Reggie

Micro Views of Macro Markets

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Summary

As the macro-economic fundamentals in the United States continue to weaken amid tighter credit market conditions, the real estate sector is being subject to an adverse operating environment with falling property values and shrinking liquidity. We believe that in the midst of such turbulent financing environment, General Growth Properties (GGP) is most likely headed for difficult times ahead in the wake of its huge financial debt liability mostly in the form of property specific mortgages, a major chunk of which is due for repayment over the next few years. While GGP is striving hard to get its near-term debt obligations refinanced, we believe this would not be an easy for the company. Facing such tough credit market conditions and with 23% of its properties having loan to value (LTV) ratios in excess of 100% (based on our internally calculated property values), GGP may have to opt for foreclosure on a few of its highly leveraged properties. Though foreclosures in turn would weaken the company's chances of raising additional finances for its remaining near-term debt obligations and capital improvement plans, we consider foreclosure to be a distinct possibility given the current state of affairs surrounding the company. The only other probable scenario would be prime asset sales, which I will address in my follow-up analysis. Here I scrutinize how a possible foreclosure would drag down GGP's valuation from the previously estimated levels mainly owing to the loss of the company's credibility in the debt markets.

GGP's valuation summary

A large part of GGP's current portfolio was acquired during 2004-2007, marked by high property prices (peaking property bubble) and easy credit availability (peaking credit bubble) which resulted in high leverage ratios on many of the company's properties. However, as the conditions reversed in the later part of 2007 and the commercial real estate property prices started to decline, such properties witnessed their values falling below the outstanding mortgages. Further, since a majority of GGP's property specific mortgages are on a non-recourse basis, the company stands to gain if it were to choose foreclosure of the properties with LTV greater than 100%. However, foreclosure would drastically hamper the company's standing in the debt markets and make it extremely difficulty for it to refinance its debts on favorable terms under the already tight credit market conditions. Considering all this, we assume that while the company may choose to foreclose a few of its highly leveraged properties, it may simultaneously also have to sell a few other properties to raise cash for its debt and capital improvement obligations. As s result, I have incorporated the sale of a few of GGP's properties to partially meet its refinancing requirements. Further, to build in the impact of increased cost of borrowing which the company would have to bear following the negative market sentiments arising from the foreclosures, we have assumed a 200 basis points increase in GGP's cost of borrowing. Besides the sale of office properties and increased cost of financing, we have also reduced GGP's planned outlay for re-development and new-development plans as we expect the company to postpone or curtail several of its expansion plans in the wake of expected difficulties in raising additional financing which would in turn put a drag on the company's earnings going forward.

GGP's valuation comparison under 'base case' and 'base case assuming foreclosure and sale'

GGP valuation Comparison *(All figures in $ bn)*	*Base case*		*Base case assuming foreclosure and sale*	
	PV NOI	*CFAT*	*PV NOI*	*CFAT*
Value of GGP properties	$29.5	$4.5	$29.5	$4.5
less: New devlopments curtailed			$0.7	$0.3
less :Foreclosed property			$2.3	($4.1)
less: Sale of property			$3.4	$2.6
Value of GGP properties	$29.5	$4.5	$23.0	$5.8
Current debt	$24.1		$24.1	
less: Foreclosed property related debt			$4.7	
less: Sales proceeds			$2.7	
Debt after foreclosure	$24.1		$16.7	
Additional interest penalty			$3.4	$3.4
GGP's portfolio valuation	$5.4	$4.5	$3.0	$2.4
PV of other income	$2.4	$2.4	$2.4	$2.4
GGP valuation	$7.8	$6.9	$5.4	$4.8
Per Share valuation	$32.1	$28.4	$22.3	$19.7

As the above table demonstrates, GGP's valuation under the assumed foreclosure and sale of properties with our base case assumptions falls to approximately $4.8 bn against $6.9 bn under the previous base case scenario (without incorporating foreclosure and sale). On a per share basis, the company's valuation on CFAT basis falls to $19.7 against $28.4 previously, implying a further downside potential of 45.6% from the current market price of $36.3 (as of January 29, 2007).

Re-financing needs:

Re-financing under conditions of foreclosure ($ mn)	2,008	2009
Re-financing required (base scenario)	$3,850	$5,000
Capital improvements (base scenario)	$1,582	$661
Financing re-quired (base scenario)	$5,432	$5,661
O/S Loan	$24,074	
Foreclosed loan *(approx. 6% of popreties)*	$4,748	
(% of O/S loan)	*19.7%*	
Balance O/S loan	$19,326	
Loan re-paymnet (as per amortization scehdule)	$2,608	$3,295
Loan re-paymnet (after default)	$2,093	$2,645
Reduction in re-financing need due to foreclosure	*$514*	*$650*
% reduction	*13%*	*13%*
Financed through sale of assets	$1,209	$1,465
% of re-financing required	*31%*	*29%*
Capital improvemnts curtailed	$772	$466
Re-financing required	$1,900	$2,200
Capital improvements	$810	$195
Financing required (revised scenario)	$2,710	$2,395

Under the foreclosure scenario, we expect GGP to foreclose approximately 6% of its portfolio accounting for approximately 20% of its total outstanding debt resulting in an estimated total debt of $19 bn as at the end of 1Q2008. This would reduce GGP's loan re-payment obligations by nearly 20% each in 2008 and 2009, to $2.0 bn and $2.6 bn, respectively, from $2.6 bn and $3.3 bn presently.

In addition to foreclosures, we expect GGP to sell some of its un-encumbered properties to finance a portion of its current funds requirements on debt repayments and capital improvements. The properties short-listed for sale in our analysis are based on the premise that sale should meet approximately 30% of the company's total re-financing needs in 2008 and 2009. Overall, we expect GGP to realize net sales proceeds of $1.2 bn and $1.5 bn in 2008 and 2009, respectively. Further, we have also curtailed GGP's estimated capital improvement requirements by approximately 50% and 70% in 2008 and 2009, respectively, to $0.8 bn and $0.5 bn from $1.6 bn and $0.7 bn, previously, considering the difficult credit conditions GGP is facing.

Consequently, the assumed foreclosure and sale properties together with estimated curtailment in capital expenditure would bring down GGP's total financing needs by 50% and 42% in 2008 and 2009, respectively, to $2.7 bn and $2.4 bn versus our previous estimates of $5.4 bn and $5.7 bn.

GGP foreclosure and sale assumptions:

Foreclosures:

We have used following key parameters to identify GGP's properties that coule be potential candidates for foreclosure:

- Properties with a huge amount of debt maturing over the next 2-3 years
- Properties with high LTV (greater than 100%)
- Properties with low cap rates

Based on the above analysis, we have identified the following properties which are most likely to be foreclosed –

