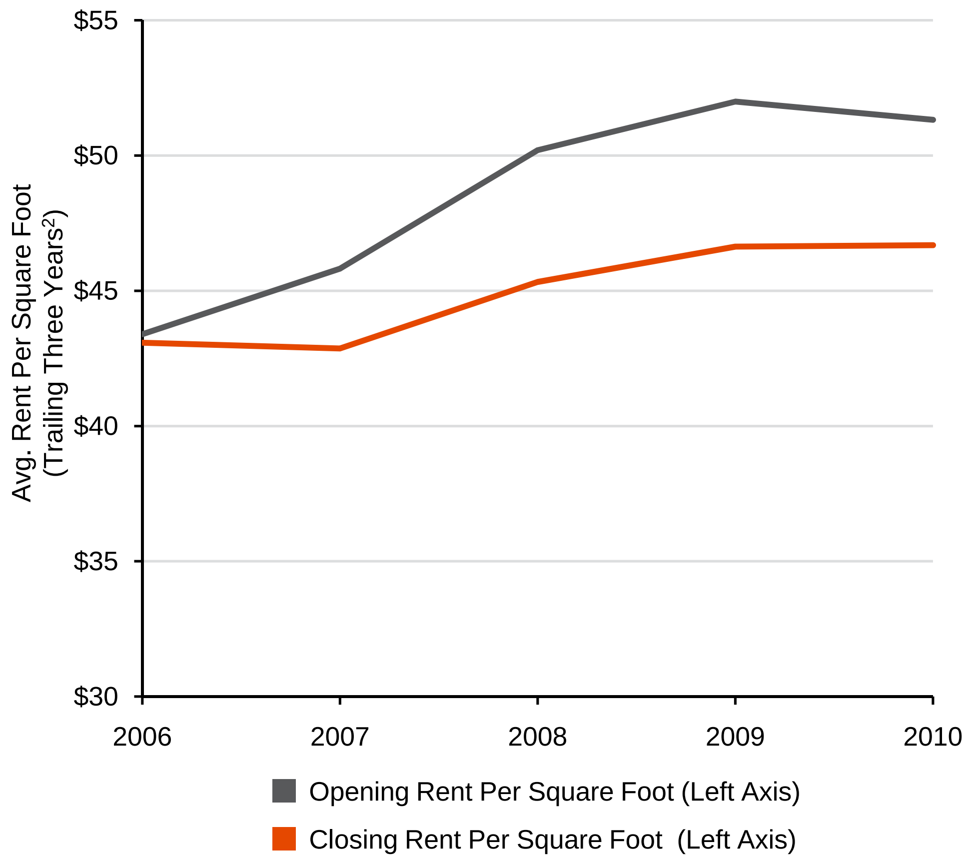
Luxury Sales Projected to Resume Growth



Source: Bain, as reported in Company Filings, Thomson Reuters, Taubman analysis

Internal Growth – NOI Growth Levers

Positive Releasing Rent Spreads[1]



Other NOI Growth Levers

- **Increase in percentage rent**
- **Increase in sponsorship revenue**
- **Reduction in CAM costs**
- **Reduction in rent relief**
  - Current tenant receiving rent relief resumes paying full rent
  - Current tenant receiving rent relief is replaced with a tenant paying full rent

Note: (1) Excludes The Pier Shops for all years and Regency Square for 2009 and 2010
(2) Trailing three years metrics are used to smooth year-to-year volatility in the quality and quantity of the opening and closing space; data is a weighted average of the consolidated and unconsolidated properties

Source: Company Filings, Taubman analysis

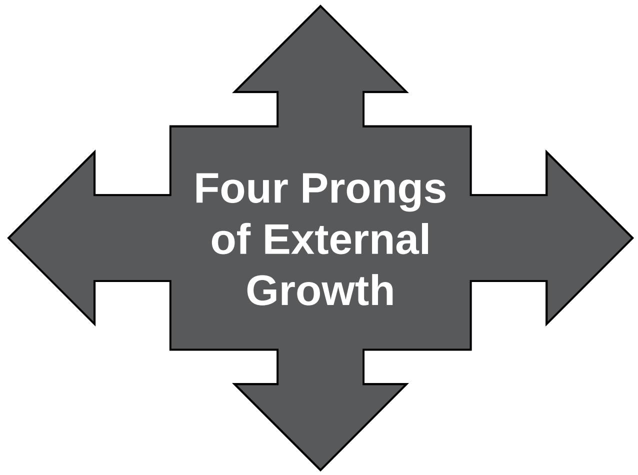
External Growth – Four Prongs of External Growth

Outlet Centers

We believe that outlet centers are a natural extension of our existing capabilities and anticipate that outlet development opportunities will outnumber traditional ones in the coming years. Our goal is to build five to ten outlet centers over the next ten years.

Acquisitions

With respect to U.S. acquisitions, the mall sector is extremely consolidated, especially the better assets we find attractive. We're always watching and have capital available for selective opportunities. We're also open to acquisition opportunities in Asia and think the markets there may provide more for us to consider.



U.S. Traditional Development

Steady population growth in America will lead to U.S. development opportunities. We expect to build four to five projects over the next ten years.

Asia

We are pursuing opportunities in Asia, with our efforts currently focused on South Korea and China. We have generated fees from our involvement in projects in Macao, Seoul and New Songdo, South Korea.

External Growth – Four Prongs of External Growth
U.S. Traditional Development – City Creek Center

City Creek Center – Salt Lake City, Utah
• Expected opening: March 2012 • Owned under a lease structure with City Creek Reserve, Inc., an affiliate of the LDS Church • Centerpiece of a 20-acre mixed-use development in downtown Salt Lake City - Retail portion of the complex will include 700,000 sf of retail and restaurant space, anchored by a 124,000 sf Nordstrom and 150,000 sf Macy's - Other uses include 1.4 million sf of office space, 540 residential units, a newly renovated 510-room Marriott Hotel and a 50,000 sf Harmon's Gourmet Grocery • Projected return: 11%-12% on our investment of $76 million

Investment Summary

- Highest Quality Portfolio
- Superior Operating Results: Accelerating NOI
- Developer, Not a Consolidator
- Strong Balance Sheet: Prudent Financial Management
- History of Dividend Growth: Maintained Cash Payout During Recession
- Strong Historical Shareholder Returns

Forward Looking Language

For ease of use, references in this presentation to “Taubman Centers”, “company,” “Taubman Asia” or “Taubman” mean Taubman Centers, Inc. or one or more of a number of separate, affiliated entities. Business is actually conducted by an affiliated entity rather than Taubman Centers, Inc. itself.

This presentation may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements reflect management's current views with respect to future events and financial performance. The forward-looking statements included in this presentation are made as of the date hereof. Except as required by law, we assume no obligation to update these forward-looking statements, even if new information becomes available in the future. Actual results may differ materially from those expected because of various risks and uncertainties, including, but not limited to the continuing impacts of the U.S. recession and global credit environment, other changes in general economic and real estate conditions, changes in the interest rate environment and the availability of financing, and adverse changes in the retail industry. Other risks and uncertainties are discussed in the company's filings with the Securities and Exchange Commission including its most recent Annual Report on Form 10-K.

Reconciliation of Net Income (Loss) to Net Operating Income[1]

CORE NOI GROWTH: RECONCILIATION OF NET INCOME (LOSS) TO NET OPERATING INCOME [1]
(in millions of dollars; amounts may not add due to rounding)

Year Ended	2005	2006	2006	2007	2007	2008	2008	2009	2009	2010
Net income (loss)	110.2	95.1	95.1	116.2	116.2	(8.1)	(8.1)	(79.2)	(79.2)	102.3
Gain on dispositions of property	(52.8)	-	-	-	-	-	-	-	-	-
Depreciation and amortization	152.4	150.2	150.2	143.7	143.7	158.1	158.1	157.8	157.8	165.5
Interest expense and income tax expense	153.7	146.9	146.9	150.7	150.7	162.7	162.7	160.9	160.9	165.3
Noncontrolling share of income of consolidated joint ventures	-	(5.8)	(5.8)	(5.0)	(5.0)	(7.4)	(7.4)	(3.1)	(3.1)	(9.8)
EBITDA attributable to outside partners	106.7	104.6	104.6	116.6	116.6	122.2	122.2	109.5	109.5	123.6
EBITDA at 100%	470.3	491.1	491.1	522.2	522.2	427.5	427.5	346.0	346.0	547.0
Items excluded from shopping center Net Operating Income	27.4	28.0	28.0	33.1	33.1	162.9	162.9	239.3	239.3	41.2
Net Operating Income - all centers at 100%	497.7	519.2	519.2	555.2	555.2	590.4	590.4	585.3	585.3	588.2
Less - Net Operating Income of non-comparable centers	26.4	24.7	6.1	16.5	5.0	15.8	3.0	2.6	7.8	8.4
Net Operating Income at 100%	471.3	494.5	513.1	538.7	550.2	574.5	587.4	582.7	577.5	579.8
Less - Lease Cancellation Income	9.5	15.9	16.5	15.6	15.6	13.5	13.6	24.2	24.2	23.5
Net Operating Income at 100% - Excluding Lease Cancellation Income	461.8	478.5	496.6	523.1	534.7	561.0	573.8	558.5	553.3	556.3
Net Operating Income - Excluding Lease Cancellation Income- growth %		**3.6%**		**5.3%**		**4.9%**		**-2.7%**		**0.5%**

[1] The Company uses Net Operating Income (NOI) as an alternative measure to evaluate the operating performance of centers, both on individual and stabilized portfolio bases. The Company defines NOI as property-level operating revenues (includes rental income excluding straightline adjustments of minimum rent) less maintenance, taxes, utilities, ground rent, and other property operating expenses. Since NOI excludes general and administrative expenses, pre-development charges, interest income and expense, depreciation and amortization, impairment charges, restructuring charges, and gains from land and property dispositions, it provides a performance measure that, when compared period over period, reflects the revenues and expenses most directly associated with owning and operating rental properties, as well as the impact on their operations from trends in tenant sales, occupancy and rental rates, and operating costs. The Company also uses NOI excluding lease cancellation income as an alternative measure because this income may vary significantly from period to period, which can affect comparability and trend analysis. Core Net Operating Income includes centers that have been owned and open for the two periods being compared and excludes The Pier Shops at Caesars and Regency Square. The composition of core centers changes as centers are opened, acquired, or sold.

This presentation includes non-GAAP financial measures as defined by S.E.C. Regulation G. Definitions, discussion and reconciliations of non-GAAP financial measures to the comparable GAAP financial measure are disclosed in the Company's most recent Annual Report on Form 10-K and the Company's 2010 Annual Report, included on the Company's website.

Taubman Centers, Inc. (TCO)

October 21, 2011

DJIA: **11,809** | RMZ: **757** | 10-Year T-Note: **2.2%**

Price: **$56.14** | Recommendation: **BUY**

Green Street Advisors

The 1% Is Welcome Here

I. Overview

Taubman Centers (TCO) kicked off the mall sector's 3Q11 earnings season by again reporting strong tenant sales growth. While U.S. and global economic headwinds have picked up over the last three months, and uncertainty is high for future tax rates for upper-income earners, shoppers in Taubman malls appear unfazed. The spending habits of "the 1%" and other "rich" have boosted tenant confidence. This, in turn, has given Taubman more leverage when negotiating rental rates and has led to better-than-expected growth in NOI. Just as the rebound in tenant sales has been skewed towards the owners of higher-end portfolios, so too has the rebound in mall operating fundamentals. NOI growth for high-productivity owners should materially outpace the results for their lower-productivity peers in 3Q11 as well as the next several years.

II. What Taubman's Results Mean for the Rest of the Sector

- **The Positive Sales Trend Continues:** Taubman reported a 12% increase in tenant sales during the quarter, making 3Q11 the seventh consecutive quarter of double-digit sales growth. The company owns the highest-quality portfolio in the mall REIT sector and continues to benefit from the resurgence in spending by "the rich." Taubman's sales results should outpace the higher-productivity peer group (General Growth, Macerich, Simon, and Westfield) by a few hundred basis points and the medium-to lower-productivity group (CBL & Associates, Glimcher, and Penn REIT) by a much larger margin. While sales growth was solid across the board during the quarter, management indicated tourist markets, especially Florida, remain strong. This trend will likely have a positive impact on Simon's results.
- **Near-Term Mall M-RevPAF Still Strong:** The continued strength in tenant sales has shifted some negotiating power to the landlord side of the table. Market rents are likely growing in parallel to sales and high-end mall rents are on a steady upward trajectory. Market-RevPAF (i.e., the product of changes in market rents and occupancy) for the sector is expected to grow 5% during '11 and 3% in '12. Given continued strong sales growth, market rents may be growing faster than recently expected. By contrast, occupancy in the Taubman portfolio (93%) is up only modestly from one year ago when including temporary leases. This result is likely a reflection of 1) tepid demand from new concepts, and 2) Taubman's desire to maintain the "right" tenant mix, at the "right" rents in its centers. Occupancy gains by the peer group will likely outpace Taubman but should not be spectacular.
- **Better-than-Expected Internal Growth:** Strong re-leasing spreads and growth in average base rents drove a 6% (ex non-recurring CAM-related income) increase in same-property NOI during the quarter for Taubman. With Taubman's full-year NOI tracking higher than its previous forecast, management increased guidance for full-year '11. Our forecasted growth of 2.7% for '11 has now proven conservative and we will likely increase our estimate past management's new 3% guidance.

Valuation Measures*	
Green Street Nominal Cap Rate:	5.7%
Green Street Economic Cap Rate:	4.9%
Implied Nominal Cap Rate:	6.0%
2012E AFFO Yield:	4.0%

Warranted Pricing	
Warranted Premium to UAV:	-3.7%
Sector Average Premium to UAV:	-4.8%
NAV/sh Estimate:	$61.00
Warranted Share Price:	$57.41

*Nominal cap rate is before cap-ex. Economic cap rate is after cap-ex. Implied nominal cap rate is the cap rate at which NAV/sh equals the current share price.

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T 949.640.8780 F 949.640.1773

- **Closer to Breaking Ground?** Taubman continues to pursue a number of opportunities on the U.S. development front. The material improvement in tenant sales means that ground-up mall development is closer to penciling. Taubman expects to build roughly a quarter of the new malls constructed in the U.S. over the next decade. There is now a growing possibility that developers will become active again in the near-term. While very low by historical standards, new mall supply will start growing in '14 and beyond and our current supply forecast could prove too conservative.
- **No Sale at These Malls**: Earlier this month, Taubman entered into an agreement to buy two high-productivity retail properties from a private owner ($560mm, 7% expansion of asset base). The disclosed nominal cap rate on the transaction was 4.5%. Given the low occupancy cost ratios and the expected growth in near-term NOI at the properties, pricing is better considered by looking at the projected total return (i.e., the IRR) rather than just the initial cap rate. The estimated low-to-mid 7% IRR is consistent to slightly lower than the returns currently expected for high-end malls. **The transaction appears to, at a minimum, support the cap rates used to value high-end malls in our NAV estimates. It may also suggest that the high-end mall cap rates should be decreased slightly.**

III. A Taubman Accounting Note

An accounting change associated with Taubman's transition to "fixed CAM" leases (i.e., charging tenants a fixed rate for common area maintenance expenses rather than passing expenses incurred) has impacted the optics of the reported same-property NOI growth in '11. While economically inconsequential, this accounting change has boosted YTD NOI growth but will be offset by a substantially negative (in the range of -3% to -4%) NOI result in 4Q11. Don't let the accountants fool you, Taubman's business remains sound.

NOI in the mall sector can be inflated due to the accounting treatment of capital expenditures. In certain circumstances, a portion of the costs associated with improvements (i.e., a new floor or fresh coat of paint) can be recouped from tenants. This reimbursement flows into the income statement of the REIT while the associated costs are capitalized and depreciated. In addition to overstating NOI, this treatment can also lead to volatility in a REIT's reported NOI when the level of investment varies from year to year.

IV. Recommendation

Taubman owns the highest-productivity portfolio in the mall REIT sector and has benefited from the continued strength in discretionary spending by "the rich". This trend has resulted, and should continue to result, in much better operating fundamentals at higher-productivity malls than lower-productivity ones. Taubman has also maintained a conservative balance sheet and is well positioned for either a ramp up in its external growth pipeline or buying back shares if the opportunity arises.

Taubman trades at a 5% **discount** to unleveraged asset value, which compares to an 8% **premium** for mall sector blue-chip Simon Properties, and a 5% **discount** for the sector average. As a result, Taubman's shares appear overly discounted. At the current price, we maintain our BUY recommendation on the shares of Taubman.

Cedrik Lachance
Andrew Johns, CFA
Daniel J. Busch
Julie Heckman

Green Street's Disclosure Information

Analyst Certification – The research analysts listed below hereby certify that all of the views expressed in this research report accurately reflect their personal views about any and all of the subject companies or securities. They also certify that no part of their compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. Research Analysts: Cedrik Lachance, Andrew Johns, Daniel J. Busch, Julie Heckman.

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- Unless otherwise indicated, Green Street reviews all investment recommendations on at least a monthly basis.
- The research recommendation contained in this report was first released for distribution on the date identified on the cover of this report.
- Green Street will furnish upon request available investment information supporting the recommendation(s) contained in this report.

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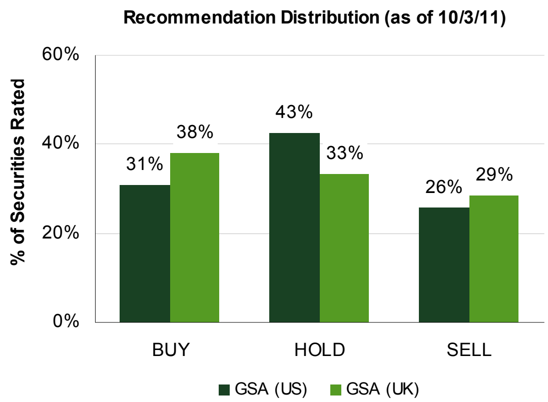
At any given time, Green Street publishes roughly the same number of "BUY" recommendations that it does "SELL" recommendations.

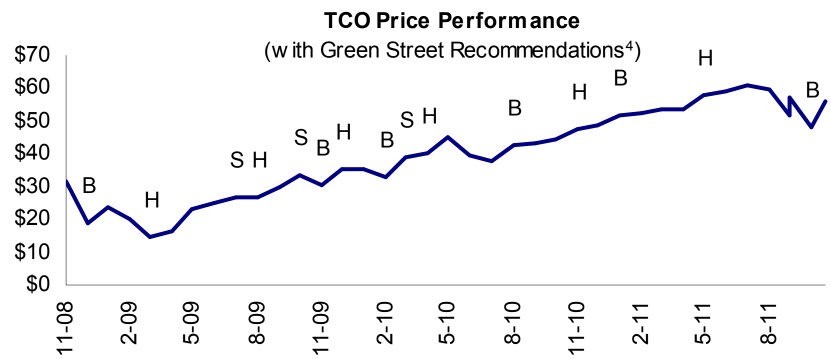


Green Street's "BUYs" have historically achieved far higher total returns than its "HOLDs", which, in turn, have outperformed its "SELLs".

Total Return of Green Street's Recommendations[1,2]

Year	Buy	Hold	Sell	Universe[3]
2011 YTD	-5.9%	-10.6%	-19.8%	-11.7%
2010	43.3%	32.8%	26.6%	33.8%
2009	59.0%	47.7%	6.0%	37.9%
2008	-28.1%	-30.9%	-52.6%	-37.3%
2007	-6.9%	-22.4%	-27.8%	-19.7%
2006	45.8%	29.6%	19.5%	31.6%
2005	26.3%	18.5%	-1.8%	15.9%
2004	42.8%	28.7%	16.4%	29.4%
2003	43.3%	37.4%	21.8%	34.8%
2002	17.3%	2.8%	2.6%	5.4%
2001	34.9%	19.1%	13.0%	21.1%
2000	53.4%	28.9%	5.9%	29.6%
1999	12.3%	-9.0%	-20.5%	-6.9%
1998	-1.6%	-15.1%	-15.5%	-12.1%
1997	36.7%	14.8%	7.2%	18.3%
1996	47.6%	30.7%	18.9%	32.1%
1995	22.9%	13.9%	0.5%	13.5%
1994	20.8%	-0.8%	-8.7%	3.1%
1993	27.3%	4.7%	8.1%	12.1%
Cumulative Total Return	**5435.5%**	**452.4%**	**-36.1%**	**506.4%**
Annualized	**24.0%**	**9.6%**	**-2.4%**	**10.1%**

The chart below shows TCO's price performance over the last three years, along with Green Street's recommendations during that time.



The results shown in the table in the upper right corner are hypothetical; they do not represent the actual trading of securities. Actual performance will vary from this hypothetical performance due to, but not limited to 1) advisory fees and other expenses that one would pay; 2) transaction costs; 3) the inability to execute trades at the last published price (the hypothetical returns assume execution at the last closing price); 4) the inability to maintain an equally-weighted portfolio in size (the hypothetical returns assume an equal weighting); and 5) market and economic factors will almost certainly cause one to invest differently than projected by the model that simulated the above returns. All returns include the reinvestment of dividends. Past performance, particularly hypothetical performance, can not be used to predict future performance.

(1) Results are for recommendations made by Green Street's North American Research Team only (includes securities in the US, Canada, and Australia). Uses recommendations given in Green Street's "Real Estate Securities Monthly" from January 28, 1993 through October 3, 2011. Historical results from January 28, 1993 through September 1, 2011 were independently verified by an international "Big 4" accounting firm. The accounting firm did not verify the stated results subsequent to September 1, 2011. As of September 1, 2011, the annualized total return of Green Street's recommendations since January 28, 1993 was: Buy +25.2%, Hold +10.6%, Sell -1.5%, Universe +11.1%.

(2) Company inclusion in the calculation of total return has been based on whether the companies were listed in the primary exhibit of Green Street's "Real Estate Securities Monthly". Beginning April 28, 2000, Gaming C-Corps and Hotel C-Corps, with the exception of Starwood Hotels and Homestead Village, are not included in the primary exhibit and therefore not included in the calculation of total return. Beginning March 3, 2003, all Hotel companies are excluded.

(3) All securities covered by Green Street with a published rating that were included in the calculation of total return. Excludes "not rated" securities.

(4) Green Street has only three recommendations: BUY ("B"), HOLD ("H") and SELL ("S"). The firm does not consistently publish price targets and therefore price targets are not included in this graph. Per NASD rule 2711, "Buy" = Most attractively valued stocks. We recommend overweight position; "Hold" = Fairly valued stocks. We recommend market-weighting; "Sell" = Least attractively valued stocks. We recommend underweight position.

Green Street will furnish upon request available investment information regarding the recommendation

Forest City Material

Appendix C

Forest City Enterprises, Inc.
2010 Summary Annual Report and Supplemental Package

50 years as a public company

About the Company

Forest City Enterprises, Inc. is an $11.8 billion real estate company principally engaged in the ownership, development, management and acquisition of commercial and residential real estate and land throughout the United States. We have regional offices in Albuquerque, Boston, Chicago, Dallas, Denver, London (England), Los Angeles, New York City, San Francisco, Washington, D.C., with our corporate headquarters in Cleveland. The Company's shares of Class A and Class B common stock are listed on the New York Stock Exchange – FCEA and FCEB. In 2010, the Company marked its 50th year as a public company.

Table of Contents

This Summary Annual Report and Supplemental Package is only a summary of fiscal year 2010 and should be read in conjunction with our Annual Report on Form 10-K as filed with the Securities and Exchange Commission. A copy of the Form 10-K may be obtained upon written request to the Company. Statements made in this Summary Annual Report that state management's intentions, hopes, beliefs, expectations or predictions of the future are forward-looking statements. Please see the discussion of Risk Factors in Item 1A of our Form 10-K for a discussion of some of the factors that could cause our actual results to differ materially from those forward-looking statements.

Real Estate Portfolio Overview*[6]
January 31, 2011

Retail	Square Feet Including Anchors 26,464,000
Office Buildings	Leasable Square Feet 14,259,000
Hotels	Rooms 1,573
Apartments Includes residual interest in 741 Federally Subsidized housing units	Units 34,355
Military Housing	Units 11,919
Arena	Square Feet/Seats 670,000/18,000
Land Development	Gross Acres Held 11,415

*includes unconsolidated properties

On the cover *(left to right): Victoria Gardens in Rancho Cucamonga, California; Stapleton in Denver; New York Times Building in New York City; Waterfront Station in Washington, D.C.; Presidio Landmark in San Francisco; 8 Spruce Street in New York City*

On the back cover *(left to right): Metro 417 in Los Angeles; University Park at MIT in Cambridge, Massachusetts; MetroTech Center in New York City; The River Lofts at Tobacco Row in Richmond, Virginia; San Francisco Centre in San Francisco; Central Station in Chicago*

(See footnotes on page 16)

Commercial Group

2010 Performance at a Glance

EBDT[2]	$ 277.5 mil.
Comparable NOI Increase[5]	2.0%
Retail Comparable NOI Increase[5]	2.2%
Office Comparable NOI Increase[5]	2.1%
Regional Mall Sales Per Square Foot	$399
Comparable Regional Mall Sales Increase	3.2%
Comparable Retail Occupancy	91.2%
Comparable Office Occupancy	88.4%

Portfolio at a Glance[6]

Total	
Completed Projects	99
Projects Under Construction	2
Total Assets	$ 8.5 bil.
Retail	
Completed Retail Centers	44
Retail Centers Under Construction	1
Total Retail Square Footage	26.5 mil.
Gross Leasable Area	16.0 mil.
Office	
Completed Office Buildings	51
Office Buildings Under Construction	0
Office Square Footage	14.3 mil.
Arena	
Arena Under Construction	1
Total Arena Square Footage	670,000
Estimated Seating Capacity for NBA Basketball Event	18,000
Hotel	
Completed Hotels	4
Total Rooms	1,573

Residential Group

2010 Performance at a Glance

EBDT[2]	$ 106.6 mil.
Comparable NOI Increase[5]	2.7%
Comparable Annual Average Occupancy	94.7%
Comparable Year-End Occupancy	94.3%

Portfolio at a Glance[6]

Total Assets	$ 2.7 bil.
Completed Apartment Communities	120
Apartment Communities Under Construction	2
Completed Apartment Units	33,282
Apartment Units Under Construction	1,073
Completed Military Housing Communities	1
Military Housing Communities Under Construction	7
Completed Military Housing Units	1,952
Military Housing Units Under Construction	9,967

Land Development Group

2010 Performance at a Glance

EBDT[2]	$ 2.4 mil.
Gross Acres Owned at Year-End	11,415
Number of Projects	35
Acres with Option to Purchase	8,358

Financial Highlights

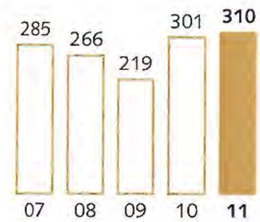
Forest City Enterprises, Inc. and Subsidiaries

	January 31, 2011		January 31, 2010 (as adjusted)
	(in thousands, except share and per share data)		
Operating Results:			
Revenues from real estate operations . . . . . . $	**1,177,661**	$	1,232,013
Earnings before depreciation, amortization, and deferred taxes (EBDT)[2]	**309,875**		301,106
Net earnings (loss) attributable to Forest City Enterprises, Inc.	**58,660**		(30,651)
Net earnings (loss) attributable to Forest City Enterprises, Inc. common shareholders	**46,853**		(30,651)
Per Share:			
EBDT[3][4] . . . . $	**1.59**	$	2.00
Net earnings (loss) attributable to Forest City Enterprises, Inc. . . . . $	**0.34**	$	(0.22)
Net earnings (loss) attributable to Forest City Enterprises, Inc. common shareholders . . . . $	**0.30**		(0.22)
Basic weighted average common shares outstanding[3][4]	**155,485,243**		139,825,349
Diluted weighted average common shares outstanding[3][4]	**200,909,266**		151,890,543
Share Price:			
Class A . . . . $	**16.91**	$	11.31
Class B	**16.77**		11.27
Financial Position:			
Consolidated assets . . . . $	**11,769,209**	$	11,916,711
Real estate, at cost	**11,166,539**		11,340,779
Nonrecourse mortgages and notes payable . .	**7,207,218**		7,619,873
Other long-term debt, including senior and subordinated debt	**910,835**		1,159,940
Consolidated shareholders' equity	**1,529,399**		1,148,626

(See footnotes on page 16)

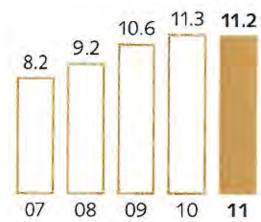
EBDT[2]

Years ended January 31, (in millions)



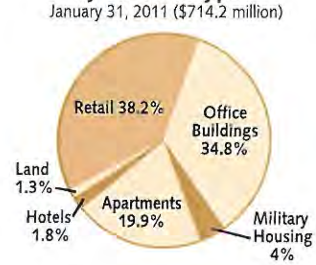
Real Estate, at Cost

January 31, (in billions)



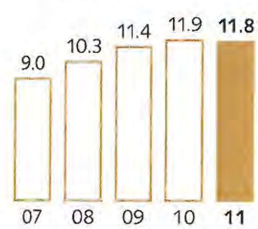
Net Operating Income by Product Type[5]

January 31, 2011 ($714.2 million)



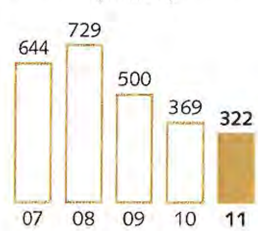
Total Assets

January 31, (in billions)



Liquidity

Cash and credit available January 31, (in millions)



Dear Fellow Shareholders:

2010 was a milestone year for Forest City in many respects. It marked our 50th year as a public company, and 90 years since our founding, but its significance went far beyond anniversaries. It was a year of important financial and strategic progress for the Company. Our portfolio performed very well, we opened signature new properties and we made substantial strides on our pipeline projects. We took major steps to improve our balance sheet and position the Company for future growth. In the market-place, we began to see signs of a gradual turnaround in key real estate fundamentals. All of these things have contributed to a growing sense of optimism and possibility for the future.

We are pleased with our fiscal 2010 results overall – including achieving record total EBDT. These results were driven by the strong performance of our portfolio of rental properties, both mature and newer properties. In addition to the solid portfolio fundamentals, another key driver of our results was the sale of a portion of our interest in the Nets and the Barclays Center arena, a transaction that was catalytic for the development of the arena and the overall Atlantic Yards project in Brooklyn.

Over the past two years, we have started two new projects: the long-awaited Barclays Center arena near the end of 2009, and, in the second quarter of 2010, Foundry Lofts, the first residential building at The Yards in Washington, D.C. During that same two-year span, we continued to deliver on our pipeline of projects that were already under construction when the financial meltdown began in late 2008. Over that time period, we have completed approximately $800 million of new real estate at our pro-rata share ($600 million at full consolidation). Overall, these high-quality projects have opened well-leased and accretive to our results.

We have taken advantage of capital market conditions to further de-leverage our balance sheet through debt-for-equity exchanges for preferred equity and early inducement conversions of debt for common equity. In total, during 2010, we reduced the principal balance of our near- to mid-term senior notes by approximately $308 million and only invested $16.6 million of cash to accomplish this debt reduction. Early in 2011, we continued this effort to address corporate recourse debt by completing a new revolving credit facility with a group of 13 banks, which we announced on March 31, 2011. The new line has improved pricing and covenants, as well as a longer term, compared with the prior credit facility.

The initial phase of Waterfront Station, located in Southwest Washington, D.C., includes two new office buildings fully leased to the District of Columbia for government offices.

Finally, as we have done historically, we have continued to selectively monetize assets in our portfolio to capture value and generate liquidity. Two significant transactions from the portfolio occurred early in the first quarter of 2010: our Bernstein Management Corporation joint venture involving three Washington, D.C. area apartment communities, and our joint venture with Health Care REIT for seven research and technology office buildings at University Park at MIT in Cambridge. A third major transaction, which closed in late March 2011, was our New York retail joint venture with Madison International Realty for ownership of 15 retail centers in the New York City metropolitan area. In all three of these transactions,

1960s

Forest City becomes a public company; joins American Stock Exchange; opens its first enclosed regional mall, Boulevard Mall (shown) in Amherst, N.Y.; enters office building market with Chagrin Plaza in Beachwood, Ohio.

Forest City retained a significant ownership interest in the properties, as well as property management and leasing responsibilities. These joint ventures were all completed at very competitive cap rates, generated substantial liquidity, and demonstrate the tremendous value in our portfolio.

Successful execution in all of these areas – in the portfolio and pipeline, in the capital markets, and through selective asset sales and joint ventures – allowed us to create significant shareholder value, achieve strong results, reduce risk and enhance our financial flexibility. At the same time, we retained a deep, high-quality pool of future development opportunities that can drive growth as market conditions continue to improve.

Financial Results

Our EBDT for the year ended January 31, 2011 was $309.9[2] million, a record high for the Company and a 2.9 percent increase compared with last year's $301.1[2] million. On a fully diluted, per-share basis, EBDT was $1.59[3], a 20.5 percent decrease from the prior year's $2.00[4] per share. Per-share data reflect the dilutive effect of the new Class A common shares we issued during the second quarter of 2009, and the "if-converted" effect of convertible debt and convertible preferred stock issued in 2009 and 2010.

EBDT and EBDT per share are non-Generally Accepted Accounting Principles (GAAP) measures. We believe

Our EBDT for the fiscal year was $309.9[2] million, a record high for the Company and a 2.9 percent increase compared with last year.

EBDT is a key indicator of our performance and, over the long term, our ability to grow shareholder value. An exhibit illustrating factors impacting our full-year 2010 EBDT results is available on page 24 of the Supplemental Package included in this 2010 Summary Annual Report and Supplemental Package.

EBDT for the year was also impacted by a loss on early extinguishment of debt of $31.7 million (pre-tax), related to the exchange of a portion of the Company's 5.00% Convertible Senior Notes due 2016 for Class A common stock. Absent the impact of this transaction, our EBDT results would have been significantly higher. Nonetheless, we believe the decision to take advantage of the opportunity to convert $110 million of debt to equity was the right one, and we will continue to make improving our balance sheet a high priority going forward.

For fiscal 2010, pre-tax EBDT from the Commercial and Residential Segments combined decreased $16.7[2] million. Results from the portfolio were favorably impacted by lower write-offs of abandoned development projects of $16.3 million, increased NOI on our mature portfolio

Along with the other milestones of 2010 and early 2011, one of the most significant for the future of our Company was the March 1, 2011 announcement of our senior-leadership succession plan. Under the plan, Chuck Ratner will become chairman of the board, and David LaRue will become president and chief executive officer, effective on June 10, 2011. The current co-chairmen of the board, Albert Ratner and Sam Miller, will become co-chairmen emeritus at that time, and will remain active with the Company, but will no longer serve on the board.

Since making this announcement, we have been gratified by the positive reception and the many supportive comments from shareholders, associates, lenders, business partners and other constituencies. With Forest City's 50th anniversary as a public company in 2010, it is fitting that a new generation of leadership is stepping up to lead the Company. We are enthusiastic about having David LaRue become president and CEO, and we look forward to working with him to continue to create new value for Forest City shareholders. (See page 11 to read more about the leadership transition.)

1970s

Forest City enters California market; unveils proprietary pre-fabricated concrete building system for apartments; expands its retail building materials business into larger, full-service stores (shown).

At 76 stories high, the Frank Gehry-designed 8 Spruce Street, with stainless steel façade, in Lower Manhattan, is the tallest residential building in the Western Hemisphere.

of $12.9 million, and the ramp-up of new properties of $12.0 million. These increases were offset by reduced EBDT from properties sold of $24.2 million; reduced gain on early extinguishment of nonrecourse mortgage debt of $16.3 million, primarily due to fewer opportunities to buy back nonrecourse mortgage debt at a discount; decreased income from the HUD replacement reserve of $7.7 million; decreased EBDT from military housing of $10.7 million due to lower construction and development fee income as anticipated; and increased interest expense on the mature portfolio of $10.7 million.

Pre-tax EBDT from the Land Segment decreased $7.4[2] million, primarily due to the 2009 gain on early extinguishment of nonrecourse mortgage debt of $11.3 million, partially offset by increased sales.

The Nets provided a pre-tax EBDT increase of $62.9[2] million, primarily due to the gain on disposition of partial interest of $31.4 million and decreased losses of $31.5 million due to a decrease in Forest City's share of allocated losses as a result of new operating agreements entered into upon sale of the controlling interest on May 12, 2010.

Pre-tax EBDT was also impacted by a $17.0 million decrease in corporate interest expense, primarily as a result of the reduction in the strike rate for corporate interest rate swaps and the retirement of Senior Notes in exchange for preferred stock. Finally, EBDT was unfavorably impacted by a smaller tax benefit of $11.8 million compared with the prior year.

Net earnings attributable to Forest City Enterprises, Inc. was $58.7 million, or $0.34 per share, compared with a net loss of $30.7 million, or $0.22 per share, in 2009.

Revenues for the fiscal year ended January 31, 2011 were $1.18 billion, a 4.4 percent decrease compared with prior-year revenues of $1.23 billion.

At January 31, 2011, the Company had $228.0 million ($193.4 million at full consolidation) of cash on its balance sheet and $222.9 million of available capacity on the Company's revolving line of credit.

Capital Transactions and Other Financing Activities

During the 2010 fiscal year, we closed on transactions totaling $1.3 billion ($1.2 billion at the Company's pro-rata share) in nonrecourse mortgage financings, including $231 million ($272 million at the Company's pro-rata share) in refinancing, $593 million of development projects ($196 million at the Company's pro-rata share), and $521 million ($683 million at the Company's pro-rata share) in loan extensions and additional fundings.

1980s

Forest City acquires and renovates historic Tower City Center (shown), an art deco train station originally built in the 1920s, spurring resurgence of downtown Cleveland.

In addition, since January 31, 2011, the Company has addressed, through closed loans and committed financings, $296.7 million ($276.6 million at the Company's pro-rata share) of the $1.1 billion of net maturities (inclusive of notes payable) coming due in fiscal year 2011.

During 2010, we continued to execute a series of capital markets and financing transactions that contributed to improving Forest City's balance sheet and enhancing liquidity. These transactions included:

- Exchanging, through privately negotiated transactions, $110.0 million of 5.00% Convertible Senior Notes due 2016 for a total of approximately 9.8 million shares of Class A common stock. Approximately $90.0 million of the 2016 Convertible Senior Notes remain outstanding.
- Entering into privately negotiated transactions with certain holders of our senior notes due 2011, 2015 and 2017, for a new issue of 7.0% Series A Cumulative Perpetual Convertible Preferred Stock, resulting in exchanges of $178.7 million of senior notes for $170 million of Series A preferred stock and a cash sale of an additional $50 million of Series A preferred stock.

In addition, early in fiscal 2011, we closed on a new, $425 million revolving credit facility with a 13-member bank group. The new, three-year facility has more favorable pricing and covenants, as well as a longer term with an additional one-year extension option, all of which will help position us to take advantage of improving conditions in real estate and the markets we serve. The new facility, which could be increased up to $450 million, replaces the prior revolving credit facility, which was scheduled to mature in February 2012.

As of January 31, 2011, the Company's weighted average cost of mortgage debt decreased to 5.07 percent from 5.17 percent at January 31, 2010, primarily due to a decrease in both fixed-rate and variable-rate mortgage debt. Fixed-rate mortgage debt, which represented 71 percent of our total nonrecourse mortgage debt, and is inclusive of interest rate swaps, decreased from 6.05 percent at January 31, 2010 to 5.97 percent at January 31, 2011. Variable-rate mortgage debt decreased from 3.02 percent at January 31, 2010 to 2.87 percent at January 31, 2011. (All interest rates are at full consolidation.)

We continue to see gradual improvement in credit market conditions and availability of capital at attractive rates to finance operating properties. Throughout the recession and into the recovery, we have consistently demonstrated our ability to meet the financing needs of the portfolio, while continuing to use non-recourse mortgage debt at the property level. This is a testament to the quality of our real estate portfolio, the long-term relationships we have built with lenders, and the skill and perseverance of our finance teams.

> We have used selective asset sales and joint ventures to capitalize on firming asset pricing in key real estate segments, and to capture value and generate liquidity from our portfolio.

Asset Sales and Joint Ventures

Throughout 2010 and early 2011, we have used selective asset sales and joint ventures to capitalize on firming asset pricing in key real estate segments, and to capture value and generate liquidity from our portfolio. These transactions were completed at attractive cap rates, and generated total proceeds exceeding $400 million.

Key transactions in 2010 and early 2011 include:

- Creation of a joint venture with Bernstein Management Corporation for ownership of three multifamily apartment communities in the Washington, D.C.

The Company creates Forest City Ratner Companies partnership in New York City; is named master developer of MetroTech Center office campus in Brooklyn; completes its first New York City office building, One Pierrepont Plaza (shown).