Foreclosed properties *($ mn)*	PV NOI	CFAT	Puchase price	Net of dep	Loan O/S	Due date	Cap rate	Leverage	LTV
Fashion Show	$327	($386)	$1,134	$557	$361	Jan-08	*1.6%*	*32%*	*110%*
Providence Place	$277	($196)	$507	$468	$367	Mar-10	*3.0%*	*72%*	*132%*
Park Place	$108	($145)	$162	$123	$181	Jan-10	*3.6%*	*112%*	*168%*
The Streets At Southpoint	$142	($139)	$429	$388	$247	Apr-12	*1.8%*	*57%*	*174%*
Fashion Place	$84	($101)	$232	$196	$148	Oct-10	*2.0%*	*64%*	*175%*
Lakeside Mall	$103	($143)	$409	$348	$186	Dec-09	*1.4%*	*45%*	*180%*
Mall Of Louisiana	$130	($245)	$299	$255	$238	Apr-11	*2.4%*	*80%*	*182%*
Pioneer Place	$90	($61)	$225	$195	$167	Aug-08	*0.0%*	*74%*	*185%*
The Grand Canal Shoppes	$218	($381)	$779	$725	$406	May-09	*1.5%*	*52%*	*186%*
North Star Mall	$126	($200)	$533	$469	$240	Jan-10	*1.3%*	*45%*	*190%*
Westlake Center	$35	($42)	$139	$107	$67	Feb-11	*1.4%*	*48%*	*190%*
Columbia Mall	$77	($223)	$54	$26	$153	Jan-08	*7.8%*	*282%*	*198%*
Beachwood Place	$89	($204)	$345	$306	$246	Nov-11	*1.4%*	*71%*	*276%*
Lynnhaven Mall	$87	($197)	$268	$212	$243	Apr-11	*1.8%*	*91%*	*281%*
Ala Moana Center	$421	($1,480)	$917	$452	$1,500	Jul-10	*2.5%*	*164%*	*356%*
Total	$2,317	($4,144)	$6,432	$4,828	$4,748				

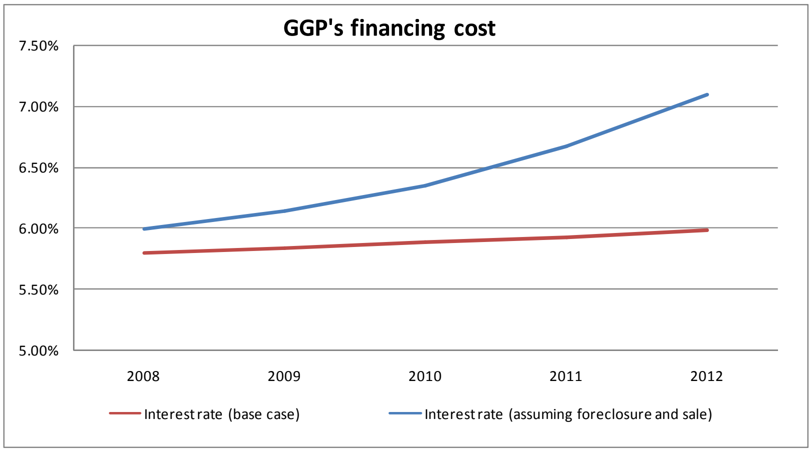
As a result of foreclosures, GGP's outstanding debt is expected to reduce by $4.8 bn to $19.3 bn. *The estimated market value of these properties is $2.3 bn while the book value net of depreciation stands at $4.8 bn with a corresponding outstanding debt of $4.8 bn.* Pursuant to the assumed foreclosure, GGP is expected to record a net loss of $0.08 bn in its books on these properties.

Foreclosure of properties *($ mn)*	PV NOI	Puchase price	Net of dep	Gain / Loss	Loan O/S
2008	2,317	6,432	4,828	*(80)*	4,748

Additional cost of financing:

We believe that foreclosure would strongly impact the company's credit standing owing to which GGP would have to bear increased cost of raising additional funds from the debt markets. We have assumed an approximately 200 basis points increase in the company's cost of borrowing (on re-financing during 2008-2011) resulting in an additional cash outflow of $47 mn and $70 mn in 2008 and 2009, respectively. GGP's average cost of financing is expected to increase from 5.8% in 2007 to 6.0% in 2008 and further to 7.1% in 2012. GGP's present value of interest expense as a result of additional cost of financing is approximately $3.4 bn.

Additional interest cost due to foreclosue		
Year	Re-financing ($ mn)	Additional int cost $ mn (200 bps inc)
2008	$1,900	$47
2009	$2,200	$70
2010	$4,100	$104
2011	$7,100	$164
2012	$3,700	$240
2013	$3,500	$279
2014	$2,400	$315
2015	$2,850	$341
2016	$3,400	$368
2017	$3,800	$394
2018	$4,600	$419
2019	$5,300	$443
2020	$5,200	$466
2021	$4,600	$492
2022	$4,600	$518
2023	$4,800	$545
2024	$4,900	$572
2025	$5,800	$600
2026	$6,200	$631
Net Present Value of add interest		$3,363



Sales:

In addition to foreclosures, we expect GGP to sell a few of its un-encumbered properties to partly meet its re-financing requirements. We have assumed that GGP could meet approximately 30% of its re-financing needs in 2008 and 2009 through sale of properties. Based on the aforesaid assumptions, we expect GGP to realize net sales proceeds of $1.2 bn and $1.5 bn in 2008 and 2009, respectively. We have identified the following 10 properties that would meet the re-financing needs:

Sale of properties in 2008-2009 *($ mn)*	PV NOI	CFAT	Selling Price	Year of sale	Puchase price	Net of dep	Gain / Loss	Cap rate
Market Place Shopping Center	$375	$375	$293	2008	$124	$87	$206	*17%*
South Street Seaport	$241	$240	$188	2008	$11	$5	$184	*119%*
The Mall In Columbia	$239	$217	$187	2008	$572	$502	($315)	*2%*
Burbank Town Center	$692	$666	$541	2009	$480	$408	$133	*8%*
Fallbrook Center	$275	$260	$215	2009	$117	$67	$148	*13%*
Festival Bay Mall at International Drive	$273	$265	$214	2009	$215	$183	$31	*7%*
Ford City Mall	$422	$405	$330	2009	$348	$295	$35	*7%*
SouthBay Pavilion	$453	$443	$354	2009	$243	$206	$148	*10%*
Queen Ka'ahumanu Center	$240	$270	$188	2009	$143	$121	$67	*8%*
Windward Mall	$209	$196	$163	2009	$125	$106	$57	*9%*
Total	$3,419	$3,337	$2,674		$2,377	$1,980	$694	

Sale of properties *($ mn)*	PV NOI	Selling Price	Puchase price	Net of dep	Gain / Loss
2008	1,546	1,209	1,187	1,002	208
2009	1,873	1,465	1,190	979	486

Owing to the current low level of investment interest in the retail real estate market and the prevailing tight credit market conditions, GGP may face a hard time in realizing appropriate values for its for-sale properties. We assume the company would have to sell these properties at a discount of 15% to our estimated fair values. In addition, we estimate 8% cost of sale expenses on these properties. Overall, we estimate GGP to realize net sales proceeds of $1.2 bn and $1.5 bn in 2008 and 2009, respectively, with a book gain on sale of $0.20 bn and $0.50 bn.

Curtailment in GGP's new development and re-development plans:

As a result of the likely difficulties in meeting its re-financing needs following foreclosure, we expect GGP to reduce its capital expenditure towards maintenance and development activities. We now expect GGP to spend $1.6 bn and $0.7 bn towards capital expenditure in 2008 and 2009, respectively, which is approx. 50% and 70% below our previous estimates.