Forest City is named master developer of University Park at MIT life sciences mixed-use community (shown) near Boston; enters into joint venture to develop Central Station project in Chicago; exits retail stores business.

area, which resulted in proceeds of approximately $29 million, representing a cap rate of 6.5 percent.

- Establishment of a joint venture with Health Care REIT, Inc. for ownership of seven life science office buildings at University Park at MIT in Cambridge, Massachusetts. The transaction represents a 7.6 percent cap rate and resulted in total proceeds of approximately $139 million.
- Agreement with Nets Sports and Entertainment and Mikhail Prokhorov, under which entities controlled by Prokhorov acquired an 80 percent interest in the Nets basketball team and a 45 percent share in the Barclays Center arena in Brooklyn in exchange for an investment of $200 million.
- The sale of 16 acres of land and air rights for $85 million to Rock Ohio Caesars for development of its casino adjacent to Tower City Center in Cleveland. Rock Ohio Caesars has also agreed to a five-year lease for approximately 303,000 square feet in Forest City's Higbee Building in Cleveland for Phase I of the new Horseshoe Casino Cleveland.
- Creation of joint ventures with Madison International Realty, LLC for ownership of 15 of our mature retail and entertainment properties in the New York City metropolitan area. Madison invested approximately $170 million in exchange for a 49 percent equity interest in the properties. Overall, the transaction valued the properties at $851.5 million, including $499.9 million of debt, representing a 6.9 percent cap rate on 2010 net operating income.

Each of these transactions, as well as others completed during 2010 and early 2011, demonstrate the significant value in our portfolio and our continuing ability to create liquidity by monetizing elements of that portfolio.

Portfolio Performance

We are pleased with the performance of our portfolio, including both mature and newer properties. Throughout 2010, we believe the portfolio performed in the top quartile for the industry, across all of our primary property types. Overall comparable property net operating income (Comp NOI) from the portfolio increased 2.1[5] percent for the year compared with 2009 and Comp NOI in our major property types were all up in 2010. Comparable property occupancies finished the year significantly above 2009 levels in all three major portfolio segments: office, retail and residential.

Comp NOI, defined as NOI from properties operated for the full year in both 2010 and 2009, is a non-GAAP financial measure and is based on the pro-rata consolidation method, also a non-GAAP financial measure.

Lease-up is continuing at Presidio Landmark, the adaptive re-use of a former military hospital into 161 upscale apartments located within the Presidio National Park in San Francisco.

Office

Our office portfolio showed strength throughout 2010, with Comp NOI for the year increasing 2.1[5] percent, while comparable office occupancies were 88.4 percent at the end of the year, a decrease from the end of 2009. The decrease in the office portfolio was due primarily to lease expirations at two office buildings in New York. Our life sciences properties – including the Science + Technology Park at Johns Hopkins in Baltimore, University Park at MIT near Boston, and Illinois Science + Technology Park in Skokie, Illinois – continue to be a leading component of the office portfolio. Office leasing spreads (the difference between rents on expiring leases and rents on new leases) increased 13.8 percent in 2010, compared with the prior year, a reflection of strength in the life sciences component of the office portfolio.

1990s

Forest City begins adaptive reuse of turn-of-the-century tobacco warehouses for transformation into The River Lofts at Tobacco Row rental residential community (shown) in Richmond, Virginia.

Retail

In 2010, Comp NOI for the retail segment increased 2.2[5] percent and occupancy in our comparable retail centers was 91.2 percent. Retail leasing spreads in our regional malls decreased 5.8 percent, primarily reflecting our strategic decision to prioritize occupancy and co-tenancy in exchange for short-term rent concessions in selected retail lease rollovers. Regional mall sales averaged $399 per square foot. Comparable regional mall sales increased 3.2 percent for 2010, compared with 2009. Leading performers among the Company's regional malls include San Francisco Centre in San Francisco, California, Short Pump Town Center in Richmond, Virginia, Victoria Gardens in Rancho Cucamonga, California, Promenade at Temecula in Temecula, California, and Ballston Common Mall in Arlington, Virginia.

Residential

For the full year, Comp NOI from our residential portfolio increased 2.7[5] percent. Comparable average occupancies were 94.7 percent and comparable property net rental income (defined as gross rent less vacancies and concessions) ended the year at 91.6 percent. The improved results are attributable to a re-pricing strategy, along with the lack of new product deliveries in our markets and the ongoing softness in the competing for-sale housing market. Even modest improvements in the economy and employment outlook can have a significant positive effect on the multifamily rental market, especially if, as expected, the for-sale housing sector is slower to recover.

As expected, construction and development fees from our Military Housing business have continued to decrease due to the completion of the development phases at several of our installations. Although EBDT from Military Housing was down for the year, this remains a solid, profitable business and we continue to evaluate opportunities to grow our nearly 12,000-unit military portfolio. During 2010, we were awarded the Air Force's Southern Group multi-base family housing project, which consists of 2,185 housing units.

Land

Our land business has clearly been the segment hit hardest by the bursting of the housing bubble, the turmoil in the financial sector and the recession. Our 2010 results for the Land Segment show that this business remains very soft, though profitable, overall. We continue to see a slow pace of turnaround as homebuilders exercise caution in acquiring new lots in most markets around the country.

Nonetheless, we continue to take advantage of unique opportunities to pursue land transactions that add new shareholder value. For example, in April 2010, we announced a financing and development partnership for Woodforest, an existing 3,000-acre master-planned community in suburban Houston, one of the strongest single-family home markets in the country.

Stapleton in Denver continues be a bright spot and one of the strongest master-planned communities in its market area. During 2010, builders at Stapleton sold more than 250 homes, a 22 percent increase in new home closings compared with 2009. That strength is directly attributable to the "sense of place" and quality of life Stapleton has achieved through thoughtful neighborhood design, a range of housing types and prices, and a commitment to sustainable development. Stapleton's growing national reputation was recently highlighted when cable television network HGTV built its 2011 Green Home at Stapleton.

We are pleased with the performance of our portfolio, including both mature and newer properties. Overall Comp NOI from the portfolio increased 2.1 percent for the year.

The Company is selected master developer of Stapleton (shown), the mixed-use redevelopment of Denver's former airport; project is catalyst for the Company's commitment to sustainability.

The Company dramatically expands its urban retail portfolio with new centers and major renovations in New York City, Pittsburgh, California, Nevada (shown) and elsewhere.

Openings and Pipeline Update

Over the past year, we have successfully opened high-quality, high-profile projects in good markets in the East, West and South, even as we have continued to proceed cautiously with new development. This is a continuation of our strategy implemented in late 2008 in response to the early signs of the recession.

Despite only modest new project starts anticipated in fiscal 2011, we have substantial "shadow pipeline" opportunities that we intend to ramp up as conditions continue to improve. We believe these opportunities create a solid foundation for future growth and value creation for Forest City.

2010 Property Openings

We opened four projects in 2010, adding $512.3 million of cost at the Company's pro-rata share ($339.7 million at full consolidation). Openings during the year were:

- ***East River Plaza,*** a 527,000-square-foot big-box retail center in Manhattan. The center, which is the first of its kind in the area, is 90 percent leased and includes tenants Costco, Target, Best Buy, Marshalls, PetSmart, Old Navy, Bob's Discount Furniture and others. We have secured nine-year, permanent financing at a long-term, low fixed rate. Key tenants report solid sales growth and are performing well relative to other stores in their respective chains.
- Two office buildings at the mixed-use ***Waterfront Station*** project in Southwest Washington, D.C. The two buildings total 631,000 square feet of office and ground-level retail space. The office component is fully leased to the District of Columbia for government offices.
- ***Village at Gulfstream Park,*** a 511,000-square-foot mixed-use retail center in Hallandale Beach, Florida. The center, which is anchored by Gulfstream Park Racetrack and Casino, features 422,000 square feet of retail space and 89,000 square feet of Class A office space. Currently, 80 percent of the center is leased. This shopping and entertainment destination serves the affluent greater Miami/Ft. Lauderdale market, but opened during very difficult economic and market conditions, which slowed the ramp-up of operations. As a result, at the end of the year, we recognized a $35.0 million ($21.4 million, net of tax) impairment in our investment. Despite this, we believe strongly in the long-term value proposition of the existing property and the additional future entitlements we have there.
- ***Presidio Landmark,*** 161 apartments in the Presidio National Park in San Francisco. The development's two components are a 154-unit adaptive re-use of a historically significant former U.S. Health Service hospital, and a small number of new, three-story townhomes, all built to a high standard of sustainability. Lease-up began in September 2010 and the property is currently 42 percent leased.

The 511,000-square-foot Village at Gulfstream Park is an open-air lifestyle center in Hallandale Beach, Florida, featuring dining and retail, and anchored by Gulfstream Park racetrack.

2000s

The Company exits legacy lumber trading business and senior housing market, and enters military family housing business (shown).

Under Construction and 2011 Property Openings

At the end of fiscal 2010, Forest City had four projects under construction with a total project cost of $2.7 billion ($1.7 billion at the Company's pro-rata share). Three of the projects are in our New York City core market and the fourth is at The Yards in Washington, D.C.

Leasing efforts and construction continue at ***Westchester's Ridge Hill,*** the Company's mixed-use retail project in Yonkers, New York, with commitments for 46 percent of the retail space as of the time of this writing. The center is expected to open in phases beginning in the second quarter of this year, leading up to the opening of anchor Lord & Taylor, which is constructing an 80,000-square-foot store that is expected to open in February 2012. Other committed tenants include National Amusements, Whole Foods, L.L. Bean, Dick's Sporting Goods, REI and Cheesecake Factory, as well as WESTMED Medical Group as an anchor office tenant. With Lord & Taylor as a major anchor for the center, we believe Ridge Hill is positioned to take advantage of improving conditions in retail and the general economy, and to become a premier retail mixed-use property for the community and for Forest City.

At ***8 Spruce Street*** (formerly known as Beekman), the Frank Gehry-designed apartment high rise in lower Manhattan, leasing activity and initial tenant move-ins are underway for the lower floors, while interior build-out continues on the upper floors. Full lease-up of the 76-story building, which has a total of 903 market-rate units, is expected to continue into 2012. Project costs are in line with the Company's budget and the rental market in the Lower Manhattan submarket continues to be very strong. At the time of this writing, after just two months of active leasing, we have commitments for more than 10 percent of the total units.

Work continues at the ***Barclays Center*** arena at Atlantic Yards, the future home of the NBA's Nets basketball team in Brooklyn. With steel now rising several stories above ground level at the site, the building is taking shape and the reality of major league sports returning to Brooklyn has helped generate additional momentum and enthusiasm for the project. Approximately 55 percent of pro forma contractually obligated revenues are currently under contract for the arena, which is expected to open in late 2012.

Today, we believe Forest City is a stronger company with a much-improved balance sheet and dramatically reduced development risk, and is well positioned to take advantage of future growth opportunities.

In our Washington, D.C. core market, one of the strongest markets in the country, we continue construction on ***Foundry Lofts,*** the initial residential building at The Yards. This adaptive reuse of a former Navy Yard industrial building is on track to be completed and begin lease-up in the third quarter of 2011 and will offer 170 loft-style apartments, including 34 two-level penthouse units.

Reflections and Outlook

With our results for 2010, we feel a sense of considerable accomplishment and, just as important, optimism about the future. We have now completed our second full year of successfully navigating the most difficult economic and real estate market conditions most of us have ever experienced – indeed, perhaps more difficult than at any other time in our 50 years as a public company. Today, we believe Forest City is a stronger company with a much-improved balance sheet and dramatically reduced development risk, and is well positioned to take advantage of future growth opportunities.

Forest City completes signature urban retail property, San Francisco Centre (shown), which features a completely restored 500,000-pound steel and glass dome.

Forest City opens New York Times Building (shown); secures entitlements for Atlantic Yards project in Brooklyn; begins development at The Yards and Waterfront Station mixed-use projects in Washington, D.C.

Barclays Center Arena, the cornerstone of our Brooklyn Atlantic Yards project and the future home of the NBA's Nets, is under construction and expected to open in late 2012.

Clearly, there is still work to do and challenges to face, and our optimism is tempered by the fact that the economic outlook remains uncertain. Overall, however, we feel better today about Forest City and our future than at any time in the recent past. With the foundation of our strong operating portfolio, the significant in-place entitlement in some of the strongest urban markets in the country, and our core competency as an operator and a developer of high-quality real estate, we continue to feel very good about our ability to achieve future growth.

In summary, though we retain an appropriate measure of caution in our outlook, we are confident in our ability to build long-term value for our shareholders, associates, business partners and the communities where we live and work. The management team and all of our associates thank you for your ongoing support.

Samuel H. Miller
Co-Chairman of the Board and Treasurer

Albert B. Ratner
Co-Chairman of the Board

Charles A. Ratner
President and Chief Executive Officer

Milestones

Financial and Corporate

- Announced management succession plan, with Charles Ratner becoming chairman and David LaRue president and CEO, effective at June 10, 2011 annual meeting
- Achieved record EBDT of $309.9 million in fiscal 2010
- Addressed approximately $1.2[7] billion at pro-rata of property-level, nonrecourse mortgage debt maturities
- Exchanged $110.0 million of convertible senior notes for common stock
- Exchanged $178.7 million of Senior Notes due in 2011, 2015 and 2017 for $170 million of convertible preferred stock; issued additional $50 million of preferred stock for cash
- Closed a new $425 million revolving credit facility (in March 2011)

Properties and Projects

- Completed construction on first two office buildings at Waterfront in Washington D.C.
- Opened Village at Gulfstream Park retail center in Hallandale Beach, Florida
- Continued construction on Barclays Center arena at Atlantic Yards in Brooklyn
- Closed $214 million ($107 million at the Company's pro-rata share) in permanent financing for East River Plaza retail project in Manhattan
- Secured construction and permanent financing, and began construction on apartment project at The Yards
- Selected by U.S. Air Force for Military Family Housing at four bases in southeastern U.S.
- Announced additional major tenants including Lord & Taylor department store for Westchester's Ridge Hill in Yonkers, New York
- Opened and began active leasing of Presidio Landmark residential project in San Francisco

JVs and Asset Sales

- Announced joint venture with Bernstein Management for three apartment communities in Washington D.C.
- Established joint venture with Health Care REIT for a group of office buildings in University Park at MIT
- Secured financing and development partnership for Woodforest master-planned community near Houston
- Announced closing of agreement with Mikhail Prokhorov related to Nets, Barclays Center and Atlantic Yards
- Generated more than $400 million of proceeds from asset sales and joint ventures
- Closed sale of land and air rights, and completed lease agreement to Rock Ohio Caesars to house phase I of a new casino near Tower City Center (in February 2011)
- Established joint venture with Madison International Realty for 15 mature retail and entertainment properties in New York City area (in March 2011)

Leadership Transition Provides Continuity, Creates Opportunity

On March 1, 2011, Forest City announced its senior-leadership succession plan, under which President and CEO Charles A. Ratner will become Chairman of the Board, and will be succeeded by David J. LaRue, currently Executive Vice President and COO. Current co-chairmen Albert B. Ratner and Samuel H. Miller will each become co-chairman emeritus and will remain active with the Company but no longer serve on the board. These succession changes will be effective following the annual meeting of shareholders on June 10, 2011.

Today, having successfully come through some of the most difficult times in company history, Forest City is poised to take advantage of improving conditions and renewed opportunity – the time is right for this transition. Chuck Ratner has been with Forest City for 45 years and 16 years as CEO. He has built on the legacy of his predecessors to strengthen and grow Forest City and to solidify the Company's reputation as one of the premier developers and operators in the real estate industry.

The management transition will be seamless, with Charles Ratner, left, becoming Chairman of the Board and David LaRue, right, becoming President and CEO.

Albert Ratner and Sam Miller have devoted their professional careers to Forest City, and their accomplishments to date are a driving force behind the Company's current positioning and opportunities for future growth across a diverse portfolio of rental residential, office and retail projects; mixed-use projects; and land developments.

Albert Ratner

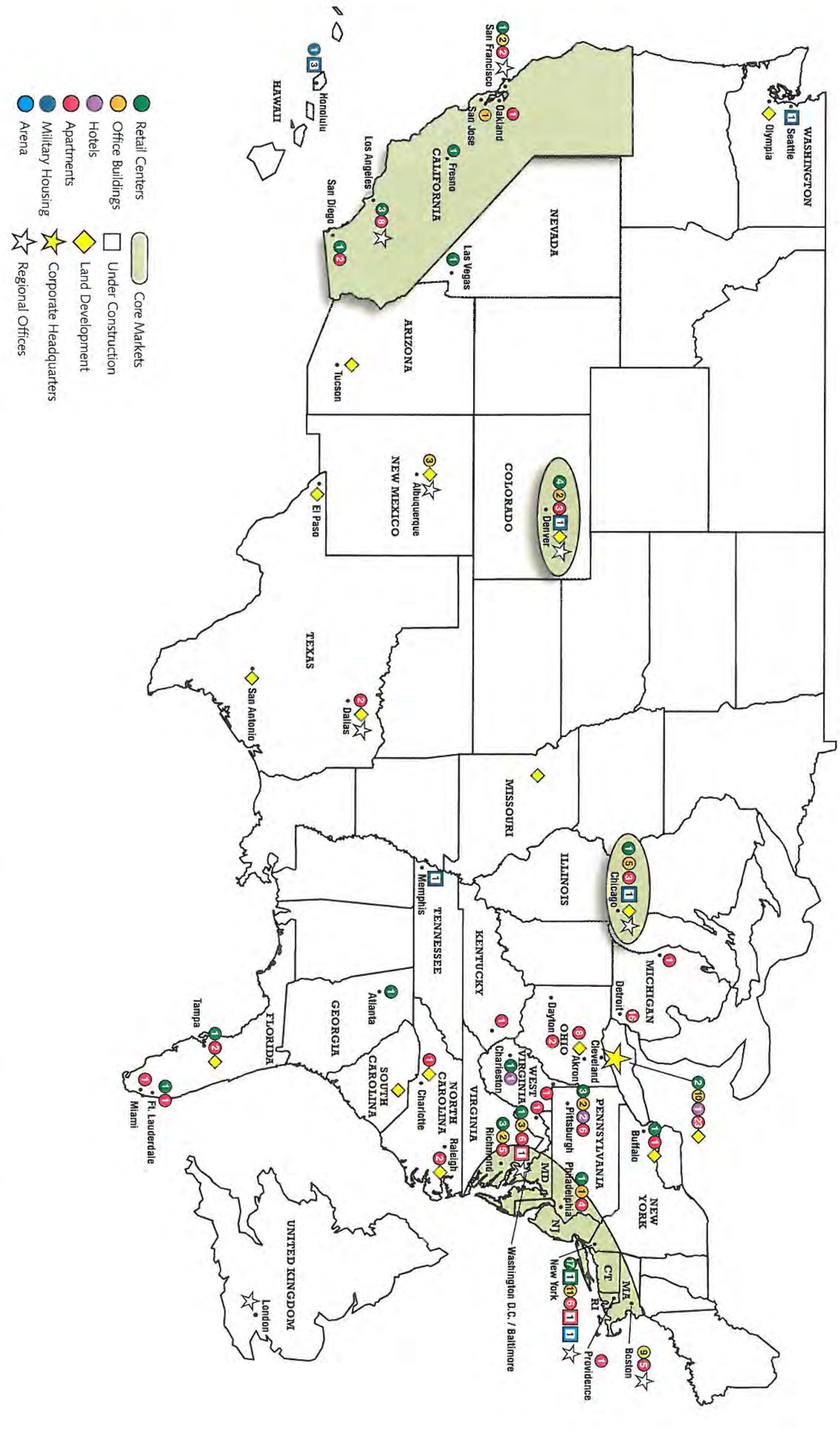
Albert Ratner and Sam Miller have devoted their professional careers to Forest City, and their accomplishments to date are a driving force behind the Company's current positioning and opportunities for future growth...

Sam Miller

David LaRue is uniquely suited to become Forest City's new chief executive. He is an experienced and visionary leader with the broad strategic, operational and financial acumen to direct the company in the next phase of its growth and evolution. In 25 years with the Company, David has achieved a track record of performance and accomplishment in virtually every aspect of the business. He exemplifies and embraces Forest City's core values, including integrity, openness, community involvement, diversity and sustainability.

The Ratner, Miller and Shafran families remain deeply committed to and actively engaged with the Company. While David will be the first chief executive in Forest City's 90-year history who is not related to the founding family, he will continue to build on the existing foundation to ensure the future success of Forest City. Similarly, Albert, Sam and Chuck will remain actively involved in the business, and together with the full management team and all associates, we will continue to build a unique, inspired, value-creating real estate company.

Portfolio of Real Estate / *Forest City Enterprises, Inc. and Subsidiaries*



NOTE: Numbers indicate properties in each market. A listing of our real estate portfolio is included on pages 63 to 74 in the Supplemental Package for the year ended January 31, 2011.

Board of Directors

Arthur F. Anton, *Chief Executive Officer – Swagelok Company*

Scott S. Cowen, *President – Tulane University*

Michael P. Esposito, Jr., *Non-Executive Chairman – Primus Guaranty Ltd.; Non-Executive Chairman – Syncora Holdings Ltd.; Retired Non-Executive Chairman – XL Capital Ltd.; Retired Executive Vice President/Chief Control Compliance and Administrative Officer – The Chase Manhattan Bank, N.A.*

Deborah L. Harmon, *Chief Executive Officer – Artemis Real Estate Partners, LLC; President – Harmon & Co.; Principal – Caravel Fund Management; Former President and Chief Investment Officer – J.E. Robert Companies*

Samuel H. Miller, *Co-Chairman of the Board and Treasurer* (1)

Albert B. Ratner, *Co-Chairman of the Board* (1)

Brian J. Ratner, *Executive Vice President*

Bruce C. Ratner, *Executive Vice President*

Charles A. Ratner, *President and Chief Executive Officer* (1)

James A. Ratner, *Executive Vice President*

Ronald A. Ratner, *Executive Vice President*

Deborah Ratner Salzberg, *President of Forest City Washington, Inc.*

Stan Ross, *Retired Vice Chairman – Ernst & Young LLP; Chairman of the Board and Senior Fellow – University of Southern California Lusk Center for Real Estate*

Joan K. Shafran, *Chief Operating Officer – Powell Partners Limited; Executive Managing Partner – The Berimore Company*

Louis Stokes, *Senior Counsel – Attorney-at-Law, Squire, Sanders & Dempsey LLP; Former Member of the United States Congress*

Corporate Officers

Samuel H. Miller, *Co-Chairman of the Board and Treasurer* (1)

Albert B. Ratner, *Co-Chairman of the Board* (1)

Charles A. Ratner, *President and Chief Executive Officer* (1)

James A. Ratner, *Executive Vice President*

Ronald A. Ratner, *Executive Vice President*

Bruce C. Ratner, *Executive Vice President*

Brian J. Ratner, *Executive Vice President*

David J. LaRue, *Executive Vice President – Chief Operating Officer* (1)

Robert G. O'Brien, *Executive Vice President – Chief Financial Officer*

Andrew J. Passen, *Executive Vice President – Human Resources*

James W. Finnerty, *Senior Vice President – Tax*

Linda M. Kane, *Senior Vice President, Chief Accounting and Administrative Officer*

Geralyn M. Presti, *Senior Vice President, General Counsel and Secretary*

Thomas T. Kmiecik, *Assistant Treasurer*

Allan C. Krulak, *Vice President – Director of Community Affairs*

Charles D. Obert, *Vice President – Corporate Controller*

Charles L. Rau, *Vice President – Chief Technology Officer*

General Counsel Office

Geralyn M. Presti, *Senior Vice President, General Counsel and Secretary*

David J. Gordon, *Associate General Counsel*

Joan C. Glenn-Katzakis, *Associate General Counsel*

Amanda M. Seewald, *Associate General Counsel*

Forest City Rental Properties Corporation

(Selected Officers)

Michael E. Lonsway, *Senior Vice President – Strategy and Investment Management*

Mark C. Siegel, *Senior Vice President – Strategy and Investment Management*

Douglas A. Benjamin, *Vice President – Assistant Controller*

James A. Criswell, *Vice President – Internal Audit*

Vincent S. Hill, *Vice President – Corporate Security and Loss Prevention*

Sally A. Ingberg, *Vice President – Debt Management*

Thomas K. Johnson, *Vice President – Risk Management, Quality and Organizational Effectiveness*

Jeffrey B. Linton, *Vice President – Corporate Communication*

Jonathan Ratner, *Vice President – Sustainability Initiatives*

(1) As disclosed in our Form 8-K on March 1, 2011, we announced a series of management and Board of Directors changes as part of our succession planning process, each of which is effective on June 10, 2011. Pursuant to these changes, Charles A. Ratner will become Chairman of the Board and will be succeeded as President and Chief Executive Officer by David J. LaRue, currently our Executive Vice President and Chief Operating Officer, and current Co-Chairmen of the Board Albert B. Ratner and Samuel H. Miller will be appointed Co-Chairmen Emeritus and will no longer serve on the Board.

Forest City Commercial Group, Inc.

James A. Ratner, *Chairman, President and Chief Executive Officer*

D. Layton McCown, *Executive Vice President and Chief Financial Officer*

Duane F. Bishop, Jr., *Executive Vice President and Chief Operating Officer*

Accounting

John L. Hyclak, *Vice President – Finance and Accounting*

Michael R. May, *Vice President*

Leasing

Michael E. Stevens, *Executive Vice President – Retail Leasing*

Joseph J. Boehm, III, *Senior Vice President – Retail Leasing*

Keith T. Brandt, *Vice President – Retail Leasing*

James M. Cory, *Vice President – Retail Leasing*

James P. Crosby, *Vice President – Office Leasing*

Management

Michael F. Farley, *Senior Vice President – Asset Management*

William T. Ross, *Senior Vice President – Asset Management*

Alan W. Schmiedicker, *Senior Vice President – Property Management*

Brian D. Cappelli, *Vice President – Office Operations*

Edward A. Chanatry, *Vice President – Asset Management*

Tom L. Gilkeson, *Vice President – Retail Operations*

Jane E. Lisy, *Vice President – Marketing*

Development Division

Emerick J. Corsi, *Executive Vice President of Development*

Joginder Singh, *Executive Vice President – Construction*

Lawrence R. Klein, *Vice President of Development*

Frank C. Wuest, *President – Science + Technology Group*

Peter B. Calkins, *Executive Vice President and Chief Operating Officer – Science + Technology Group*

Forest City Finance Corporation

Judith A. Wolfe, *President and Chief Operating Officer*

Steven H. Kurland, *Senior Vice President*

Liane M. Simonetti, *Senior Vice President*

Douglas S. Brooks, *Vice President*

Eric J. Louttit, *Vice President*

Forest City International Limited

Brian S. Garrison, *Managing Director*

Forest City Ratner Companies – New York, New York

Bruce C. Ratner, *Chairman and Chief Executive Officer*

Commercial and Residential Development

MaryAnne Gilmartin, *Executive Vice President*

Melissa R. Burch, *Senior Vice President*

James R. Lester, *Senior Vice President*

Jane M. Marshall, *Senior Vice President*

Susi Yu, *Senior Vice President*

Retail Development

Andrew P. Silberfein, *Executive Vice President and Director*

Construction and Design Development

Robert P. Sanna, *Executive Vice President and Director*

Linda Chiarelli, *Senior Vice President and Deputy Director of Construction*

Gregory G. Lowe, *Senior Vice President*

Joseph A. Rechichi, *Senior Vice President*

Scott G. Stutman, *Senior Vice President*

Finance

Andrew P. Silberfein, *Executive Vice President*

Christopher L. Clayton, *Senior Vice President*

Howard A. Klein, *Senior Vice President*

Legal

David L. Berliner, *Executive Vice President and General Counsel*

Susan Elman, *Senior Vice President and Deputy General Counsel*

Accounting

Lauren T. Du, *Senior Vice President and Controller*

Investment Management

Matthew L. Messinger, *Executive Vice President*

Josie Mok, *Vice President*

Office Services

Elena S. Iracane, *Senior Vice President – Human Resources*

Kevin R. Vertrees, *Senior Vice President and Chief Information Officer*

First New York Partners

Terence M. Whalen, *President*

Forest City Residential Group, Inc.

Ronald A. Ratner, *President and Chief Executive Officer*
James J. Prohaska, *Executive Vice President and Chief Operating Officer*
James T. Brady, *Senior Vice President and Chief Financial Officer*
John D. Brocklehurst, *Vice President*
David S. Conway, *Vice President – Asset Management*
Jeffrey M. Frericks, *Vice President – Financial Operations*
James A. Kovalcheck, *Vice President – Financial Operations*
David J. Levey, *Executive Vice President – East Coast Development*
Gerald M. Leuhsler, *Senior Vice President – Construction Administration*
Abe Naparstek, *Vice President – Development*
Jay W. Magee, *Vice President – Equity Services*

Forest City Capital Corporation

Mark H. Gerteis, *President*
Anthony A. Love, *Vice President*
Christopher M. Mellis, *Vice President*
Karen A. Travers, *Vice President*

Forest City Residential Management, Inc.

George M. Cvijovic, *Co-President, Chief Operations Officer*
Angelo N. Pimpas, *Co-President, Chief Administrative Officer*
Genevieve L. Bauer, *Vice President – Military Housing*
Rod H. Brannon, *Vice President – Engineering and Maintenance*
Tommy H. Carter, *Vice President – Military Housing*
Cynthia L. Ritenour, *Vice President – Administration*
Tina L. Rosendale, *Vice President – Conventional Housing*

Forest City Stapleton, Inc. - Denver, Colorado

John S. Lehigh, *President*
James D. Chrisman, *Senior Vice President – Development*
Charles C. Nicola, Jr., *Senior Vice President – Design and Construction*
Brian Fennelly, *Vice President – Finance and Accounting*

Mesa del Sol, LLC – Albuquerque, New Mexico

Michael D. Daly, *President*

Forest City Military Communities, LLC

Thomas W. Henneberry, *President*
Robert J. Kelly, *Chief Financial Officer*
John A. Ehle, *Senior Vice President*
Michael D. Nanney, *Vice President – Northwest*
James C. Ramirez, *Vice President Construction – Hawaii*
Gary R. Walton, *Vice President – Construction*

FC Hawaii, Inc.

Jon Wallenstrom, *President*

Forest City Washington, Inc. – Washington, D.C.

Deborah Ratner Salzberg, *President*
Thomas W. Henneberry, *Chief Operating Officer*
Thomas G. Archer, *Senior Vice President – Development*
Ramsey D. Meiser, *Senior Vice President – Development*
Alex Nyhan, *Vice President – Development*
David Smith, *Vice President*

Forest City Residential West, Inc. – Los Angeles, California

Kevin L. Ratner, *President*
Scott R. Carlson, *Senior Vice President – Acquisitions*
Alexa C. Arena, *Vice President – Development-San Francisco*
Theodore R. Beder, *Vice President – Finance and Accounting*
James M. Ostrom, *Vice President – Construction*
George Michael VanEtten, *Vice President – Construction*

Forest City Texas, Inc.

Brian J. Ratner, *President*
James E. Truitt, *Senior Vice President – Development*

Forest City Land Group, Inc.

Robert F. Monchein, *President*
Mark A. Ternes, *Senior Vice President and Chief Financial Officer*
Dean F. Wingert, *Senior Vice President*
David R. Blom, *Vice President*
James P. Martynowski, *Vice President*
William A. Sanderson, *Vice President*

Shareholder Information

SEC Form 10-K
This Summary Annual Report and Supplemental Package is only a summary of fiscal year 2010 and should be read in conjunction with our Annual Report on Form 10-K as filed with the Securities and Exchange Commission. A copy of Form 10-K may be downloaded from our website or obtained without charge upon written request to:

Thomas T. Kmiecik
Assistant Treasurer
Forest City Enterprises, Inc.
50 Public Square, Suite 1100, Terminal Tower
Cleveland, Ohio 44113
tomkmiecik@forestcity.net

Transfer Agent and Registrar
Wells Fargo
Shareowner Services
P.O. Box 64854
St. Paul, MN 55164-9440
(800) 468-9716
www.shareowneronline.com

Dividend Reinvestment and Stock Purchase Plan
The Company offers its stockholders the opportunity to purchase additional shares of common stock through the Forest City Enterprises, Inc. Dividend Reinvestment and Stock Purchase Plan at 97 percent of current market value. A copy of the Plan prospectus and an enrollment card may be obtained by contacting Wells Fargo Shareowner Services at (800) 468-9716 or by visiting www.shareowneronline.com.

Annual Meeting
The annual meeting of Forest City Enterprises' shareholders will be held on June 10, 2011 at 2:00 p.m. at the Ritz-Carlton Hotel in Cleveland, Ohio:

Ritz-Carlton Hotel
6th Floor Riverview Room
Tower City Center
1515 West Third Street
Cleveland, Ohio 44113

Number of Holders of Common Stock
The number of shareholders of record as of February 28, 2011 for Class A and Class B common stock was 952 and 465, respectively, as certified by Wells Fargo, Agent.

Website
www.forestcity.net
The information found on the Company's website is not part of this summary annual report.

Executive Offices
Forest City Enterprises, Inc.
Terminal Tower, 50 Public Square, Suite 1100
Cleveland, Ohio 44113
(216) 621-6060

Stock Exchange Listing
New York Stock Exchange
New York, New York
Symbols: FCEA and FCEB

FCEA Listed NYSE FCEB Listed NYSE

Footnotes to Summary Annual Report:

(1) As disclosed in our Form 8-K on March 1, 2011, we announced a series of management and Board of Directors changes as part of our succession planning process, each of which is effective on June 10, 2011. Pursuant to these changes, Charles A. Ratner will become Chairman of the Board and will be succeeded as President and Chief Executive Officer by David J. LaRue, currently our Executive Vice President and Chief Operating Officer, and current Co-Chairmen of the Board Albert B. Ratner and Samuel H. Miller will be appointed Co-Chairmen Emeritus and will no longer serve on the Board.

(2) Refer to the explanation of EBDT and Reconciliation of Net Earnings to EBDT beginning on page 21 of the Supplemental Package enclosed in this report.

(3) For the year ended January 31, 2011, weighted average shares issuable upon the conversion of preferred stock and 2016 Notes of 13,115,165 and 14,356,215, respectively, are not included in the calculation of earnings per share because they are anti-dilutive. They are included in the calculation of EBDT per share because they are dilutive to this measure. Additionally, an adjustment is required for interest of $10,551,000 related to the 3.625% Puttable Senior Notes and the 5% Convertible Senior Notes. Therefore EBDT for purposes of calculating per share data is $320,426,000. (Since these shares are dilutive for the computation of EBDT per share for the year ended January 31, 2011, diluted weighted average shares outstanding of 200,909,266 were used to arrive at $1.59/share.)

(4) For the year ended January 31, 2010, the effect of 12,065,194 shares of dilutive securities was not included in the computation of diluted earnings per share because their effect is anti-dilutive to the loss from continuing operations. Additionally, an adjustment is required for interest of $3,501,000 related to the 3.625% Puttable Senior Notes and the 5% Convertible Senior Notes. Therefore EBDT for purposes of calculating per share data is $304,157,000. (Since these shares are dilutive for the computation of EBDT per share for the year ended January 31, 2010, diluted weighted average shares outstanding of 151,890,543 were used to arrive at $2.00/share.)

(5) Refer to page 13 of the Supplemental Package for the definition of Comparable Net Operating Income (NOI), pages 14 through 15 for the reconciliation between the Full Consolidation (GAAP) and Pro-Rata Consolidation Comparable NOI and pages 18 through 19 for the Reconciliation of NOI to Net Earnings.

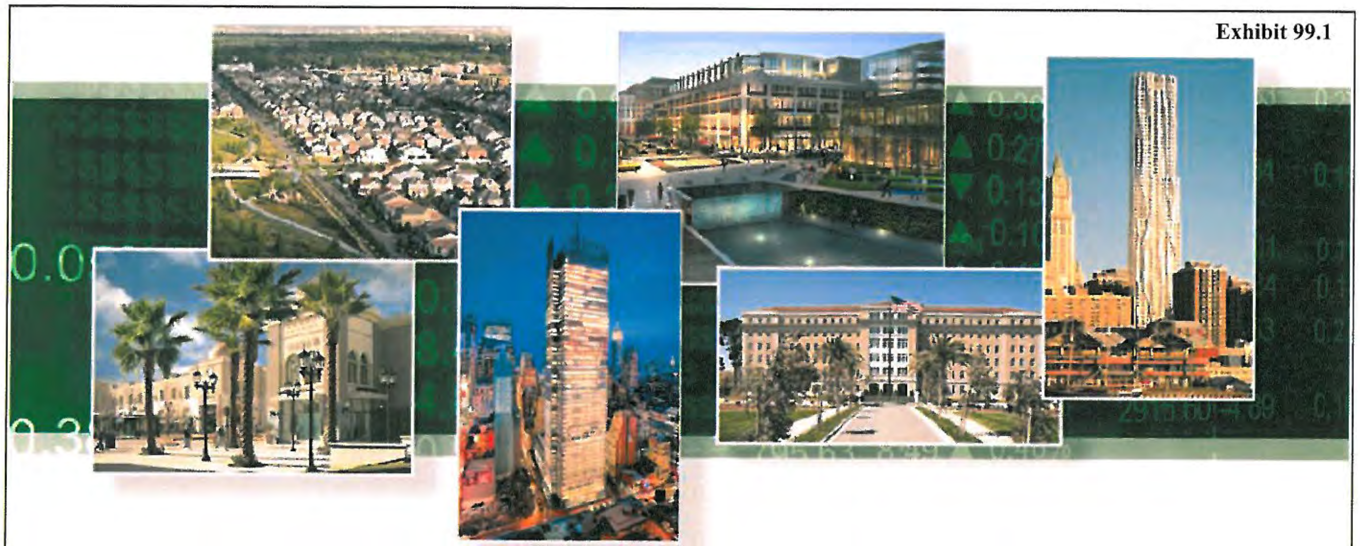
(6) Refer to pages 63 through 74 of the Supplemental Package for a detailed listing of the real estate portfolio.

(7) The property-level, non-recourse debt addressed during the year at Full Consolidation (GAAP) is $1.3 billion.

Supplemental Package

Years Ended January 31, 2011 and 2010

Exhibit 99.1



Investor Update

November 2011

FORESTCITY

Information Related to Forward-Looking Statements

Statements made in this presentation that state the Company's or management's intentions, hopes, beliefs, expectations or predictions of the future are forward-looking statements. It is important to note that the Company's future events and actual results, financial or otherwise, could differ materially from those projected in such forward-looking statements. Additional information concerning factors that could cause future events or actual results to differ materially from those in the forward-looking statements are included in the "Risk Factors" section of the Company's SEC filings, including, but not limited to, the Company's Annual Report and quarterly reports. You are cautioned not to place undue reliance on such forward-looking statements.

Use of non-GAAP measures

We frequently use the non-GAAP measures of earnings before depreciation, amortization and deferred taxes ("EBDT"), comparable net operating income ("NOI") and measures based on the pro-rata consolidation method ("pro-rata") to explain operating performance and assist investors in evaluating our business. For a more thorough discussion of our use of EBDT, NOI and pro-rata measures, including how we reconcile these measures to their GAAP counterparts, please refer to the Supplemental Packages furnished to the SEC on Form 8-K. Copies of our quarterly and annual Supplemental Packages can be found on our website at www.forestcity.net, or on the SEC's website at www.sec.gov.