GGP detailed valuation summary – under foreclosure and sale

Foreclosure analysis

(All figures in $ mn except per share data)	PV NOI	CFAT	Puchase price	Net of dep	Gain / Loss	Loan O/S	Due date	Cap rate	Leverage	LTV
GGP properties	$29,487	$4,520				$24,074				
Expansion plans curtailed										
Ala Moana Center										
Augusta Mall										
Mall of Louisiana										
New devlopments curtailed										
Elk Grove Promenade	$285	$6						*5.5%*		
Natick Collection	$174	$159						*2.2%*		
Park West	$82	($32)						*4.3%*		
The Shops at Fallen Timbers	$165	$159						*3.6%*		
Total	$706	$291								
GGP Valuation excl new devlopments	$28,781	$4,229								
Foreclosed properties										
Fashion Show	$327	($386)	$1,134	$557	($301)	$361	Jan-08	*1.6%*	*32%*	*110%*
Providence Place	$277	($196)	$507	$468	($251)	$367	Mar-10	*3.0%*	*72%*	*132%*
Park Place	$108	($145)	$162	$123	($39)	$181	Jan-10	*3.6%*	*112%*	*168%*
The Streets At Southpoint	$142	($139)	$429	$388	($277)	$247	Apr-12	*1.8%*	*57%*	*174%*
Fashion Place	$84	($101)	$232	$196	($130)	$148	Oct-10	*2.0%*	*64%*	*175%*
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Total	$2,317	($4,144)	$6,432	$4,828	($3,016)	$4,748				
Sale of properties in 2008-2009										
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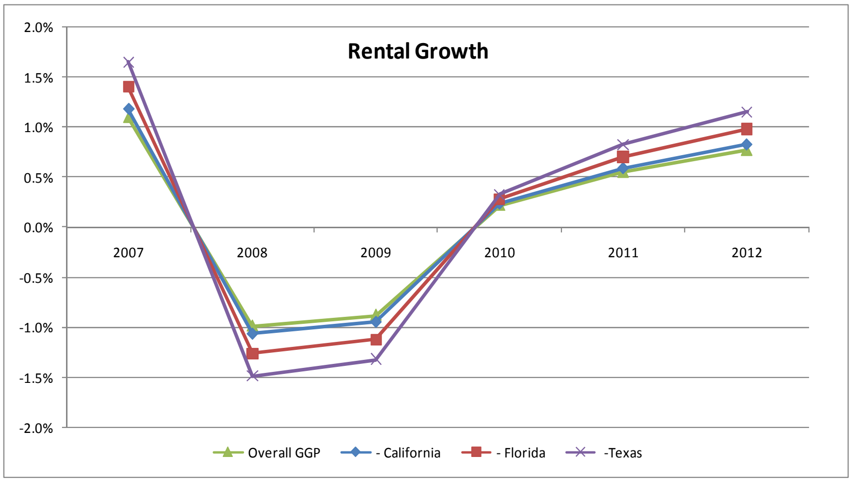
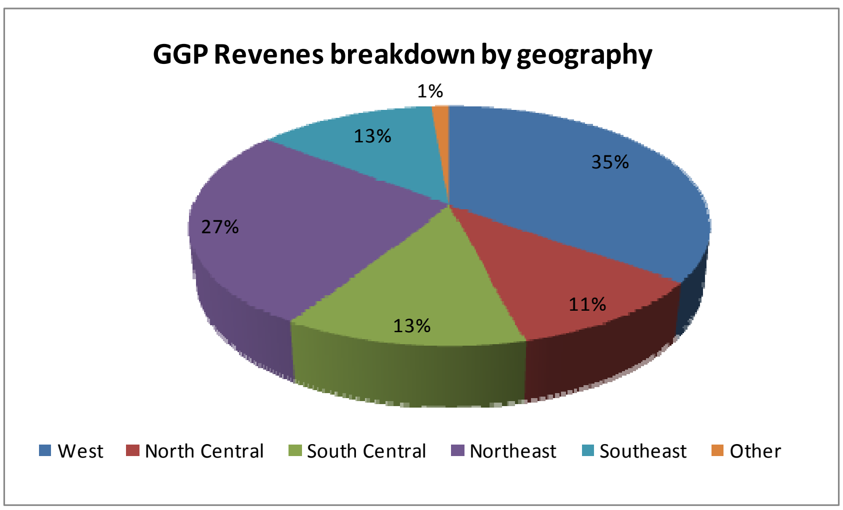
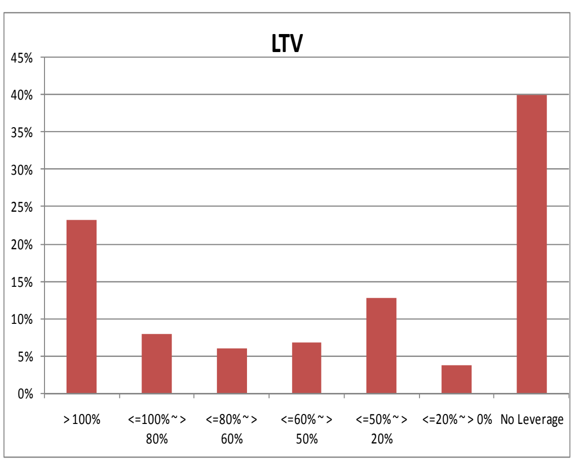
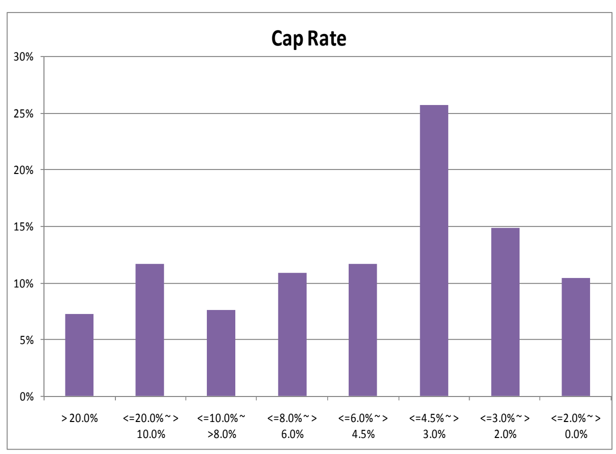
Queen Ka'ahumanu Center	$240	$270	$143	$121	$67			*8.3%*		
Windward Mall	$209	$196	$125	$106	$57			*9.1%*		
Total	$3,419	$2,610	$2,377	$1,980	$694					
GGP's property (after foreclosue and sale)	$23,045	$5,763								
Current debt	$24,074									
Less : Foreclosed property related debt	$4,748									
O/S debt	$19,326									
Less : Sales proceeds	$2,674									
Balance Loan O/S	$16,652									
GGP's portfolio valuation before interest penalty	$6,393	$5,763								
Less: Additional interest expense	$3,363	$3,363								
Value of GGP's properties	$3,030	$2,400								
PV of other income	$2,412	$2,412								
GGP's estimated market cap	$5,442	$4,812								
Per share valuation assuming foreclosure	$22.3	$19.7								
Current price	$36.3									
Upside (downside) potential (base case)	*-38.5%*	*-45.6%*								
Previous estimates (base case)	$32.1	$28.4								

GGP's portfolio analysis









Based on our estimates of property values and rental growth, approximately 19% of GGP's properties have cap rates greater than 10% while *more than 51% of the its portfolio has cap rates below 4.5% (in nearly 25% cases the cap rates are even less than the current U.S treasury rate)*. Most of these properties with low cap rates were purchased during 2003-2007 when the property prices were high and credit to finance these purchases easily available. As property values have declined significantly since then, many of these properties are currently sporting negative equity with their LTVs rising above 100%. We believe that these are the properties that are most vulnerable to foreclosure in case GGP is not able to meet its re-financing requirements in 2008 and 2009 (a distinct and likely possibility).