Our Strategic Foundation

Be a value-added owner and operator of a diverse portfolio of profitable real estate assets	Develop unique, differentiated real estate that fuels growth, creates a "sense of place" and builds communities in strong core markets	Build a strong, sustaining capital structure and balance sheet that allow us to further create value and profitable growth

Investment Profile: "Core-PLUS"

Core Products:

- Diverse portfolio of 220+ income-producing assets
- Apartment, office, retail, life science, mixed use, military housing
- Consistent NOI growth, stable occupancy, low tenant concentration

Core Markets:

- Gateway cities with strong growth/demographics, barriers to entry
- 76% + of assets in New York, D.C., Boston, Chicago, Denver, California
- Selective expansion in new growth markets, including Texas

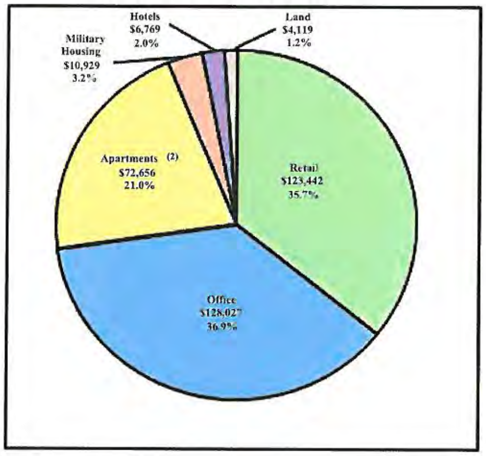
PLUS:

- Signature development capability to fuel future growth
- Substantial entitlement at large, mixed-use projects in core markets
- Expertise in public/private partnerships, urban infill, adaptive reuse
- 90-year+ track record, 50 years as a public company

Balanced, Diverse NOI Sources

Net Operating Income (3) by Product Type
Pro-Rata Consolidation *(dollars in thousands)*

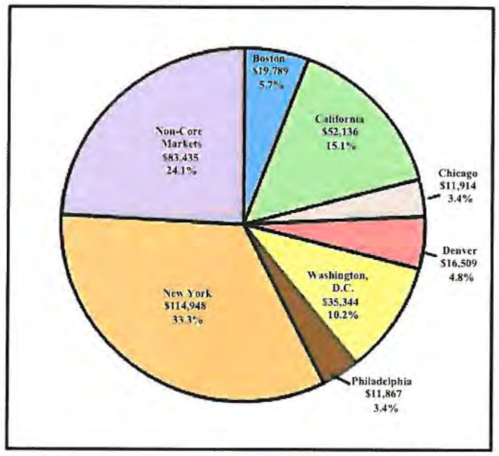
Six Months Ended July 31, 2011



NOI by Product Type:	$ 345,942
Casino Land Sale	42,622
The Nets	(3,686)
Corporate Activities	(25,035)
Other (1)	(4,968)
Grand Total NOI	$ 354,875

Net Operating Income (3) by Core Market
Pro-Rata Consolidation *(dollars in thousands)*

Six Months Ended July 31, 2011



NOI by Market:	$ 345,942
Casino Land Sale	42,622
The Nets	(3,686)
Corporate Activities	(25,035)
Other (1)	(4,968)
Grand Total NOI	$ 354,875

(1) Includes write-offs of abandoned development projects, non-capitalizable development costs and unallocated management and service company overhead, net of historic and new market tax credit income.
(2) Includes subsidized senior housing.
(3) Refer to the Investors section of Forest City's web site (http://ir.forestcity.net/phoenix.zhtml?c=88464&p=IROL-reportsother) for Supplemental Packages for the periods referenced above, which provide reconciliation of NOI to its nearest GAAP equivalent.

NOI by Market and Product Type

	2011 Q2 NOI % of TOTAL	Split Between Products			
		Office	Retail	Apartments [1]	Land/Other [2]
New York	33%	67%	26%	7%	0%
California	15%	10%	69%	21%	0%
Washington DC	10%	34%	42%	24%	0%
Cleveland	8%	35%	9%	50%	6%
Boston	6%	77%	0%	23%	0%
Denver	5%	3%	35%	25%	37%
Pittsburgh	5%	17%	51%	5%	27%
Chicago	3%	20%	29%	51%	0%
Philadelphia	3%	21%	25%	54%	0%
Hawaii	3%	0%	0%	100%	0%
Florida	2%	0%	68%	32%	0%
Las Vegas	2%	0%	100%	0%	0%
Other	5%	7%	54%	58%	-19%
	100%	37%	36%	24%	3%

(1) Includes Senior Housing, Military Housing and Supported Living

(2) Includes Hotels and Land Sales

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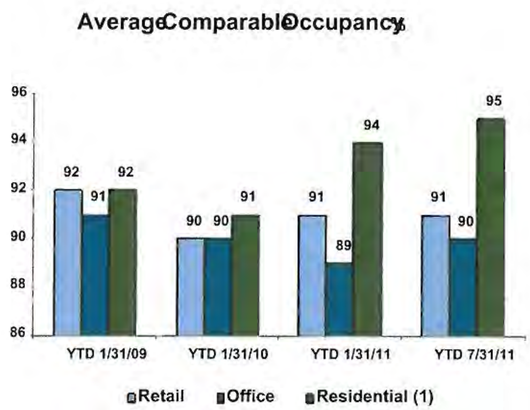
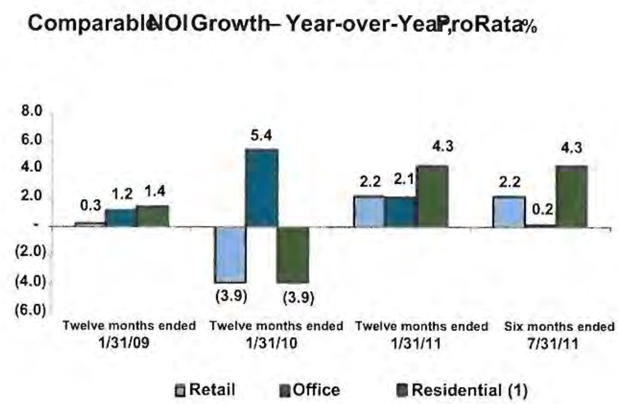
Consistent Operations

2010 portfolio performance was in the top quartile industry-wide for all major product types: office, retail and apartment.



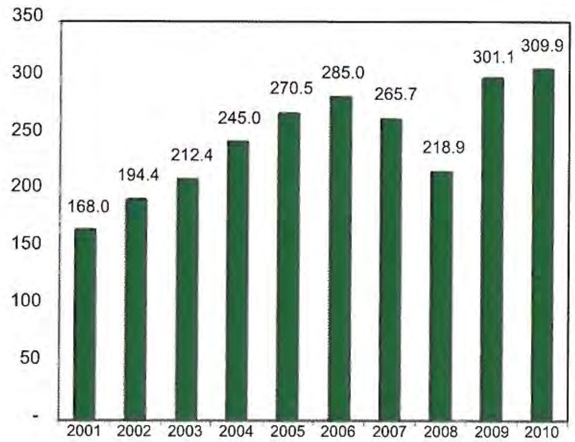


(1) Prior periods have been recasted to exclude subsidized senior housing. The Company believes this change will improve disclosure by allowing investors to see results for the conventional apartment portfolio separated from those of the limited-dividend senior-housing properties.

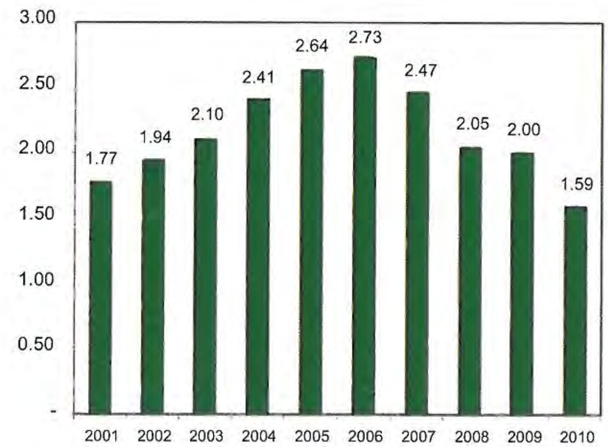
Source: Supplemental Packages for the six months ended July 31 2011, and the year ended January 31,2011, 2010, and 2009.

Consistent Operations

Total EBDT Since 2001 ($ in millions)(1)



EBDT per Share Since 2001 ($ per share)(1) (2)



(1) Refer to the Investors section of Forest City's web site (http://ir.forestcity.net/phoenix.zhtml?c=88464&p=IROL-reportsother) for Supplemental Packages for the periods referenced above, which provide reconciliation of EBDT to its nearest GAAP equivalent.

(2) Per–share data reflects new Class A common shares and the "if-converted" effect of convertible debt and convertible preferred stock issued in 2009 and 2010.

Portfolio Highlights - Office

- 50 properties, 13.6M s.f. in conventional and life science office
- Concentrations in New York and Boston
- Key properties:
  - New York Times, Manhattan (shown)
  - MetroTech Center, Brooklyn
  - University Park at MIT, Cambridge

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Portfolio Highlights - Apartments

- 121 apartment communities, 34,000 total units; 14,100 military housing units (1)
- Key properties:
  - DKLB BKLN, Brooklyn
  - River Lofts at Tobacco Row, Richmond (shown)
  - Metro 417, Los Angeles
  - Presidio Landmark, San Francisco

(1) Includes Air ForceSouthern Group -closed on September 30, 2011

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Portfolio Highlights – Retail

- 46 centers, 26.5M total s.f., 16.0M GLA
- Enclosed regional malls, open-air lifestyle centers, big-box/power centers, specialty centers
- Key properties:
  - San Francisco Centre/ The Emporium
  - Short Pump Town Center, Richmond (shown)
  - East River Plaza, Manhattan
  - Victoria Gardens, Rancho Cucamonga, CA

FORESTCITY

Recent Opening

- **8 Spruce Street**,* New York City (Lower Manhattan). Frank Gehry-designed apartment tower. 76 stories, 903 market-rate units.
    - Tallest residential high-rise in the Western Hemisphere
    - " one of the most beautiful towers downtown."
      - Paul Goldenberg, *The New Yorker*
    - " the finest skyscraper to rise in New York since Eero Saarinen's CBS building went up 46 years ago."
      - Nicholai Ourousoff, *The New York Times*
    - 450+ executed leases after <200 days of active leasing
    - Lower floors include a K-8 public school and an ambulatory care center for the New York Downtown Hospital

* Over 680 units are open, remaining units on upper floors are under construction

Under Construction

- **Barclays Center Arena, Brooklyn**
  State-of-the-art sports and entertainment venue
  - Future home of the NBA Nets
  - First phase of the Atlantic Yards mixed-use project, which will feature more that 6,400 housing units, approximately 250K s.f. of retail, and more than 8 acres of open space.
- **Westchester's Ridge Hill,** Yonkers, NY
  1.3M s.f. mixed-use retail project
  - Currently opening in phases, culminating in Lord + Taylor grand opening of a new 80K s.f store in February 2012.
- **Foundry Lofts,** Washington, D.C.
  First residential building at The Yards mixed-use project in Southeast D.C.
  - 170 loft-style apartments in an adaptive reuse of a former Navy Yard industrial building.
  - Leasing commenced in August, 2011

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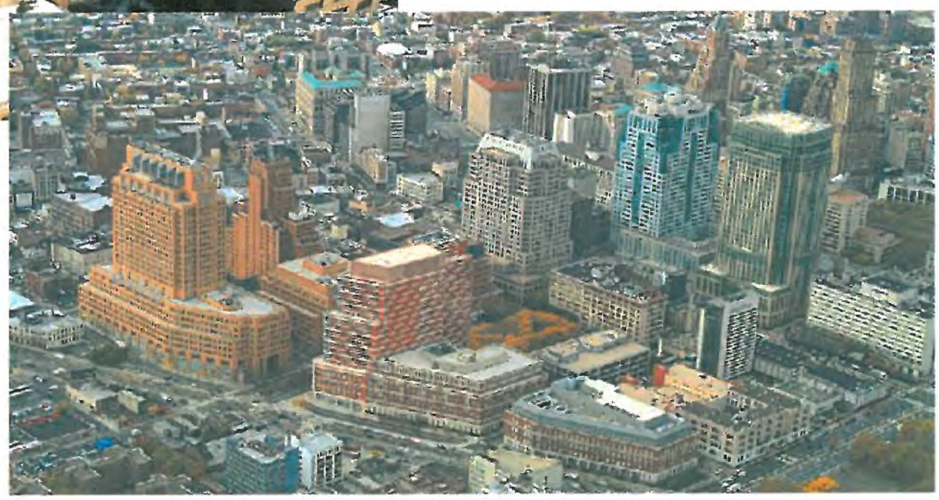
Value Creation: *University Park, Cambridge*

Value Creation: *MetroTech Center, Brooklyn*



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Value Creation: *San Francisco Centre*

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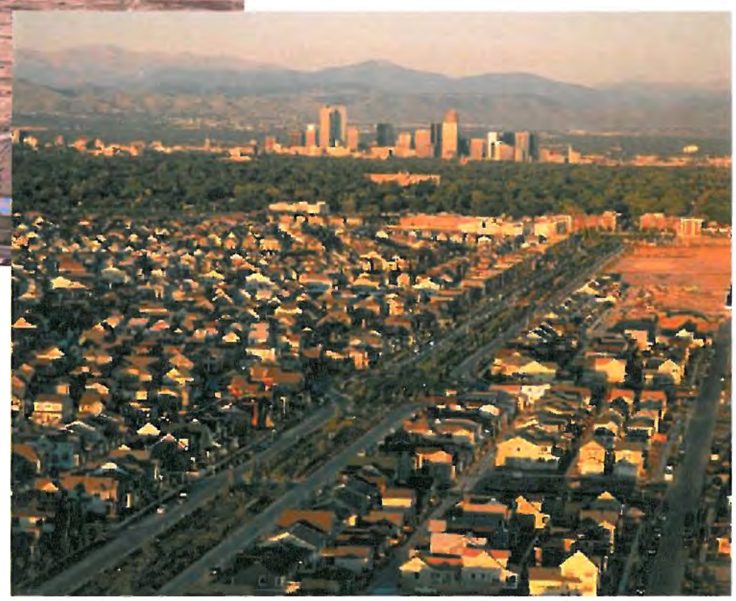
Value Creation: *Stapleton, Denver*



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Appendix

FORESTCITY

2012-2015 Strategic Plan

Key Themes:

- Increase shareholder value by:
  - **Greater focus on the core,** both markets and products
  - Continuing to **improve the balance sheet** and reduce risk
  - Driving **operational excellence** through all aspects of our company

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Asset Sales

($ in millions)

	Count	Cash Proceeds	Net Sales Price	Annualized NOI	Cap rate	EBDT Year Prior to Sale	EBDT/ Proceeds	Leverage
Total (10 Yr + YTD 2011: 2001-2011)	95	1,274.5	3,070.7	205.6	6.7%	97.0	7.6%	58%
Total (10 Yr: 2001-2010)	76	1,033.0	2,426.6	163.0	6.7%	73.6	7.1%	57%
Total (7 Yr: 2004-2010)	62	932.3	2,168.4	142.0	6.5%	63.4	6.8%	57%
Total (5 Yr: 2006-2010)	45	728.6	1,644.1	109.9	6.7%	50.3	6.9%	56%

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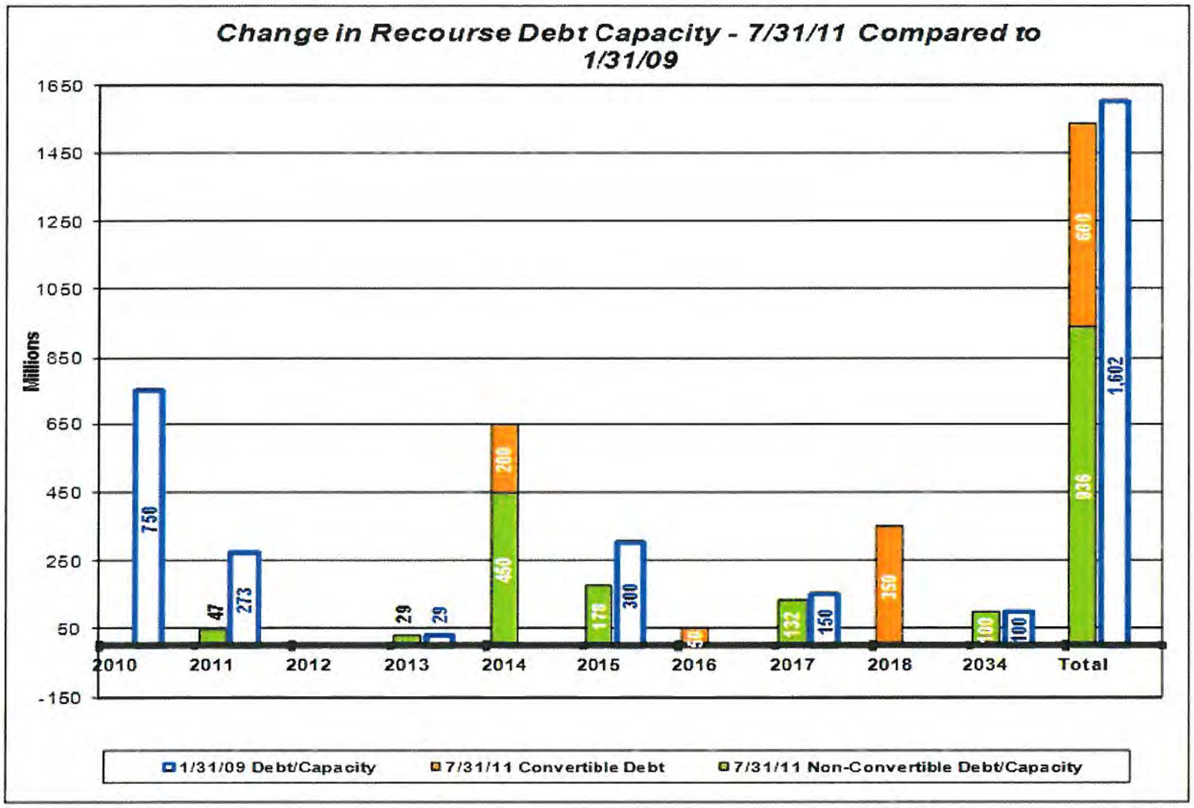
Addressing Recourse Debt Maturities



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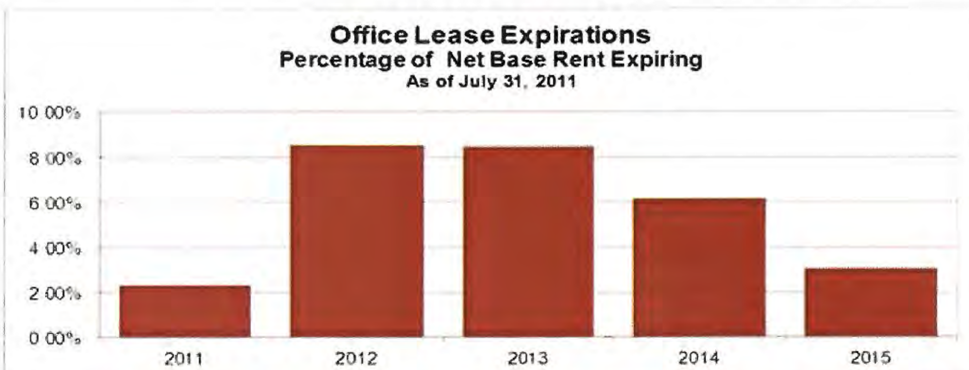
Office Lease Expirations (as of July 31, 2011)

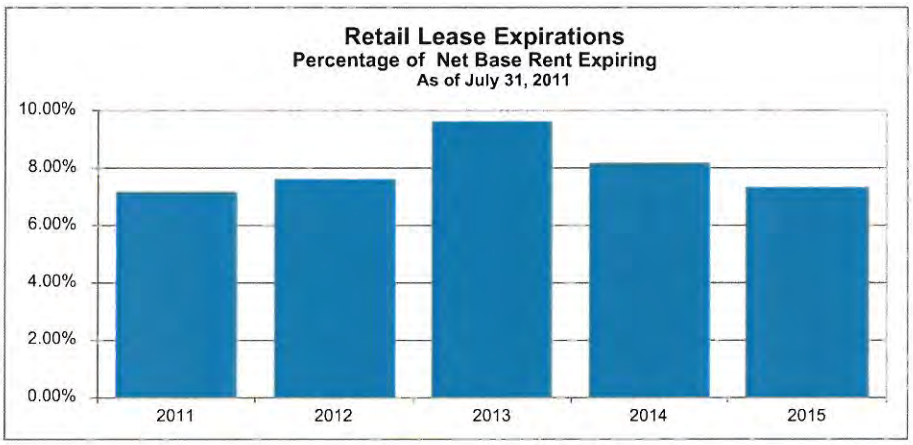
Expiration Year	Number of Expiring Leases	Square Feet of Expiring Leases	Percentage of Total Leased GLA	Net Base Rent Expiring	Percentage of Total Base Rent	Average Base Rent Per Square Feet Expiring
2011	53	363,105	3.27 %	$ 6,853,161	2.33 %	$ 19.93
2012	92	989,473	8.91	25,054,936	8.50	31.42
2013	92	1,162,933	10.48	24,912,299	8.46	22.29
2014	63	968,391	8.72	18,067,606	6.13	30.44
2015	44	480,655	4.33	8,882,261	3.02	21.28



FORESTCITY

Retail Lease Expirations (as of July 31, 2011)

Expiration Year	Number of Expiring Leases	Square Feet of Expiring Leases	Percentage of Total Leased GLA	Net Base Rent Expiring	Percentage of Total Base Rent	Average Base Rent Per Square Feet Expiring
2011	250	778,326	6.11 %	$ 18,207,261	7.21 %	$ 30.45
2012	271	950,123	7.46	19,349,688	7.66	27.94
2013	308	1,128,314	8.86	24,321,749	9.63	27.20
2014	258	1,107,037	8.69	20,677,933	8.19	27.39
2015	203	832,758	6.54	18,533,723	7.34	29.29



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Pipeline: Projects Opened or Acquired

Openings and Acquisitions as of July 31, 2011

Property	Location	Dev (D) Acq (A)	Date Opened / Acquired	FCE Legal Ownership % (a)	Pro-Rata FCE % (a) (1)	Cost at Full Consolidation (GAAP) (b)	Total Cost at 100% (2)	Cost at FCE Pro-Rata Share (Non-GAAP) (c) (1) X (2)	Sq. ft./ No. of Units	Gross Leasable Area
						(in millions)				
2011 (2)										
Retail Centers:										
Westchester's Ridge Hill (d)	Yonkers, NY	D	Q2-11/12	70.0%	100.0%	$ 0.0	$ 0.0	$ 0.0	176,000	176,000
Residential:										
8 Spruce Street (leasable units only) (d) (f)	Manhattan, NY	D	Q1-11/12	35.7%	51.0%	$ 0.0	$ 0.0	$ 0.0	682	

Note: See pages 33 - 34 in the Supplemental Package for the quarter ended July 31, 2011 for footnotes.

FORESTCITY

Pipeline: Projects Under Construction

Projects Under Construction as of July 31, 2011 (4)

Property	Location	Anticipated Opening	FCE Legal Ownership % (a)	Pro-Rata FCE % (a) (1)	Cost at Full Consolidation (GAAP) (b)	Total Cost at 100% (2)	Cost at FCE Pro-Rata Share (Non-GAAP) (c) (1) X (2)	Sq. ft./ No. of Units	Gross Leasable Area	Lease Commitment %
					(in millions)					
Retail Centers:										
Westchester's Ridge Hill (e)	Yonkers, NY	Q2-11/12	70.0%	100.0%	$ 842.4	$ 842.4	$ 842.4	1,336,000	1,336,000 (l)	52%
Residential:										
8 Spruce Street (f) (j)	Manhattan, NY	Q1-11/12	35.7%	51.0%	$ 0.0	$ 875.7	$ 446.6	903		51% (m)
Foundry Lofts	Washington, D.C.	Q3-11	100.0%	100.0%	61.4	61.4	61.4	170		
					$ 61.4	$ 937.1	$ 508.0	1,073		
Arena:										
Barclays Center	Brooklyn, NY	Q3-12	33.8% (n)	33.8% (n)	$ 904.3	$ 904.3	$ 305.9	670,000	18,000 seats (o)	56% (p)
Total Under Construction (k)					$ 1,808.1	$ 2,683.8	$ 1,656.3			

Property	Location	Anticipated Opening	FCE Legal Ownership % (a)	Pro-Rata FCE % (a) (1)	Cost at Full Consolidation (GAAP) (b)	Total Cost at 100% (2)	Cost at FCE Pro-Rata Share (Non-GAAP) (c) (1) X (2)	Sq.ft.
Fee Development:								
Las Vegas City Hall	Las Vegas, NV	Q1-12	- (q)	- (q)	$ 0.0	$ 146.2	$ 0.0	270,000

Projects Under Construction Subsequent to July 31, 2011 (2)

Property	Location	Anticipated Opening	FCE Legal Ownership % (a)	Pro-Rata FCE % (a) (1)	Cost at Full Consolidation (GAAP) (b)	Total Cost at 100% (2)	Cost at FCE Pro-Rata Share (Non-GAAP) (c) (1) X (2)	Sq. ft./ No. of Units	Gross Leasable Area	Lease Commitment %
Retail Centers:										
The Yards - Boilermaker Shop	Washington, D.C.	Q3-12	100.0%	100.0%	$ 19.4	$ 19.4	$ 19.4	41,000	41,000	73% (r)
Residential:										
Novella Apartments	Denver, CO	Q3-12	90.0%	90.0%	$ 10.1	$ 10.1	$ 9.1	85		
Total Projects Under Construction Subsequent to July 31, 2011					$ 29.5	$ 29.5	$ 28.5			

Note: See page 33 - 34 in the Supplemental Package for the quarter ended July 31, 2011 for footnotes.

Pipeline: Equity Requirements

Equity Requirements for Projects Under Construction [a]

As of July 31, 2011

	100%	Less Unconsolidated Investments at 100%	Full Consolidation (GAAP) (b)	Less Noncontrolling Interest	Plus Unconsolidated Investments at Pro-Rata	Pro-Rata Consolidation (Non-GAAP) (c)
			(dollars in millions)			
Total Cost Under Construction	**$ 2,683.8**	**$ 875.7**	**$ 1,808.1**	**$ 598.4**	**$ 446.6**	**$ 1,656.3**
Total Loan Draws and Other Sources at Completion[d]	1,668.2	539.0	1,129.2	376.5	263.1	1,015.8
Net Equity at Completion	1,015.6	336.7	678.9	221.9	183.5	640.5
Net Costs Incurred to Date [e]	1,870.4	734.5	1,135.9	281.7	382.8	1,237.0
Loan Draws and Other Sources to Date [e]	935.3	424.4	510.9	59.8	225.8	676.9
Net Equity to Date [e]	935.1	310.1	625.0	221.9	157.0	560.1
% of Total Equity	92%		92%			87%
Remaining Costs	813.4	141.2	672.2	316.7	63.8	419.3
Remaining Loan Draws and Other Sources	732.9	114.6	618.3	316.7	37.3	338.9
Remaining Equity	$ 80.5	$ 26.6	$ 53.9	$ -	$ 26.5	$ 80.4
% of Total Equity	**8%**		**8%**			**13%**

(a) This schedule includes only the four properties listed on the previous page. This does not include costs associated with phased-in units, operating property renovations and military housing.

(b) Amounts are presented on the full consolidation method of accounting, a GAAP measure. Under full consolidation, costs are reported as consolidated at 100 percent if we are deemed to have control or to be the primary beneficiary of our investments in the variable interest entity ("VIE").

(c) Cost at pro-rata share represents Forest City's share of cost, based on the Company's pro-rata ownership of each property (a non-GAAP measure). Under the pro-rata consolidation method of accounting the Company determines its pro-rata share by multiplying its pro-rata ownership by the total cost of the applicable property.

(d) "Other Sources" includes estimates of third party subsidies and tax credit proceeds. The timing and the amounts may differ from our estimates.

(e) Reflects activity through July 31, 2011

Projects Opened or Acquired: prior two years

Property	Location	Dev (D) Acq (A)	Date Opened / Acquired	FCE Legal Ownership % (a)	Pro-Rata FCE % (a) (1)	Cost at Full Consolidation (GAAP) (b)	Total Cost at 100% (2)	Cost at FCE Pro-Rata Share (Non-GAAP) (c) (1) X (2)	Sq. ft./ No. of Units	Gross Leasable Area	Lease Commitment %
Prior Two Years Openings (7)											
Retail Centers:											
Village at Gulfstream Park (f)	Hallandale Beach, FL	D	Q1-10	50.0%	50.0%	$ 0.0	$ 198.9	$ 99.5	511,000	511,000	70%
East River Plaza (f)	Manhattan, NY	D	Q4-09 Q2-10	35.0%	50.0%	0.0	390.6	195.3	527,000	527,000	90%
Promenade in Temecula Expansion	Temecula, CA	D	Q1-09	75.0%	100.0%	113.4	113.4	113.4	127,000	127,000	89%
						$ 113.4	$ 702.9	$ 408.2	1,165,000	1,165,000	
Office:											
Waterfront Station											
- East 4th & West 4th Buildings (g)	Washington, D.C.	D	Q1-10	45.0%	45.0%	$ 245.9	$ 245.9	$ 110.7	631,000		99%
Residential: (h)											
Presidio Landmark	San Francisco, CA	D	Q3-10	100.0%	100.0%	$ 96.5	$ 96.5	$ 96.5	161		70% (r)
North Church Towers	Parma Heights, OH	A	Q3-09	100.0%	100.0%	5.1	5.1	5.1	399		86%
DKLB BKLN (f)	Brooklyn, NY	D	Q4-09/Q2-10	40.8%	51.0%	0.0	161.8	82.5	365		96%
						$ 101.6	$ 263.4	$ 184.1	925		
Total Prior Two Years Openings (i)						$ 460.9	$ 1,212.2	$ 703.0			
Recap of Total Prior Two Years Openings											
Total 2010						$ 342.4	$ 931.9	$ 502.0			
Total 2009						118.5	280.3	201.0			
Total Prior Two Years Openings (i)						$ 460.9	$ 1,212.2	$ 703.0			

Note: See page 33 - 34 in the Supplemental Package for the quarter ended July 31, 2011 for footnotes.

FOREST CITY

Projects Under Development (full descriptions)

Projects Under Development

As of July 31, 2011

Below is a summary of our active large scale development projects, which have yet to commence construction, often referred to as our "shadow pipeline" which are crucial to our long-term growth. While we cannot make any assurances on the timing or delivery of these projects, our track record speaks to our ability to bring large, complex, projects to fruition when there is demand and available construction financing. The projects listed below represent pro-rata costs of $738.1 million ($918.2 million at full consolidation) of Projects Under Development ("PUD") on our balance sheet and pro-rata mortgage debt of $145.2 million ($184.7 million at full consolidation).

1) Atlantic Yards **- Brooklyn, NY**
Atlantic Yards is adjacent to the state-of-the art arena, the Barclays Center, which is designed by the award-winning firms Ellerbe Becket and SHoP Architects and is currently under construction. In addition, Atlantic Yards will feature more than 6,400 units of housing, including over 2,200 affordable units, approximately 250,000 square feet of retail space, and more than 8 acres of landscaped open space.

2) LiveWork Las Vegas **- Las Vegas, NV**
LiveWork Las Vegas is a mixed-use project on a 13.5-acre parcel in downtown Las Vegas. At full build-out, the project will have a new 260,000-square-foot City Hall for Las Vegas and is also expected to include up to 1 million square feet of office space and approximately 300,000 square feet of retail. The City Hall is owned by the city of Las Vegas and is a fee-development project.

3) The Yards **- Washington, D.C.**
The Yards is a 42-acre mixed-use project, located in the neighborhood of the Washington Nationals baseball park in Southeast D.C. The full development is expected to include up to 2,700 residential units, 1.8 million square feet of office space, and 300,000 square feet of retail and dining space. The Yards features a 5.5-acre publicly funded public park that is a gathering place and recreational focus for the community. The first residential building, Foundry Lofts, which is under construction and expected to open in Q3-11.

4) The Science + Technology Park at Johns Hopkins **- Baltimore, MD**
The 31-acre Science + Technology Park at Johns Hopkins is a new center for collaborative research directly adjacent to the world-renowned Johns Hopkins medical and research complex. Initial plans call for 1.1 million square feet in five buildings, with future phases that could support additional expansion. In 2008, the Company opened the first of those buildings, 855 North Wolfe Street, a 279,000-square-foot office building anchored by the Johns Hopkins School of Medicine's Institute for Basic Biomedical Sciences.

5) Colorado Science + Technology Park at Fitzsimons **- Aurora, CO**
The 184-acre Colorado Science + Technology Park at Fitzsimons is becoming a hub for the biotechnology industry in the Rocky Mountain region. Anchored by the University of Colorado at Denver Health Science Center, the University of Colorado Hospital and The Denver Children's Hospital, the park will offer cost-effective lease rates; build-to-suit office and research sites; and flexible lab and office layouts in a cutting-edge research park. The park is also adjacent to Forest City's 4,700-acre Stapleton mixed-used development.

6) Waterfront Station **- Washington, D.C.**
Located in Southwest Washington, D.C., Waterfront Station is adjacent to the Waterfront/Southeastern University MetroRail station. Waterfront Station is expected to include 660,000 square feet of office space, an estimated 400 residential units and 40,000 square feet of stores and restaurants.

7) 300 Massachusetts Avenue **- Cambridge, MA**
Located in the science and technology hub of Cambridge, MA, the 300 Massachusetts Avenue block represents an expansion of University Park @ MIT. In a 50/50 partnership with MIT, Forest City is presently focused on a project that reflects a development program of approximately 260,000 square feet of lab and office space. Potential redevelopment of the entire block is possible with the acquisition of adjacent parcels in future phases, and would result in an approximately 400,000 square foot project.

Military Housing

Military Housing as of July 31, 2011

Below is a summary of our equity method investments for Military Housing Development projects. The Company provides development, construction and management services for these projects and receives agreed upon fees for these services. The following phases still have a percentage of units opened and under construction:

Property	Location	Anticipated Opening	FCE Pro-Rata %	Cost at Full Consolidation	Total Cost at 100%	No. of Units
				(in millions)		
Military Housing -Openings (2)						
Navy, Hawaii Increment III	Honolulu, HI	2007-Q1-11	*	$ 0.0	$ 464.8	2,520
Marines, Hawaii Increment II	Honolulu, HI	2007-Q2-11	*	0.0	292.7	1,175
Total Openings				$ 0.0	$ 757.5	3,695
Military Housing Under Construction (5)						
Pacific Northwest Communities	Seattle, WA	2007-2011	*	$ 0.0	$ 280.5	2,985
Navy Midwest	Chicago, IL	2006-2012	*	0.0	200.3	1,401
Midwest Millington	Memphis, TN	2008-2012	*	0.0	33.1	318
Air Force Academy	Colorado Springs, CO	2007-2013	50.0%	0.0	69.5	427
Hawaii Phase IV	Kaneohe, HI	2007-2014	*	0.0	475.1	1,141
Total Under Construction				$ 0.0	$ 1,058.5	6,272
Total Military Housing				$ 0.0	$ 1,816.0	9,967

* The Company's share of residual cash flow ranges from 0-20% during the life cycle of the project.

Commitment executed

Air Force – Southern Group was awarded on August 30, 2010. This project is expected to include 2,185 end state units at four Air Force bases in Sumter, SC, Manchester, TN, Charleston, SC and Biloxi, MS. There are 330 financially excluded units that will not be encumbered by debt and which may be removed from the end state at the sole discretion of the Air Force.

The financial closing of the project was executed on September 30, 2011, with property management and construction beginning on October 1, 2011.

Development fees related to our military housing projects are earned based on a contractual percentage of the actual development costs incurred. We also recognize additional development incentive fees upon successful completion of certain criteria, such as incentives to realize development cost savings, encourage small and local business participation, comply with specified safety standards and other project management incentives as specified in the development agreements. NOI from development and development incentive fees is $788,000 and $1,925,000 for the three and six months ended July 31, 2011 respectively, and $1,705,000 and $3,318,000 for the three and six months ended July 31, 2010, respectively.

Construction management fees are earned based on a contractual percentage of the actual construction costs incurred. We also recognize certain construction incentive fees based upon successful completion of certain criteria as set forth in the construction contracts. NOI from construction and incentive fees is $738,000 and $1,918,000 for the three and six months ended July 31, 2011, respectively, and $1,465,000 and $3,060,000 recognized during the three and six months ended July 31, 2010, respectively.

Property management and asset management fees are earned based on a contractual percentage of the annual net rental income and annual operating income, respectively, that is generated by the military housing privatization projects as defined in the agreements. We also recognize certain property management incentive fees based upon successful completion of certain criteria as set forth in the property management agreements. Property management, management incentive and asset management fees generated NOI of $2,418,000 and $5,647,000 during the three and six months ended July 31, 2011, respectively, and $3,120,000 and $6,242,000 during the three and six months ended July 31, 2010, respectively.

Land Holdings

Land Held for Development or Sale as of July 31, 2011

The Land Development Group acquires and sells raw land and sells fully-entitled developed lots to residential, commercial, and industrial customers. The Land Development Group also owns and develops raw land into master-planned communities, mixed-use projects and other residential developments. Below is a summary of our large Land Development Group projects.

Location	Gross Acres (1)	Saleable Acres (2)	Option Acres (3)
Stapleton - Denver, CO	213	141	1,358
Mesa del Sol - Albuquerque, NM	3,011	1,647	5,731
Central Station - Chicago, IL	30	30	-
Texas	2,798	1,553	-
North Carolina	1,225	1,001	788
Ohio	967	652	470
Arizona	663	489	-
Other	884	698	-
Total	9,791	6,211	8,347

(1) Represent all acres currently owned including those used for roadways, open spaces and parks.
(2) Saleable acres represent the total of all acres currently owned that will be available for sales.
The Land Development Group may choose to further develop some of the acres into completed sublots prior to sale.
(3) Option acres are those acres that the Land Development Group has a formal option to acquire.
Typically these options are in the form of purchase agreements with contingencies for the satisfaction of due diligence reviews.

Sustainability at Forest City

- Leadership
  - 30+ projects certified or seeking certification (LEED, Energy Star, others)
  - Approx. 17% of total portfolio is certified (based on cost at pro-rata)
  - A leader in breath of LEED certifications by project type:
    - New Construction
    - Existing Buildings
    - Core & Shell
    - Neighborhood Development
    - Homes
- Value-add
  - Leveraging portfolio opportunities for energy generation/sale, reduced cost
  - Forest City included in Calvert Social Index since September, 2010
- Commitment
  - A core value since 2003
  - Dedicated Energy & Sustainability Group provides enterprise-wide direction
  - Accountability and verification all projects prepare a sustainability "scorecard"

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End

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Analysis of Sales/Earnings

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Flash Note

Real Estate Operating Companies

March 30, 2011

Forest City Enterprises Inc.
(FCE/A, $19.00, Outperform, Target: $22.00)

First Look on Track 4Q10 - Outlook Continues to Be Favorable

Event--

ROCK: [$0.23, $0.42, $0.41, $0.41]. FCEA reported 4Q10 EBDT $0.23/sh, or $0.42/sh excluding $0.16/sh in debt extinguishment charges and $0.03/sh in one-time corporate items. Core portfolio remained positive with SS NOI +1.1%, vs. +2.7% in 3Q10. Continued lease-up progress at developments. After 2 years of balance sheet in focus - FCEA has improved position to now, in a measured fashion, to look at select new opportunities, a positive change.

- **Our Take on the Quarter.** Forest City had solid 4Q results, with same-store core portfolio results up 1.1% overall, versus the 2.7% increase in 3Q10. On a same-store NOI basis, Retail and Office increased +3.4% and +0.2%, respectively, while Residential declined 0.8% due to the timing of government subsidy receipts for the senior housing portfolio (conventional apartments were positive). Comparable occupancy had an increase of 60 bps for Retail and a 10-bp and 210-bp decrease for Residential and Office, respectively - the latter decline driven primarily by two NYC office lease expirations. The largest takeaway from the quarter should be, in our view, that Forest City continues to lease-up major development projects and the major asset sales to enhance liquidity are now behind the company. While Forest City will continue to gradually reduce leverage over time, there is no near-term pressure. In fact, Forest City is now positioned, in our view, to look at select new opportunities. We expect this more positive tone and outlook to come across on Friday's conference call.
- **Other Noteworthy Items.** FCEA's development leasing progressed during 4Q at the Presidio in SF (38% leased, vs. 20% at 3Q) and at Ridge Hill (now 45% pre-leased, vs. 41% at 3Q). The Barclays arena is under construction with 55% of contractually-obligated revenues under contract. The newly announced NY urban retail portfolio JV will be a likely topic on the conference call - along with the usual updates on the development pipeline. Debt maturities are less of a focus as Forest City continues to execute on this front. We still expect Forest City may selectively sell assets, but given the JV and other recent dispositions, $228 million of cash on hand, and $223 million available on line of credit - there is no urgency for sales. Forest City did take an impairment on Gulfstream Village in Florida - a retail center that began leasing in the throws of the downturn in one of the hardest hit states - Florida. The slow lease-up necessitated a non-cash impairment at the center in the quarter.
- **Value Play.** We continue to view Forest City as a rare value play among real estate stocks. Forest City has significantly reduced its risk profile by increasing liquidity. Now core portfolio cash flows and lease-up of development are both increasing. We think Forest City's implied cap rate of 8% is particularly attractive considering the majority of its portfolio (76%) is well-located in core markets: NY/Philadelphia (37% of NOI), DC, Chicago/Denver, CA, and Boston. Positive core portfolio results, development lease-up, cap rate compression over the past year, and a low interest rate environment should position FCEA to create value.