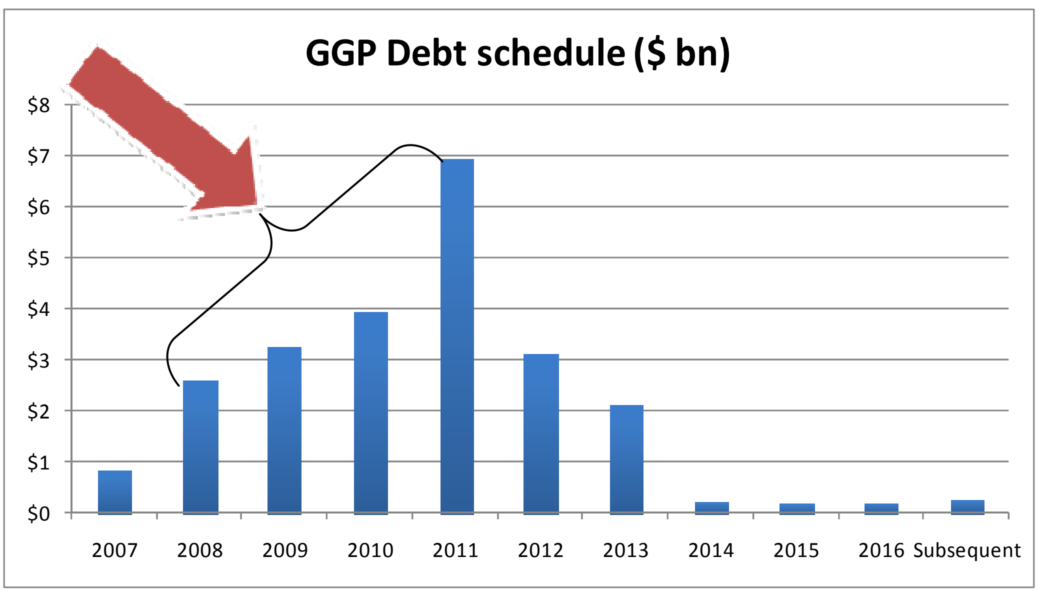
Year of purchase	Cap rate	No of properties
2007	3.8%	107
2004	2.7%	39
2003	4.3%	17
2002	13.8%	47
1999	3.8%	3
1998	7.5%	13
1997	5.4%	9

Year of purchase	Properties with negative equity	% of Properties with negative equity
2007	37	*45%*
2004	21	*26%*
2003	11	*13%*
2002	4	*5%*
1999	2	*2%*
1998	4	*5%*
1997	3	*4%*
Total	82	100%

GGP's properties purchased over the last 3-4 years have lower cap rates (3-4%) owing to higher purchased price. In addition, these properties were purchased with a significant amount of debt. As a result of recent decline in rentals and property prices, properties purchased with high leverage have negative equity which continues to drive down company's overall valuation. As seen from the table above, around 45% and 26% of properties (these properties were acquired in 2007 and 2004) have negative equity as against only 2-5% properties acquired during 1990's and early 2000.

GGP's financing options

As of September 30, 2007, GGP had a total mortgage debt of around $24 bn. GGP's net investment in real estate on its books (at gross value after adding back depreciation) on that day stood at $26.6 bn while its shareholder's equity was $1.5 bn. GGP is one of the most highly leveraged REITs in U.S with debt-to-assets of 84.4%.



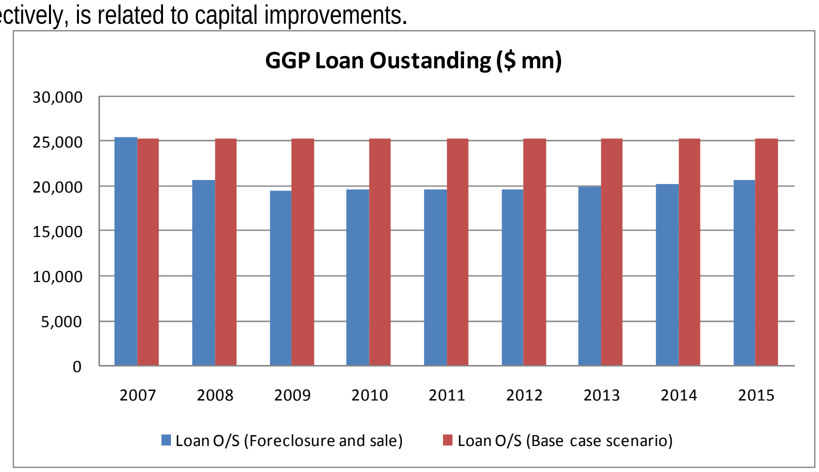
Besides being highly leveraged, GGP has a significant portion of its debt due for maturity over the next few years. Nearly $5.9 bn or 24.7% of GGP's total debt is due for maturity over 2007-2009, while by 2011, a significant 74% of the company's outstanding debt is due for maturity. By the end of 2007, GGP was able to refinance only 6.1% (or $359 mn) of debt due to mature over

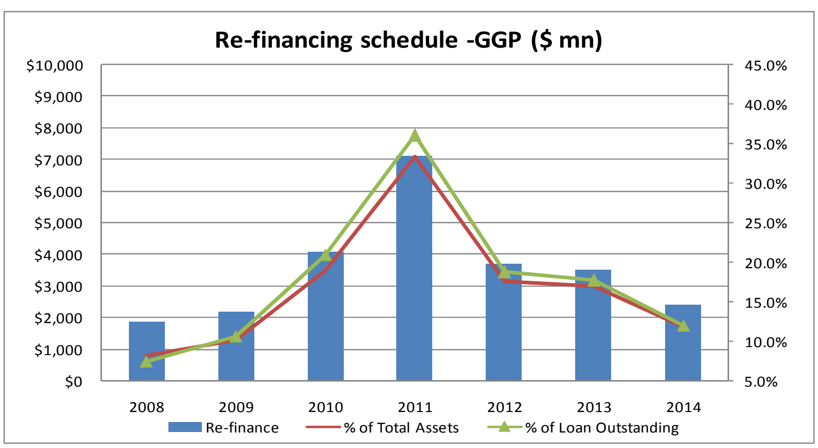
2008-2009. However, as the company approaches the period of its next debt maturity date, the task of refinancing could only be expected to get more difficult in context of continually tightening credit market conditions. The threat of monoline failures, combined with significant asset write downs by banks and real estate companies aggravated by sharp declines in housing demand and prices, together with an increase in defaults and foreclosures, have created one of the tightest lending environments in the recent history. An environment that will be even tighter for a considerably above average risk, as we see GGP!

Faced with tough times arranging refinancing and amid high expectations of further deterioration in the credit and capital market conditions, at least in the near term, we believe GGP, though reluctantly, might have to opt to foreclose some of its highly leveraged properties to meet its debt obligations in order to preserve its other income-generating properties.

($ mn)	2008	2009	2010	2011	2012	2013	2014	2015
Loan Outstanding at the beg of year	$25,568	$20,727	$19,584	$19,705	$19,727	$19,752	$20,009	$20,315
Principal repaymemt as per schedule	($2,093)	($2,645)	($3,155)	($5,566)	($2,524)	($1,703)	($206)	($158)
Additional loan for capital improvements and re-devlopments(a)	**$810**	**$195**	**$453**	**$381**	**$396**	**$400**	**$404**	**$409**
Loan repayment (re-financing and capital improvements)	($710)	($893)	($1,277)	($1,893)	($1,547)	($1,940)	($2,292)	($2,703)
Loan Outstanding at the end of year (before re-financing)	$18,827	$17,384	$15,605	$12,627	$16,052	$16,509	$17,915	$17,863
Re-fiancing (b)	**$1,900**	**$2,200**	**$4,100**	**$7,100**	**$3,700**	**$3,500**	**$2,400**	**$2,850**
Loan O/S at the end of year	**20,727**	**19,584**	**19,705**	**19,727**	**19,752**	**20,009**	**20,315**	**20,713**
Total Financing required (a + b)	**2,710**	**2,395**	**4,553**	**7,481**	**4,096**	**3,900**	**2,804**	**3,259**

As a result of the assumed foreclosure of $4.8 bn worth of loans in 2008 and the assumed sale of $2.7 bn worth of properties in 2008 and 2009, we believe that GGP would be left with approximately $2.7 bn and $2.4 bn of financing needs in 2008 and 2009, respectively, out of which $1.9 bn and $2.2 bn is related to re-financing debt repayments while $0.8 bn and $0.20 bn in 2008 and 2009, respectively, is related to capital improvements.



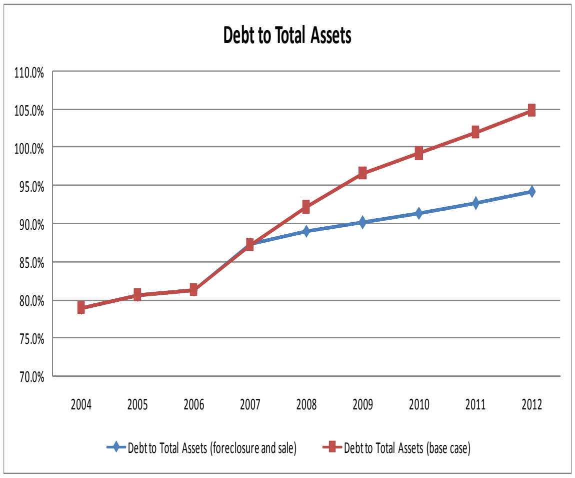


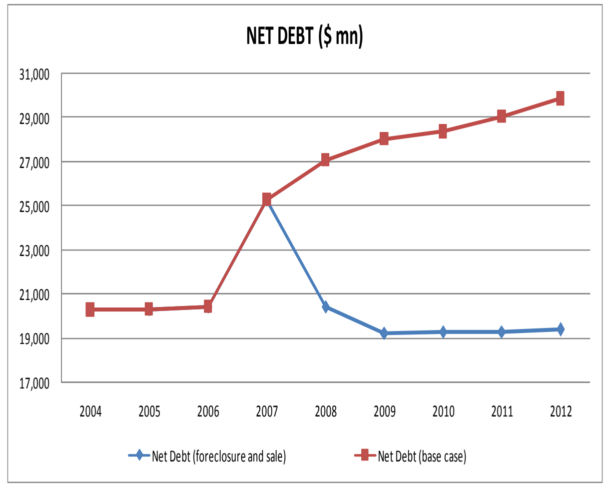
GGP – Peer group analysis and relative valuation

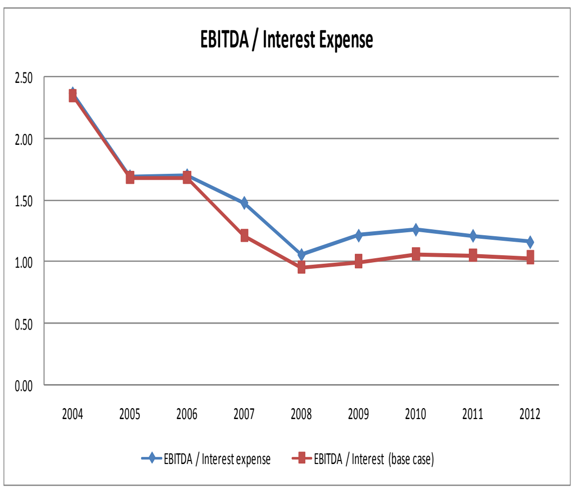
Company	Market Cap (US$ mn)	Net Debt (US$ mn)	Current EV (US$ mn)	EV/EBITDA			P/FFO			P/B		
				2007E	2008E	2009E	2007E	2008E	2009E	2007E	2008E	2009E
GGP	8,716	24,026	32,742	19.4	24.0	21.0	78.5	141.6	146.5	5.3	9.0	N/A
Simon Property	19,310	16,876	36,187	13.7	12.7	12.0	15.1	13.6	12.5	4.3	9.7	2.6
Kimco Realty Corp.	8,804	4,371	13,175	17.3	14.4	12.8	13.6	12.7	11.5	1.6	1.6	1.5
Boston Properties	10,693	3,515	14,208	15.8	15.8	14.7	19.9	19.4	18.2	2.8	2.5	3.0
SL Green Realty Corp.	5,199	5,248	10,447	17.9	16.8	16.6	15.6	14.7	13.5	0.6	0.7	0.6
Vonardo Realty Trust	13,471	11,742	25,213	18.2	16.4	15.1	15.1	14.7	13.7	0.7	2.5	2.5
Macerich Co.	4,788	5,082	9,870	18.6	16.2	14.1	14.5	13.1	11.9	1.8	2.7	2.7
Industry Average				**16.9**	**15.4**	**14.2**	**15.6**	**14.7**	**13.6**	**2.0**	**3.3**	**2.1**

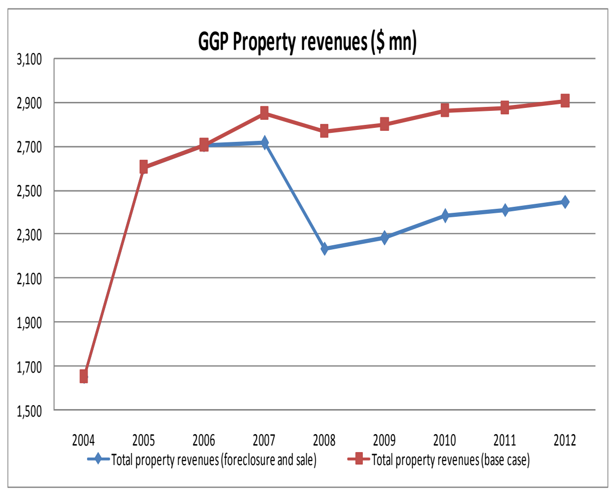
Summary Valuation	
Earnings Approach	
-DCF	$29.5
-CFAT	$19.7
- NOI	$22.3
Relative Valuation	
- P/B	$29.5
- P/FFO	$3.8