Observations. Forest City reported 4Q10 EBDT/sh of $0.23, or $0.42/sh excluding one-time items, versus our estimate of $0.41 (also consensus). One timers included $0.16 in debt extinguishment charges and $0.03 in one-time corporate charges (legal settlement which should be recouped from insurance and severance costs). SS NOI remained positive at 1.1% (versus +2.7% in 3Q), a positive given the headwinds that remain in the overall economy. Forest City's SS NOI results may also be aided by the fact that the company has opened some projects over past several years that may be getting recent leasing traction as the economy emerges from a slump. Capturing occupancy gains from these projects that have been opened longer than a year but are not yet stabilized can assist in SS core results. Leasing progress moved forward at Forest City's most prominent projects, which we detail below. While we were disappointed that Forest City was required to take an impairment on Gulfstream, this does not come as a complete surprise as lease-up at this center has been slow. Leasing a shopping center in Florida in the recession - the timing of this project opening has been a negative drag on leasing momentum. The impairment will not have an impact on our NAV as the debt on this center is fully factored into our analysis and the NOI we are taking into account for this center does not factor in any additional lease-up. During 4Q10 the surprise Cleveland land sale of $85 million was a larger surprise on the upside than any impairment on Gulfstream.

Outlook. Overall, we would characterize the results as on track with our expectations with more positive leasing momentum on the development pipeline - a positive. 8 Spruce Street (multifamily) in Manhattan is off to a positive early start in lease-up - ahead of expectations. We believe Forest City should continue to have positive momentum - leasing up its development pipeline, in what appears to be a gradually improving but fragile economy. Cap rate compression and the debt markets opening up are also positive developments. We believe Forest City has transitioned to a position of operating more from strength - raising necessary liquidity and now being able to selectively look at new growth opportunities.

Same Store Results Remain Positive. In 4Q10, same-store NOI increased 1.1% versus an increase of 2.7% in 3Q10. By segment:

- Retail was up 3.4% versus 3Q10's increase of 4.1%
- Office increased 0.2% versus 3Q10's 2.2% increase
- Residential decreased 0.8% versus up 4.8% in 3Q10

Forest City's core portfolio picture is improving - and this was reflected in this quarter's positive SS results in the Retail and Office portfolio, although Residential declined 0.8% due to the timing of government subsidy receipts for the senior housing portfolio (conventional apartments were positive). The impact on residential was more of a timing issue for the subsidized housing portfolio. Occupancy increased for Retail, was basically flat for Residential, and recorded a 210-bp decrease for Office due to two office lease expirations in NYC. Both lease expirations were in Brooklyn - one in 2 MetroTech and another at Pierpont Plaza. Same-property occupancy in 4Q10 was 91.2% for retail, up from 3Q10's 90.6%. Office same-property occupancy of 88.4% was down 210 bps from 90.5% in 3Q10 (impacted from Brooklyn lease expirations). Forest City has backfilled some of the SIAC space at 2 MetroTech. For Residential, same-property occupancy of 94.3% decreased a modest 10 bps from 94.4% in 3Q10.

- **Please see PDF version of this note for detailed historical operating metrics.**

Recent Openings and Under Construction Projects - Leasing Moving in the Right Direction. In the chart below, we summarize Forest City's recent openings, under construction projects and the leasing commitment levels at 4Q10 vs. 3Q10. Ridge Hill, Forest City's largest project under construction ($827.4 million), moved up in leasing from 41% to 45%. Progress in lease-up at this project is significant, as the pre-leasing level had been stubbornly stuck at 30% for some time. ICSC this year will be an important event for Ridge Hill. Project cost also increased from previous $798 million estimate - this is driven by longer lease-up time as well as additional tenant allowances in budget. With a phased opening during this year, we expect additional momentum in leasing in the coming months. Retailers are increasingly considering store expansion plans – particularly in high barrier markets in centers with opening dates within 18 months. The Presidio ($103.7 million - multifamily) and the Village at Gulfstream ($107.1 million - retail), both recently opened projects, also had increases in leasing with the Presidio up from 20% to 38% and Gulfstream up modestly from 78% to 80%. East River Plaza did lose one regional tenant - but there are leasing prospects for that space as well as the balance of the space at this center.

Property	Date Open/Acquired	Cost at FCE Pro#Rata Share 3Q10 ($Ms)	Lease Commitment % 3Q10	Lease Commitment % 4Q10
Openings and Acquisitions				
Retail Centers:				
Village at Gulfstream Park	1Q10	107.1	78%	80%
East River Plaza	2Q10	195.3	94%	90%
Office:				
Waterfront Station	1Q10	106.2	99%	99%
Residential:				
Presidio Landmark	3Q10	103.7	20%	38%

Property	Anticipated Opening	Cost at FCE Pro#Rata Share 3Q10 ($Ms)	Lease Commitment % 3Q10	Lease Commitment % 4Q10
Projects Under Construction				
Retail Centers:				
Ridge Hill	2011/2012	827.4	41%	45%
Residential:				
8 Spruce Street (Beekman)	1Q#11/12	613.0	0%	6%
Foundry Lofts	3Q#11	60.3		
Arena				
Barclays Center	2012	240.5	54%	55%

Source: Forest City and KBW.

Liquidity Update. At 4Q10, Forest City had $228 million of cash on its balance sheet and $223 million of available capacity on its line of credit, versus $221.7 million of cash and $231.6 million of capacity at 3Q10. These figures do not reflect the recent JV retail sale of NY portfolio which proceeds will reduce the balance on the line of credit.

Conference Call. We will have more details after the conference call and reviewing the 10-K. Estimates are under review. Conference call is Friday, April 1st, at 11am EST. Please see PDF version for same store NOI and occupancy trends.

Items of focus on Forest City's conference call will likely include

- Progress on its remaining development projects - Ridge Hill and Barclays Arena are always topics. The recently opened Presidio apartment project in San Francisco is now 38% leased - more color on lease-up for this project as well as 8 Spruce Street and other projects will be a likely topic.
- Forest City announced a 49% JV interest in its NY urban retail portfolio - at 6.9%, cap rate came in expected high 6% to low 7% range.
- Forest City has continued to be successful in obtaining new or extending non-recourse debt maturities - consequently, concerns on availability of debt capital should have eased and be less of a focus on this quarter's conference call.

8 Spruce Street. Lease-up on this 903-unit project just got underway early this year. 53 units (6%) have been rented since leasing began on February 18 through March 29; pro forma lease-up allows for 18-24 months. Thus far, although still early, lease-up is running ahead of schedule. FCEA's pro rata share of $875 million in total costs is $613 million. Given the strength of the NYC rental market, with sub-2% vacancy, we expect this project may surpass this pro forma timeframe. Forest City's lease-up in Brooklyn for 80 DeKalb was completed in 9 months - well ahead of its 18-24 month pro forma.

The Presidio. A 161-unit, $103.7 million rental project in San Francisco, this asset is 38% leased as of 4Q after only several months of leasing. The company anticipates an 18-month lease period.

Ridge Hill in Yonkers. The movie theater is scheduled to open in May - the upcoming ICSC conference is critical to keep leasing momentum (45% at 4Q, versus 41% at 3Q) going, with the Lord and Taylor anchor lease announced in December and expected to open in February 2012. Pro rata cost for Forest City totals roughly $827 million. We view this project as a critical one to see progress on, given the size of the investment.

The Nets Arena. We look for details on the scheduled opening and pre-leasing, along with expected pro rata costs. With its ownership stake at 26%, FCEA's pro rata share of $904 million of total costs was last anticipated to be $240.5M.

Any planned development starts. With strength in the multifamily sector and FCEA's ownership stake in entitled land in Brooklyn and DC, we expect that select multifamily starts might be considered over the next 12-18 months.

KBW Key Metric Chart - Forest City	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10
Same Store NOI (Pro Rata)	4.8%	4.5%	6.9%	2.9%	2.8%	1.3%	1.3%	-2.3%	0.3%	-1.4%	0.8%	-0.5%	0.6%	2.9%	2.7%	1.1%
Same Store NOI (Retail)	8.3%	3.1%	10.5%	6.8%	3.4%	4.5%	1.4%	-5.3%	-1.0%	-4.3%	-1.7%	-3.9%	-1.5%	3.2%	4.1%	3.4%
Same Store NOI (Office)	0.5%	2.7%	3.0%	2.0%	3.0%	-1.5%	1.3%	2.9%	4.4%	7.1%	5.6%	4.3%	0.8%	1.6%	2.2%	0.2%
Same Store NOI (Residential)	3.3%	6.4%	6.8%	1.4%	3.6%	0.6%	-0.5%	-2.1%	-1.8%	-4.2%	-3.9%	-2.7%	2.8%	3.8%	4.8%	-0.8%
Same Store NOI (Hotel)	43.0%	21.2%	4.2%	-31.5%	-32.6%	-4.9%	13.6%	-16.5%	-25.5%	-24.8%	6.2%	-1.1%	52.6%	7.9%	-20.3%	-13.4%
Occupancy - Retail (Comparable)	94.0%	92.9%	93.3%	93.5%	92.9%	92.5%	91.6%	90.4%	90.0%	89.8%	90.1%	90.1%	89.7%	90.9%	90.6%	91.2%
Occupancy - Retail (Total)	93.0%	92.1%	92.4%	92.5%	91.5%	91.8%	90.4%	88.5%	87.7%	88.1%	88.4%	88.8%	88.4%	90.7%	90.4%	91.2%
Occupancy - Office (Comparable)	93.0%	89.9%	89.4%	90.1%	90.1%	90.0%	90.0%	90.8%	90.3%	89.4%	89.4%	90.0%	89.8%	90.0%	90.5%	88.4%
Occupancy - Office (Total)	89.6%	88.5%	89.3%	89.7%	89.0%	90.1%	89.7%	89.6%	89.3%	89.4%	88.9%	89.7%	89.7%	89.9%	90.3%	87.8%
Occupancy - Residential (Comparable)	94.2%	94.4%	94.2%	93.3%	93.4%	92.5%	92.9%	92.5%	91.5%	91.6%	92.6%	93.4%	93.0%	93.8%	94.4%	94.3%
Occupancy - Residential (Total)	92.6%	92.8%	92.8%	91.9%	91.1%	89.9%	91.1%	89.5%	88.8%	89.7%	91.1%	92.3%	91.1%	92.7%	93.1%	93.4%

Source: Forest City, KBW

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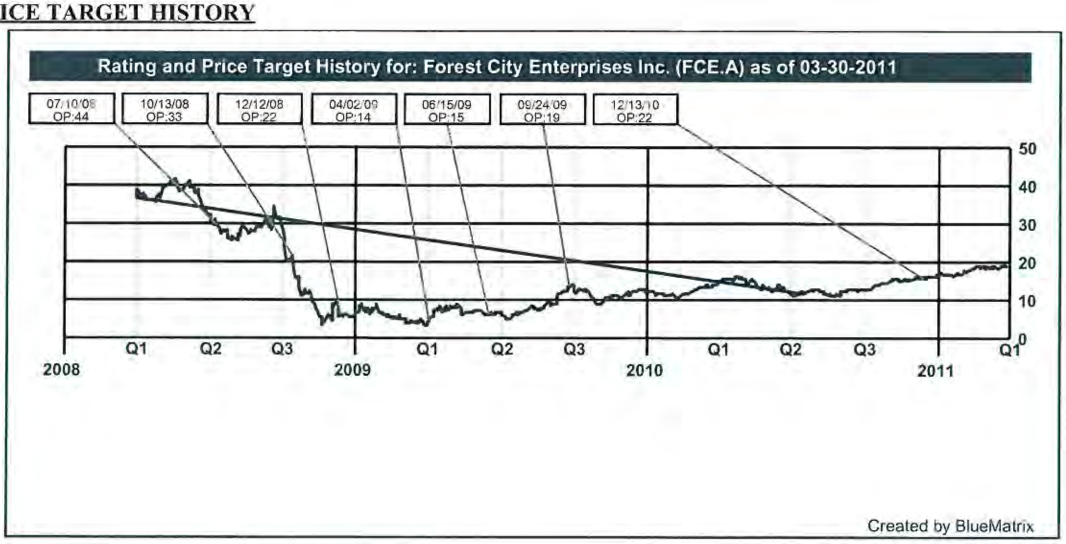
Forest City Enterprises Inc. (FCE/A)

Target Price: $22.00

Risk Factors:

Our price target for Forest City Enterprises is subject to risks and uncertainties including but not limited to, interest rates, demand for commercial real estate, tenant credit risk and real estate development risk.

RATING AND PRICE TARGET HISTORY



Rating KEY: OP – Outperform **MP** – MarketPerform **U** – Underperform **RS** – Restricted **S** – Suspended

Note: The boxes on the Rating and Price Target History Chart above indicate the date of Report/Note, the rating and price target. Each box represents a date on which an analyst made a change to a rating or price target.

Distribution of Ratings/IB Services
KBW

			*IB Serv./Past 12 Mos.	
Rating	**Count**	**Percent**	**Count**	**Percent**
Outperform [BUY]	**221**	**32.40**	**52**	**23.53**
Market Perform [HOLD]	**385**	**56.45**	**82**	**21.30**
Underperform [SELL]	**53**	**7.77**	**7**	**13.21**
Restricted [RES]	**0**	**0.00**	**0**	**0.00**
Suspended [SP]	**23**	**3.37**	**4**	**17.39**

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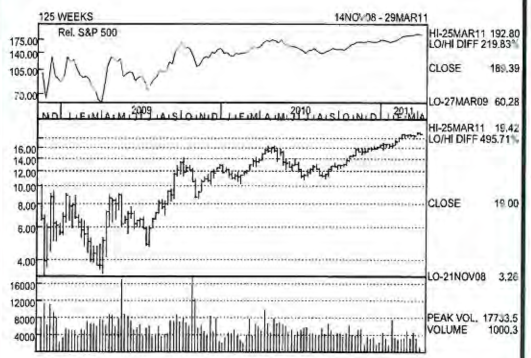

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FY Jan	2009A	2010A	2011E	2012E
FFO - FD	2.00	1.59	1.58	1.66
P/FFO	9.5x	11.9x	12.0x	11.4x

FFO - FD	Q1	Q2	Q3	Q4
2009	0.39A	0.64A	0.52A	0.43A
2010	0.37A	0.54A	0.46A	0.23A
2011	0.42E	0.38E	0.39E	0.39E
2012	0.40E	0.40E	0.43E	0.43E

All values in USD unless otherwise noted.

COMPANY UPDATE | COMMENT

MARCH 30, 2011

Forest City Enterprises, Inc (NYSE: FCEA)
Missed By $0.03 On NOI; Fundamentals Continue To Firm

Sector Perform
Above Average Risk

Price:	19.00	Price Target:	16.00
		Implied All-In Return:	(16)%
Shares O/S (MM):	202.6	Market Cap (MM):	3,849
Dividend:	0.00	Yield:	0.0%
NAVPS:	15.99	P/NAVPS:	1.2x
Float (MM):	117.3	Avg. Daily Volume (MM):	0.76
Debt to Cap:	67%	3-Yr. Est. EPS Growth:	NA
Institutional Ownership:	106%		

Priced as of market close on March 30, 2011 ET.

Event

First look at 4Q10 earnings. Pre-conference call earnings update.

Investment Opinion

- Forest City posted 4Q10 results with many one-time items that skewed the headline number.
- For the quarter, the Company reported EBDT/share of $0.23, missing our estimate by $0.21 and consensus by $0.18.
- Details of the quarter are provided below along with a complete analysis of income statement line items that differed materially from our expectations.
- For the key NOI number, the Company missed our estimate for the commercial group by $0.02 and our estimate for the residential group by $0.01. The miss for the commercial group was likely related to lease expirations at two of the New York offices. For the residential group, the miss was likely attributable to a timing issue relating to receipt of government subsidies for the senior housing properties.
- The Company beat us by $0.04 on the interest expense line and by $0.05 on the interest and other income.
- Other items that missed our estimate include $0.04/share of charges due to a lawsuit settlement and severance costs, $0.04/share of charges related to development, and a $0.16/share charge related to early extinguishment of debt.
- Comparable NOI was positive 1.1%, which marked the fourth consecutive quarter of positive NOI growth, but it was down from last quarter's 2.7%. Retail was the standout at 3.4%, while residential was down -0.8%.
- Same store and overall occupancy rose in retail while it fell in the office portfolio.
- Operating margins fell in the quarter but remain healthy.
- The Company's development pipeline increased modestly to $1.74 billion on Forest City's pro rata share from $1.71 billion. The $30 million increase was due to the additional costs at the Westchester's Ridge Hill development including tenant improvements for anchor Lord & Taylor.
- Fixed charge coverage dipped to 1.8x from 1.9x in the quarter.
- We'll look for more color on the call with management on Friday, April 1, at 11:00 a.m. ET.

Priced as of prior trading day's market close, EST (unless otherwise noted).

For Required Conflicts Disclosures, see Page 7.

- We continue to rate Forest City shares Sector Perform.

Details

Exhibit 1: Forest City Missed Us By $0.21 And Consensus By $0.18 In 4Q10

	4Q10	4Q09	Change	4Q10 Estimate RBC	4Q10 Estimate Consensus
EBDT/Share	$0.23	$0.43	-48.06%	$0.44	$0.41

Source: Company Reports, ThomsonOne and RBC Capital Markets Estimates

Exhibit 2: Income Statement Line Items That Differed Materially From Our Expectations

	Earnings Comparisons ($000)				
	4Q09	**3Q10**	**4Q10A**	**4Q10E**	**EBDT/Share**
Beat our estimate					
Interest Expense	104,862	93,303	90,416	97,930	$0.04
Interest and Other Income	29,350	8,953	15,131	4,000	$0.05
TOTAL					**$0.09**

	Earnings Comparisons ($000)				
	4Q09	**3Q10**	**4Q10A**	**4Q10E**	**EBDT/Share**
Missed our estimate					
Residential Operating Income	49,822	39,648	37,622	39,848	-$0.01
Commercial Operating Income	126,767	142,955	133,095	137,905	-$0.02
One-time Development Related Charges	5,490	984	7,378	0	-$0.04
Earnings From Commerical Outlot Sales	-144	1,470	282	1,586	-$0.01
One-time Gains / (Losses)	-2,350	2,188	-35,903	4,000	-$0.20
Straight line rent adjustment	-3,689	-2,667	-7,913	-2,667	-$0.03
TOTAL					**-$0.30**
Total difference					**-$0.21**

Source: Company Reports and RBC Capital Markets Estimates

Exhibit 3: Comp NOI Remained Positive Throughout 2010

SS NOI	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10
Retail	-5.3%	-1.0%	-4.3%	-1.7%	-3.9%	-1.5%	3.2%	4.1%	3.4%
Office	2.9%	4.4%	7.1%	5.6%	4.3%	0.8%	1.6%	2.2%	0.2%
Hotel	-16.5%	-25.5%	-24.8%	6.2%	-1.1%	52.6%	7.9%	-20.3%	-13.4%
Residential	-2.1%	-1.8%	-4.2%	-3.9%	-2.7%	2.8%	3.8%	4.8%	-0.8%
Total	-2.3%	0.3%	-1.4%	0.8%	-0.5%	0.6%	2.9%	2.7%	1.1%

Source: Company Reports and RBC Capital Markets

Exhibit 4: Occupancy Was Mixed Among The Various Categories

SS Occupancy	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10
Retail	90.4	90.0	89.8	90.1	90.1	89.7	90.9	90.6	91.2
Office	90.8	90.3	89.4	89.4	90.3	89.8	90.0	90.5	88.4
Residential	92.5	91.5	91.6	92.6	93.7	93.0	93.8	94.4	94.3
Hotel (Year To AVG)	68.8	56.2	64.3	68.5	69.1	61.0	66.3	69.9	69.0

Overall Occupancy	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10
Retail	88.5	87.7	88.1	88.4	88.8	88.4	90.7	90.4	91.2
Office	89.6	89.3	89.4	88.9	89.7	89.7	89.9	90.3	87.8
Residential	89.5	88.8	89.7	91.1	92.3	91.1	92.7	93.1	93.4

Source: Company Reports and RBC Capital Markets

Exhibit 5: Operating Margins Dipped In The Quarter

Operating Margin (%)	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10
Commercial	50.0	50.5	53.0	52.6	48.9	52.3	51.1	54.5	52.0
Residential	39.0	21.4	22.9	33.9	32.6	35.1	38.2	38.6	35.9
Land	31.5	-13.3	-22.9	-58.2	-22.9	-33.1	1.6	-17.0	4.9

Source: Company Reports and RBC Capital Markets

Exhibit 6: The Development Pipeline Increased Modestly

	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10
Retail	1,089	985	1,098	1,100	1,100	998	799	799	827
Office	149	149	149	147	147	0	0	0	0
Residential	885	885	887	887	724	724	672	672	673
Arena	NA	NA	NA	NA	212	212	241	241	241
Military	NA	NA	NA	NA	NA	NA	NA	NA	NA
Total	**2,122**	**2,018**	**2,134**	**2,134**	**2,183**	**1,934**	**1,711**	**1,711**	**1,741**

Source: Company Reports and RBC Capital Markets

Exhibit 7: Fixed Charge Coverage Is Just Under 2.0x

	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10
EBITDA interest avg	1.3x	1.8x	1.5x	1.7x	1.5x	1.7x	1.9x	1.9x
EBITDA/fixed charges avg	1.3x	1.8x	1.5x	1.7x	1.5x	1.6x	1.9x	1.8x
Net Debt/Total cap	91%	89%	87%	84%	74%	80%	74%	70%

Source: Company documents and RBC research

Exhibit 8: Comparable Valuation Metrics for Forest City

	P/FFO 2011E	P/FFO 2012E	P/FAD 2011E	P/FAD 2012E	YE11 NAV/Share	Implied Cap Rate	Price/ Book
FCE'A	12.0x	11.4x	14.2x	13.3x	$15.99	6.43%	0.8x
Diversified (Median)	12.0x	11.4x	16.8x	15.4x	NA	NA	1.0x

	EV/ EBITDA	FFO Growth 2011E	FFO Growth 2012E	Dividend Yield	FAD Payout Ratio 2011E	Debt / EBITDA	Fixed Charge Coverage
FCE'A	18.4x	NA	5%	0.0%	0%	13.5x	1.7x
Diversified (Median)	14.9x	-1%	3%	4.9%	88%	6.2x	2.1x

Source: SNL Financial and RBC research estimates

*Diversified uses FFO vs. EBDT

Note: The attached model has not been updated to reflect 4Q10 financials and 4Q09 revisions.