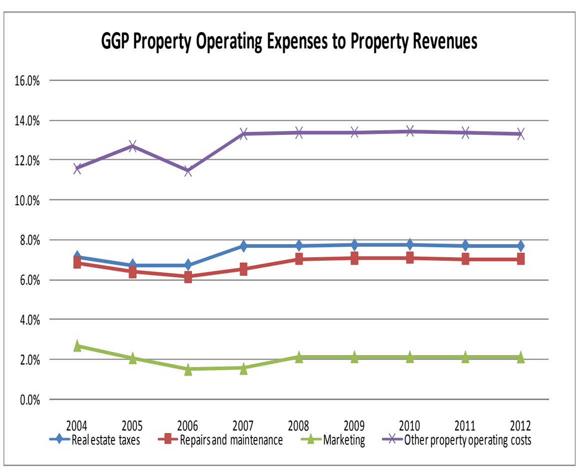
Key charts

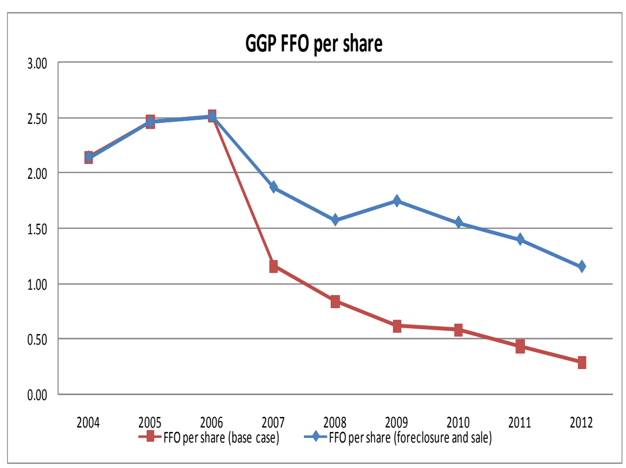




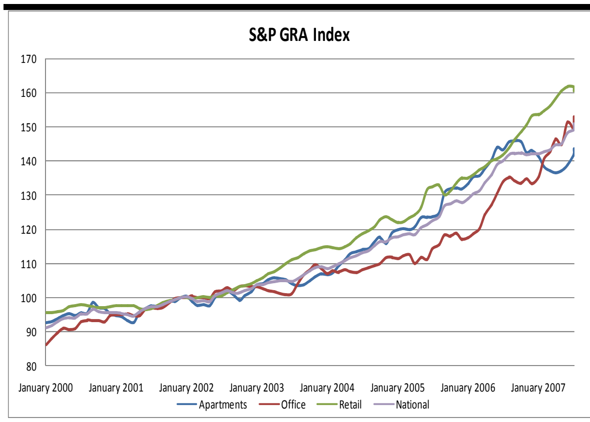


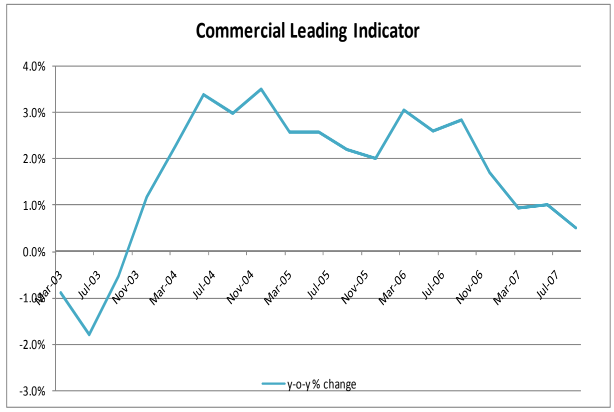


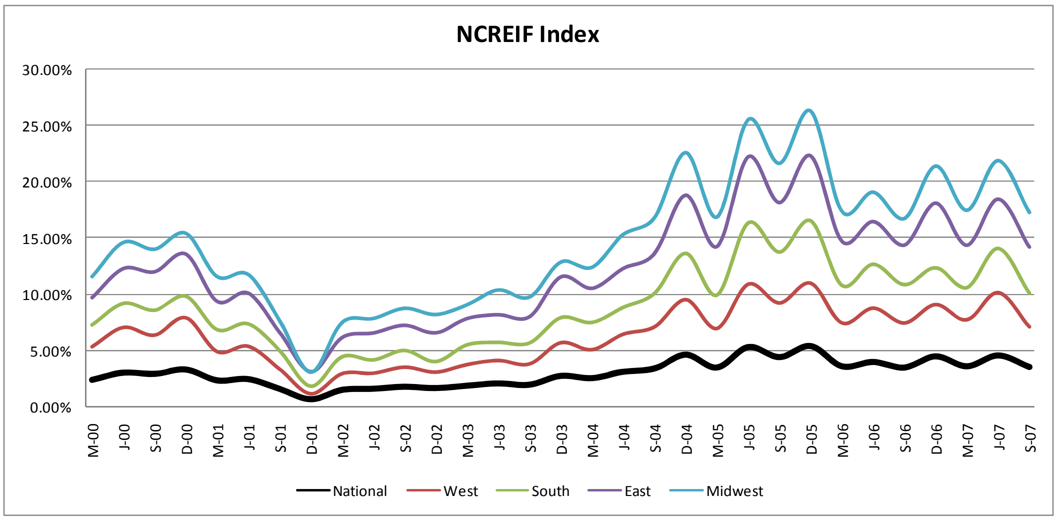


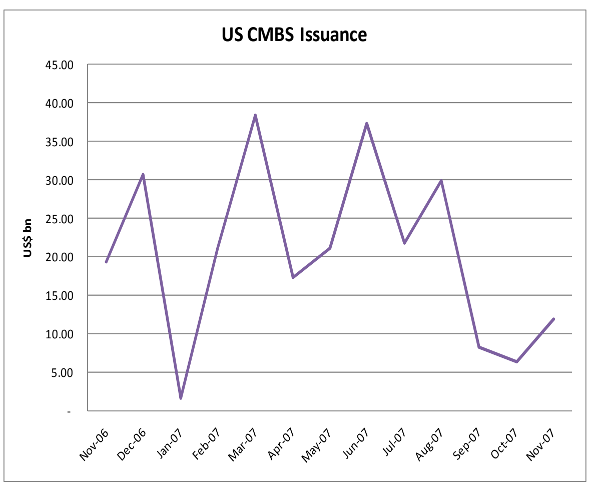


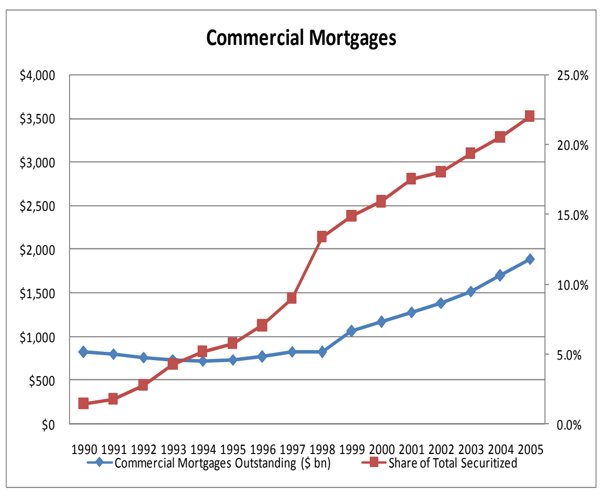
Key charts (continued)


S&P GRA Index
170
160
150
140
130
120
110
100
90
80
January 2000
January 2001
January 2002
January 2003
January 2004
January 2005
January 2006
January 2007
Apartments
Office
Retail
National


Commercial Leading Indicator
4.0%
3.0%
2.0%
1.0%
0.0%
-1.0%
-2.0%
-3.0%
Mar-03
Jul-03
Nov-03
Mar-04
Jul-04
Nov-04
Mar-05
Jul-05
Nov-05
Mar-06
Jul-06
Nov-06
Mar-07
Jul-07
y-o-y % change


NCREIF Index
30.00%
25.00%
20.00%
15.00%
10.00%
5.00%
0.00%
M-00
J-00
S-00
D-00
M-01
J-01
S-01
D-01
M-02
J-02
S-02
D-02
M-03
J-03
S-03
D-03
M-04
J-04
S-04
D-04
M-05
J-05
S-05
D-05
M-06
J-06
S-06
D-06
M-07
J-07
S-07
National
West
South
East
Midwest


US CMBS Issuance
US$ bn
45.00
40.00
35.00
30.00
25.00
20.00
15.00
10.00
5.00
-
Nov-06
Dec-06
Jan-07
Feb-07
Mar-07
Apr-07
May-07
Jun-07
Jul-07
Aug-07
Sep-07
Oct-07
Nov-07


Commercial Mortgages
$4,000
$3,500
$3,000
$2,500
$2,000
$1,500
$1,000
$500
$0
25.0%
20.0%
15.0%
10.0%
5.0%
0.0%
1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005
Commercial Mortgages Outstanding ($ bn)
Share of Total Securitized

GGP NOI (Base case assuming foreclosure and sale)

($ mn)	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
GROSS INCOME	567	2,278	2,328	2,436	2,464	2,503	2,526	2,540	2,553	2,566
- Vacancy & Credit Allowance	59	237	242	253	256	260	263	264	266	267
- Operating Expenses	190	762	778	815	824	837	845	849	854	858
NET OPERATING INCOME	319	1,280	1,308	1,368	1,384	1,406	1,419	1,426	1,434	1,441
- Interest, All Loans	188	657	528	444	336	257	183	127	84	52
- Depreciation and Amortization	132	639	647	661	667	682	686	691	696	700
+Interest, Funded Reserves	0	0	0	0	0	0	0	0	0	0
INCOME OR (LOSS)	(1)	(16)	133	264	381	467	550	608	654	689
(LOSS) UTILIZED THIS YEAR	2	(1)	8	0	(4)	(3)	(5)	(5)	(1)	0
TAXABLE INCOME	2	(1)	141	264	377	464	545	603	653	689
NET OPERATING INCOME	319	1,280	1,308	1,368	1,384	1,406	1,419	1,426	1,434	1,441
- Debt Service, All Mortgages	1,299	3,553	2,913	2,552	2,092	1,715	1,298	1,012	759	511
+Proceeds of Mortgages, Less Poir	0	185	81	76	36	44	25	38	56	43
- Capital Expenditures and Funded Re	211	231	172	178	148	121	139	195	156	166
CASH FLOW BEFORE TAXES	(980)	(2,319)	(1695)	(1286)	(820)	(386)	8	258	575	807

($ mn)	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
GROSS INCOME	2,579	2,591	2,604	2,617	2,630	2,643	2,656	2,669	2,682	2,696
- Vacancy & Credit Allowance	268	270	271	272	274	275	276	278	279	280
- Operating Expenses	862	866	871	875	879	884	888	892	897	901
NET OPERATING INCOME	1,448	1,455	1,463	1,470	1,477	1,484	1,492	1,499	1,507	1,514
- Interest, All Loans	33	21	11	5	2	1	1	0	0	0
- Depreciation and Amortization	704	709	715	720	725	729	734	738	740	740
+Interest, Funded Reserves	0	0	0	0	0	0	0	0	0	0
INCOME OR (LOSS)	711	726	737	744	750	754	758	760	767	774
(LOSS) UTILIZED THIS YEAR	0	0	1	1	1	1	1	1	1	1
TAXABLE INCOME	711	726	737	745	751	755	759	761	768	775
NET OPERATING INCOME	1,448	1,455	1,463	1,470	1,477	1,484	1,492	1,499	1,507	1,514
- Debt Service, All Mortgages	285	199	163	95	23	9	6	5	5	0
+Proceeds of Mortgages, Less Poir	39	5	0	27	0	0	0	0	0	0
- Capital Expenditures and Funded Re	152	162	221	187	177	145	158	171	40	9
CASH FLOW BEFORE TAXES	1,051	1,100	1,078	1,215	1,277	1,331	1,328	1,323	1,462	1,505

GGP income statement (Base case assuming foreclosure and sale)

(All figures in $ mn except per share data)	2004	2005	2006	2007E	2008E	2009E	2010E	2011E	2012E
Revenues:									
Minimum rents	1,059	1,670	1,754	1,677	1,345	1,375	1,439	1,455	1,479
Tenant recoveries	472	755	773	847	697	711	744	752	764
Overage rents	54	70	76	82	84	85	86	87	88
Land sales	69	385	423	161	160	160	167	181	195
Management and other fees	83	91	116	117	119	121	124	127	131
Other	63	102	115	118	120	121	123	126	128
Total revenues	**1,800**	**3,073**	**3,256**	**3,002**	**2,525**	**2,572**	**2,683**	**2,728**	**2,785**
Expenses:									
Real estate taxes	128	206	219	229	194	198	207	210	213
Repairs and maintenance	123	195	199	195	178	182	190	192	195
Marketing	48	64	49	46	53	55	57	58	59
Other property operating costs	208	390	373	399	337	344	360	364	370
Land sales operations	66	312	316	208	404	262	160	158	157
Provision for doubtful accounts	10	14	22	68	16	16	16	16	16
Property management and other costs	100	147	185	189	152	149	148	151	154
General and administrative	9	13	15	25	18	16	14	14	14
Depreciation and amortization	365	673	690	659	639	647	661	667	682
Total expenses	**1,059**	**2,014**	**2,068**	**2,018**	**1,992**	**1,868**	**1,814**	**1,831**	**1,861**
Operating Income	**741**	**1,059**	**1,188**	**984**	**661**	**1,190**	**870**	**898**	**924**
Interest income	3	10	12	9	102	122	122	149	156
Interest expense	(472)	(1,031)	(1,117)	(1,211)	(1,386)	(1,238)	(1,247)	(1,316)	(1,400)
Income before tax and minority income	**272**	**38**	**83**	**(218)**	**(623)**	**74**	**(255)**	**(269)**	**(320)**
Income taxes	(2)	(51)	(99)	240.5	(63.9)	(63.9)	(63.9)	(63.9)	(63.9)
Minority interest	(105)	(44)	(38)	(45.7)	62.9	48.3	36.2	23.5	12.1
Equity Income of unconsolidated affiliates	88	121	114	32.9	(6.3)	(3.9)	(1.2)	1.6	3.6
Net income before discontinued operations	**253**	**64**	**60**	**10**	**(630)**	**54**	**(284)**	**(308)**	**(368)**
Discontinued operations, net of minority interests:									
Income from operations	4	7	0	0	0	0	0	0	0
Gains (losses) on dispositions	11	5	(1)	0	0	0	0	0	0
Net income	**268**	**76**	**59**	**10**	**(630)**	**54**	**(284)**	**(308)**	**(368)**
Basic	244	244	244	244	244	244	244	244	244
Diluted	244	244	244	244	244	244	244	244	244
Assuming full conversion of Operating Partnership units:									
Weighted shares outstanding - basic	296	296	296	296	296	296	296	296	296
Weighted shares outstanding - diluted	296	296	296	296	296	296	296	296	296
FFO and Core FFO									
Net Income	268	76	59	87	(483)	(298)	(259)	(296)	(368)
Minority interest to Operating Partnership unitholders									
Minority interest in depreciation of Consolidated Properties and other									
Depreciation and amortization of capitalized real estate costs	365	673	690	659	639	647	661	667	682
Funds From Operations - Operating Partnership	**633**	**748**	**749**	**746**	**157**	**349**	**402**	**372**	**314**
Benefit (provision) for income taxes	2	51	99	(240)	64	64	64	64	64
Master Planned Communities net operating income	(3)	(73)	(107)	47	244	103	(7)	(23)	(38)
Core FFO	**633**	**726**	**742**	**552**	**465**	**515**	**458**	**413**	**340**
Basic Earnings (Loss) Per Share	1.22	0.32	0.25	0.04	(2.59)	0.22	(1.17)	(1.26)	(1.51)
Diluted Earnings (Loss) Per Share	1.21	0.32	0.24	0.04	(2.58)	0.22	(1.16)	(1.26)	(1.51)
FFO per Share (Basic)	2.14	2.46	2.51	1.87	1.57	1.74	1.55	1.40	1.15
FFO per Share (Diluted)	**2.14**	**2.46**	**2.51**	**1.87**	**1.57**	**1.74**	**1.55**	**1.40**	**1.15**