Valuation

EBDT (FFO) Multiple. Based on our current 2011 EBDT estimate of $1.58/share, Forest City trades at a multiple of 12.0x, versus the Diversified median multiple of 12.0x.

Net Asset Value. We estimate Forest City's YE11 NAV at $15.99/share using a 7.25% cap rate for the commercial group and a 6.0% for the apartment group based on 12-month forward NOI . Forest City's shares are currently trading at an implied cap rate of 6.43%.

Price Target Justification. Our price target of $16 is based on our 2011 NAV/share estimate of $15.99 and is 10.1x our 2011 EBDT/share estimate.

Price Target Impediment

The greatest risks to our estimates, recommendation, and price target center around general economic trends including, but not limited to, job growth, demand for commercial space, tenant bankruptcies, new commercial supply, availability of for-sale properties, and access to capital. Higher raw material and labor costs related to development or redevelopment activities could also negatively impact investment. Additional risks, including the threat of terrorism, weather, and key personnel changes, are outlined in the Company's filings with the Securities and Exchange Commission.

Company Description

Forest City is an REOC engaged in the development, acquisition, operation, and management of retail shopping centers, office buildings, hotels, multi-family communities, and mixed-use venues. The Company is organized into three autonomous business units: the Commercial Group, the Residential Group, and the Land Development Group. Geographically, Forest City's portfolio includes 25 states and the District of Columbia. Forest City's largest markets include New York City, Boston, Northern and Southern California, Colorado, Pennsylvania, and Washington, D.C. Forest City generates revenue primarily through leases to retail merchants, office tenants, and apartment renters, and from hotel operations. The Company's website is www.forestcity.net.

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12/13/2010

RBC Capital Markets

Forest City Enterprises, Inc. (FCEA-NYSE)

	1Q09 Actual	2Q09 Actual	3Q09 Actual	4Q09 Actual	1Q10 Actual	2Q10 Actual	3Q10 Actual	4Q10 Est	1Q11 Est	2Q11 Est	3Q11 Est	4Q11 Est	1Q12 Est	2Q12 Est	3Q12 Est	4Q12 Est	2010 Est	2011 Est	2012 Est
EBDT As reported by the company	$0.39	$0.64	$0.52	$0.43	$0.37	$0.54	$0.46	$0.44	$0.42	$0.38	$0.39	$0.39	$0.40	$0.40	$0.43	$0.43	$1.81	$1.58	$1.66
Percentage Growth (Yr-over-Yr)	119.2	-17.6	14.8	[illegible]	-4.6	-17.0	-11.7	1.5	11.5	-28.0	-16.2	-11.0	-4.4	4.4	10.2	10.5	-9.5%	-13.0	5.[illegible]
EBDT (operating) FCEA	$0.39	$0.58	[illegible]	$0.45	$0.34	$0.37	$0.45	$0.42	$0.42	$0.38	$0.39	$0.39	$0.40	$0.40	$0.43	$0.43	$1.58	$1.58	$1.66
Percentage Growth (Yr-over-Yr) as we analyze	5.9	-24.[illegible]	-15.1	-27.1	-13.2	-36.5	34.[illegible]	-5.[illegible]	22.0	4.9	-14.2	-6.[illegible]	-4.4	4.4	10.2	10.5	-9.8	-0.5	5.2
Commercial Group																			
Commercial real estate revenues	246,417	254,518	254,582	240,688	244,427	259,331	260,726	269,838	261,878	265,533	267,624	271,130	271,142	277,157	280,536	284,399	1,034,342	1,066,166	1,113,234
Operating expenses including non-real estate depreciation	121,911	119,509	124,191	138,682	116,665	126,829	119,689	134,904	124,995	129,862	128,460	138,142	139,416	135,547	134,657	146,512	498,387	513,459	536,132
Commercial Operating Income	123,921	134,423	129,604	121,421	127,172	131,917	140,501	136,319	135,674	139,836	137,329	132,153	131,891	130,900	134,294	136,303	535,914	538,992	537,387
Commercial outlot sales	6,628	5,386	4,155	10,899	1,199	13,558	8,672	7,931	7,118	7,281	7,427	7,575	7,802	8,037	8,278	8,526	31,360	29,421	32,643
Expense	5,152	3,910	3,066	11,043	924	10,946	7,202	6,345	5,711	5,825	5,941	6,060	5,852	6,027	6,208	6,394	25,417	23,537	24,482
Earnings From Commerical Outlot Sales	1,476	1,476	1,089	-144	275	2,612	1,470	1,586	1,408	1,456	1,485	1,515	1,951	2,009	2,069	2,131	5,943	5,884	8,161
Commercial Operating Income	125,397	135,899	130,693	121,277	127,452	134,529	141,971	137,905	137,102	132,292	133,815	133,668	133,842	132,909	136,363	138,434	541,857	536,876	541,548
Residential Group																			
Apartment revenue	104,963	116,931	89,562	90,517	80,049	82,827	83,679	85,390	87,900	91,270	95,250	99,842	103,751	107,087	110,431	113,729	331,945	374,262	435,059
Expenses	82,533	90,098	59,240	60,979	51,933	51,167	51,402	53,796	55,377	57,500	60,008	62,901	64,275	66,394	68,468	70,549	208,298	235,785	269,736
Apartment Operating Income	22,430	26,833	30,322	40,538	28,200	31,993	32,414	31,731	32,660	33,907	35,286	37,079	39,562	40,930	42,101	43,377	124,338	139,025	165,879
Military Housing Group																			
Revenue	9,760	10,326	8,088	11,161	7,405	7,293	7,124	7,993	8,190	8,039	7,919	7,480	7,565	8,953	8,757	8,315	29,815	31,628	33,590
Expense	1,751	(3,065)	1	1,877	558	389	(110)	(123)	(126)	(124)	(122)	(116)	(117)	(138)	(135)	(128)	714	-488	-519
Military Operating Income	8,009	13,391	8,087	9,284	6,847	6,904	7,234	8,117	8,317	8,163	8,041	7,596	7,682	9,091	8,892	8,443	29,102	32,116	34,108
Residential Operating Income	30,439	40,224	38,409	49,822	35,047	38,897	39,648	39,848	40,977	42,070	43,421	44,674	47,244	49,921	50,993	51,820	153,440	171,141	199,978
Land Group																			
Land Group Revenue	8,218	6,054	7,939	8,990	8,134	8,916	8,669	9,102	10,013	11,014	12,115	13,327	14,660	16,126	17,738	19,512	35,632	46,469	68,035
Land Group Expenses	9,312	7,442	12,560	11,052	12,096	[illegible]	10,660	[illegible]	9,512	10,463	11,510	12,661	13,194	14,513	15,964	17,561	41,231	44,145	61,232
Land Group Operating Income	-1,094	-1,388	-4,621	-2,062	-3,962	144	-1,473	400	693	1,164	1,134	[illegible]	1,663	2,238	2,313	[illegible]	-3,891	-4,066	8,581
New Jersey Nets																			
Trading Group/Nets Operating Income	[illegible]	-6,437	-8,428	-11,104	-3,032	24,296	-415	-200	-1,000	-1,000	-415	-200	-1,000	-1,000	-415	-200	20,649	-2,615	-2,615
FCE Pro-Rata Total																			
Revenues from real estate operations (cash)	392,366	401,391	370,470	403,721	356,091	371,925	368,920	382,225	373,170	376,208	380,549	386,712	390,849	401,037	409,170	417,969	1,479,161	1,516,839	1,629,025
Interest and Other Income	7,141	12,123	6,985	29,350	4,168	3,545	8,953	4,000	3,000	3,545	4,000	4,000	4,000	3,545	4,000	4,000	20,666	14,545	15,545
Gain on sale of tax credit	0	0	0	0	2,500	12,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	20,000	10,000	10,000
Corporate Expenses	16,538	6,850	9,448	9,714	11,452	9,869	9,369	9,734	10,148	10,066	9,556	9,929	10,514	10,268	9,748	10,127	40,424	39,860	40,657
Operating expenses	246,792	232,497	213,839	245,203	199,274	198,704	188,343	204,024	194,343	200,848	206,260	207,255	207,849	217,147	219,591	225,316	790,845	804,706	869,903
Net Operating Income	133,987	171,139	151,594	175,060	149,853	200,672	180,318	173,222	171,467	169,007	173,431	174,291	176,237	178,348	184,510	187,297	704,065	688,166	726,392
Interest Expense	104,878	93,349	101,454	104,862	97,791	102,148	93,300	97,930	96,647	91,199	87,468	87,821	88,451	89,116	89,514	90,545	391,177	363,135	357,626
EBDT	41,604	95,483	85,611	78,407	70,467	105,560	90,699	86,625	81,339	82,930	91,051	92,493	93,482	94,722	100,577	102,450	353,351	347,813	391,230
Convertible preferred interest	0	0	0	3,100	2,640	2,640	2,640	2,640	2,640	2,640	2,640	2,640	2,640	2,640	2,640	2,640	10,560	10,560	10,560
Adj. EBDT	41,604	95,483	85,611	81,507	73,107	108,200	93,339	89,265	83,979	85,570	93,691	95,133	96,122	97,362	103,217	105,090	363,911	358,373	401,790
EBDT (operating)	41,780	86,420	54,835	83,857	66,810	74,867	91,151	85,265	83,979	85,570	93,691	95,133	96,122	97,362	103,217	105,090	318,093	358,373	401,790
Real estate depreciation and amortization	76,150	78,847	75,172	79,283	77,016	73,422	76,949	77,835	77,128	76,395	76,384	77,405	78,717	79,934	81,060	82,589	301,222	307,311	322,389
Deferred income tax expense	-5,434	13,278	5,756	9,092	[illegible]	9,109	29,330	13,837	15,011	16,819	18,747	16,101	16,669	17,084	17,150	16,751	60,043	66,678	67,455
Preferred dividends	0	0	0	0	0	4,107	0	-	-	-	-	-	-	-	-	-	4,107	0	0
Net Income common shareholders	-30,679	-1,789	-4,385	6,201	-15,562	118,719	-46,791	-2,954	-8,718	-8,201	-1,998	1,069	108	-214	4,428	5,192	51,432	-17,848	9,514
EBDTAD																			
EBDT	41,604	95,483	85,611	78,407	70,467	105,560	90,699	86,625	81,339	82,930	91,051	92,493	93,482	94,722	100,577	102,450	353,351	347,813	391,230
FAD	30,437	83,818	72,833	66,790	59,974	90,171	79,548	75,680	70,446	71,463	80,037	81,512	82,493	83,709	89,578	91,454	305,373	303,857	347,234
Weighted Average Share Data																			
Weighted average shares outstanding diluted	106,574	148,195	163,867	187,454	196,291	202,229	202,277	202,277	202,277	222,277	242,277	242,277	242,277	242,277	242,277	242,277	200,768	227,277	242,277
EBDT/Share as reported	$0.39	$0.64	$0.52	$0.43	$0.37	$0.54	$0.46	$0.44	$0.42	$0.38	$0.39	$0.39	$0.40	$0.40	$0.43	$0.43	$1.81	$1.58	$1.66
EBDT/share as we analyze FCEA	$0.39	$0.58	[illegible]	$0.45	$0.34	$0.37	$0.45	$0.42	$0.42	$0.38	$0.39	$0.39	$0.40	$0.40	$0.43	$0.43	$1.58	$1.58	$1.66
Balance Sheet Data (Pro-Rata Consolidation)																			
Total Assets	12,581,040	12,563,547	12,775,726	12,682,324	12,451,034	12,517,084	12,512,901	12,420,234	12,069,405	11,900,092	11,729,651	11,557,258	11,477,409	11,304,727	11,221,372	11,136,803	12,420,234	11,557,258	11,136,803
Total liabilities	11,581,759	11,212,183	11,455,264	11,347,677	10,932,929	10,901,589	10,958,374	10,868,662	10,526,551	9,715,439	9,546,995	9,373,533	9,293,576	9,121,105	9,033,325	8,943,565	10,868,662	9,373,533	8,943,565
Shareholder's equity	999,281	1,351,364	1,320,462	1,334,647	1,518,105	1,615,495	1,554,527	1,551,573	1,542,855	2,184,654	2,182,656	2,183,725	2,183,832	2,183,618	2,188,047	2,193,239	1,551,573	2,183,725	2,193,239
Total liabilities & shareholder's equity	12,581,040	12,563,547	12,775,726	12,682,324	12,451,034	12,517,084	12,517,901	12,420,234	12,069,405	11,900,092	11,729,651	11,557,258	11,477,409	11,304,723	11,221,372	11,136,803	12,420,234	11,557,258	11,136,803
Operating Metrics																			
Commercial operating margin (%)	50.5	52.8	51.1	46.8	52.2	51.1	54.1	50.0	52.3	51.1	52.0	52.0	52.3	51.1	52.0	52.0	51.8	51.8	51.8
Apartment operating margin (%)	21.4	22.9	33.9	32.6	35.1	38.2	38.6	37.0	37.0	37.0	37.0	37.0	38.0	38.0	38.0	38.0	37.2	37.0	38.0
Land group operating margin (%)	-13.3	-22.9	-58.2	-22.9	-33.1	1.6	-17.0	4.4	6.9	10.6	9.4	8.1	11.3	13.9	13.0	12.1	-10.9	8.7	12.6
Nets operating margin (%)	-59.5	-78.6	-107.2	-51.7	-21.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	146.8	0.0	0.0
Commercial NOI growth (%)	27.6	5.4	0.0	-7.8	1.6	-1.0	8.6	13.7	7.6	-1.7	-5.7	-3.1	-2.4	0.5	1.9	3.6	36.1	15.8	10.7
Residential NOI growth (%)	-21.1	[illegible]	-4.0	19.8	15.1	-3.3	3.2	-10.0	16.9	8.2	9.5	12.1	15.3	18.7	17.4	16.0	12.7	14.1	21.5
Retail SS NOI	-1.0	-4.3	-1.7	-3.9	-1.5	3.2	4.1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
OfficeSS NOI	4.4	7.1	5.6	4.3	0.8	1.6	2.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
HotelSS NOI	-25.5	-24.8	6.2	-1.1	50.6	7.9	-20.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ResidentialSS NOI	-1.8	-4.2	-3.9	-2.7	2.8	3.8	4.8	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Retail comparable occupancy	90.0	89.8	90.1	90.1	89.7	90.9	90.6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Office comparable occupancy	90.3	89.4	89.4	90.3	89.8	90.0	90.5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Residential comparable occupancy	91.5	91.6	92.6	93.7	93.0	93.8	94.6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hotel (Year To AVG) comparable occupancy	56.2	64.3	68.5	69.1	61.0	66.[illegible]	69.9	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Liquidity Metrics																			
Net Debt / EBITDA	17.0x	12.9x	14.8x	12.8x	14.5x	12.8x	11.5x	11.8x	11.4x	10.4x	9.9x	9.6x	9.4x	9.0x	8.6x	8.3x	[illegible]	[illegible]	[illegible]
(Net Debt less CIP) / EBITDA	13.0x	9.6x	10.8x	9.5x	10.8x	9.7x	8.7x	8.9x	8.6x	7.7x	7.5x	7.5x	7.6x	7.5x	7.4x	7.4x	[illegible]	[illegible]	[illegible]
Net Debt / Market Capitalization	91%	89%	82%	84%	74%	80%	74%	72%	71%	65%	64%	67%	62%	61%	61%	60%	72%	62%	60%
Interest coverage	1.3x	1.8x	1.5x	1.7x	1.5x	1.7x	1.9x	1.8x	1.8x	1.9x	2.0x	2.0x	2.0x	2.0x	2.1x	2.1x	1.8x	1.9x	2.0x
Fixed charge coverage	1.2x	1.8x	1.5x	1.7x	1.5x	1.6x	1.9x	1.8x	1.8x	1.9x	2.0x	2.0x	2.0x	2.0x	2.1x	2.1x	[illegible]	[illegible]	[illegible]
NAV Estimate																			
NAV/share estimate	$ 8.83	$ 8.64	$ 8.71	$ 10.19	$ 10.88	$ 11.62	$ 12.99	$ 13.66	$ 14.31	$ 15.11	$ 15.53	$ 15.99	[illegible]	[illegible]	[illegible]	[illegible]	$ 13.66	$ 15.99	[illegible]

Source: RBC Capital Markets and Company Reports

Required Disclosures

Conflicts Disclosures

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Distribution of Ratings
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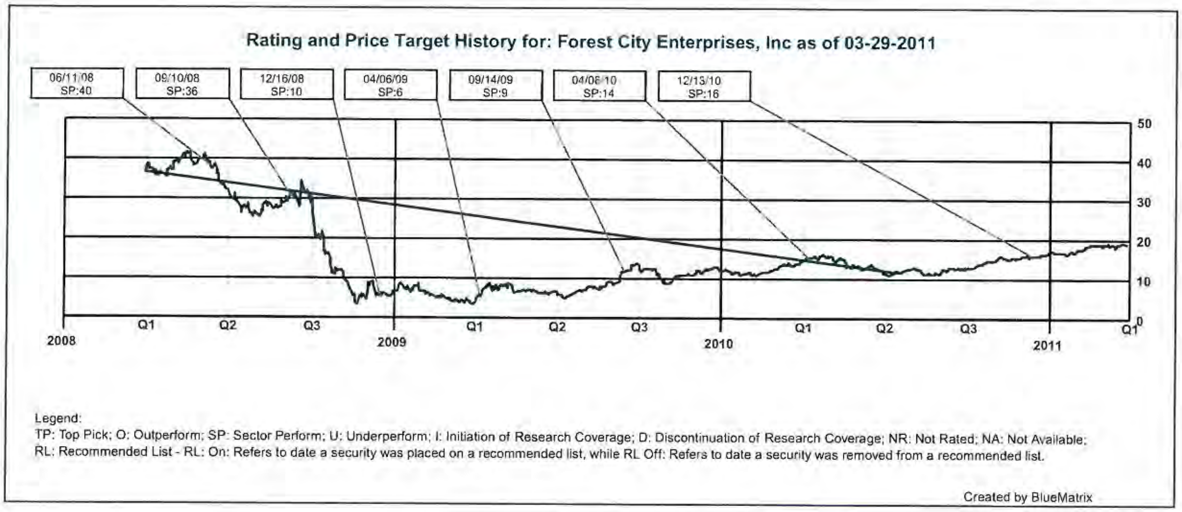
			Investment Banking Serv./Past 12 Mos.	
Rating	Count	Percent	Count	Percent
BUY[TP/O]	702	51.70	208	29.63
HOLD[SP]	593	43.70	137	23.10
SELL[U]	62	4.60	10	16.13



References to a Recommended List in the recommendation history chart may include one or more recommended lists or model portfolios maintained by a business unit of the Wealth Management Division of RBC Capital Markets, LLC. These Recommended Lists include the Prime Opportunity List (RL 3), a former list called the Private Client Prime Portfolio (RL 4), the Guided Portfolio: Prime Income (RL 6), the Guided Portfolio: Large Cap (RL 7), the Guided Portfolio: Dividend Growth (RL 8), and the Guided Portfolio: Midcap 111 (RL9). The abbreviation 'RL On' means the date a security was placed on a Recommended List. The abbreviation 'RL Off' means the date a security was removed from a Recommended List.

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