GGP balance sheet (Base case assuming foreclosure and sale)

Balancesheet *(All figures in $ mn)*	**2004**	**2005**	**2006**	**2007E**	**2008E**	**2009E**	**2010E**	**2011E**	**2012E**
Assets									
Investment in real estate:									
Land	2,860	2,827	2,952	3,289	3,289	3,289	3,289	3,289	3,289
Buildings and equipment	18,251	18,739	19,379	23,014	16,204	15,210	15,662	16,044	16,439
Less: Accumulated depreciation	(1,453)	(2,105)	(2,767)	(3,578)	(2,427)	(2,862)	(3,523)	(4,190)	(4,873)
Developments in progress	560	370	674	1,032	1,032	1,032	1,032	1,032	1,032
Net property and equipment	20,217	19,831	20,239	23,757	18,098	16,668	16,460	16,174	15,887
Investment in and loans to Unconsolidated Affiliates	1,946	1,818	1,499	1,755	1,755	1,755	1,755	1,755	1,755
Investment land and land held for development and sale	1,638	1,651	1,656	1,663	1,388	1,254	1,229	1,217	1,217
Net investment in real estate	**23,801**	**23,300**	**23,394**	**27,175**	**21,240**	**19,677**	**19,444**	**19,145**	**18,859**
Cash and cash equivalents	40	103	97	269	291	336	410	429	377
Accounts and notes receivable, net	242	293	329	282	277	282	280	285	291
Goodwill	0	421	372	386	386	386	386	386	386
Deferred expenses, net	153	210	252	291	291	291	291	291	291
Prepaid expenses and other assets	1,483	980	798	853	792	748	738	745	757
Insurance recovery receivable	0	0	0	0	0	0	0	0	0
Total Assets	**25,719**	**25,307**	**25,241**	**29,255**	**23,277**	**21,719**	**21,549**	**21,281**	**20,961**
Liabilities and Stockholders' Equity									
Mortgages, notes and loans payable	20,311	20,419	20,522	25,568	20,727	19,584	19,705	19,727	19,752
Investment in and loans to/from Unconsolidated Affiliates		18	172	64	64	64	64	64	64
Deferred tax liabilities	1,415	1,287	1,302	912	912	912	912	912	912
Accounts payable and accrued expenses	896	1,014	1,050	1,058	1,039	1,057	1,051	1,068	1,090
Total Liabilities	22,621	22,738	23,047	27,602	22,742	21,617	21,731	21,771	21,818
Minority interests:									
Preferred	403	206	183	121	121	121	121	121	121
Common	551	430	348	363	363	363	363	363	363
Total Minority Interests	954	636	531	485	485	485	485	485	485
Stockholders' Equity:									
Common stock ($.01 par value)	2	2	2	2	2	2	2	2	2
Additional paid-in capital	2,378	2,469	2,534	2,596	2,596	2,596	2,596	2,596	2,596
Retained earnings	(228)	(519)	(868)	(1,365)	(2,483)	(2,916)	(3,200)	(3,508)	(3,876)
Accumulated other comprehensive income	(10)	10	10	31	31	31	31	31	31
Less: Common stock in treasury, at cost		(30)	(13)	(96)	(96)	(96)	(96)	(96)	(96)
Total stockholders' equity	2,143	1,933	1,664	1,169	51	(382)	(666)	(974)	(1,342)
Total liabilities and stockholders' equity	**25,719**	**25,307**	**25,241**	**29,255**	**23,277**	**21,719**	**21,549**	**21,281**	**20,961**

GGP cash flow (Base case assuming foreclosure and sale)

Cash Flow Statement *(All figures in $ mn)*	**2004**	**2005**	**2006**	**2007E**	**2008E**	**2009E**	**2010E**	**2011E**	**2012E**
Cash Flows from Operating Activities:									
Net income (loss)	268	76	59	10	(630)	54	(284)	(308)	(368)
Adjustments:					0	0			
Minority interests	106	45	38	61	0	0			
Equity in income of UnconsolidatedAffiliates	(88)	(121)	(114)	(33)	0	0			
Provision for doubtful accounts	10	14	22	10	0	0			
Distributions received from Unconsolidated Affiliates	88	120	112	83	0	0			
Depreciation	348	657	664	634	639	647	661	667	682
Amortization	29	31	43	25	0	0			
Amortization of debt market rate adjustment and other non-ca:	(1)	(47)	(32)	(11)	0	0			
(Gain) loss on disposition	(11)	(5)	1	0	(128)	(486)			
Participation expense pursuant to Contingent Stock Agreemei	9	106	111	26	0	0			
Land/Residential development and acquisitions expenditures	(28)	(141)	(184)	(192)	0	0			
Cost of land sales	52	181	175	117	275	134	25	12	0
Tax restructuring benefit	2	29	58	(297)	0	0			
Straight-line rent amortization	(15)	(34)	(34)	(27)	0	0			
Amortization of intangibles other than in-place leases	(26)	(24)	(33)	(21)	0	0			
Proceeds from the sale of marketable securities	8	28	5	0	0	0			
Debt assumed by purchasers of land	(0)	(11)	(6)	0	0	0			
Insurance recoveries	0	0	0	12	0	0			
Net changes:					0	0			
Accounts and notes receivable	(6)	(51)	(23)	75	5	(5)	2	(5)	(6)
Prepaid expenses and other assets	16	(69)	28	(9)	60	44	10	(7)	(12)
Deferred expenses	(43)	(73)	(47)	(23)	0	0	0	0	0
Accounts payable and accrued expenses and DTL	(13)	122	(30)	(441)	(19)	18	(6)	18	22
Other, net	16	10	5	13	0	0			
Net cash provided by operating activities	**719**	**842**	**816**	**11**	**203**	**406**	**407**	**378**	**318**
Cash Flows from Investing Activities:									
Acquisition/development/ Improvements of properties	(9,000)	(498)	(699)	(1,940)	(810)	(195)	(453)	(381)	(396)
Proceeds from sales of investment properties	65	144	23	3	1,209	1,465			
Increase in investments in Unconsolidated Affiliates	(211)	(196)	(286)	(298)	0	0			
Distributions received from Unconsolidated Affiliates	(2)	(23)	12	183	0	0			
Loans (to) from Unconsolidated Affiliates, net		5	28	(138)	0	0			
(Increase) decrease in restricted cash	134	261	628	(12)	0	0			
Insurance recoveries	(9)	127	68	4	0	0			
Other, net	2	27	16	4	0	0			
Net cash provided by (used in) investing activities	**(9,021)**	**(154)**	**(210)**	**(2,194)**	**400**	**1,269**	**(453)**	**(381)**	**(396)**
Cash Flows from Financing Activities:									
Proceeds - mortgages, notes and loans	12,733	3,907	9,366	3,132	2,710	2,395	4,553	7,481	4,096
Principal payments - mortgages, notes and loans	(4,431)	(3,792)	(9,383)	(88)	(2,803)	(3,538)	(4,432)	(7,459)	(4,071)
Deferred financing costs	(13)	(7)	(39)	(28)	0	0			
Distributions to common stockholders	(275)	(354)	(404)	(451)	(488)	(488)	0	0	0
Distributions to holders of Common Units	(70)	(81)	(89)	(71)	0	0			
Distributions - perpetual and convertible preferred unit	(37)	(27)	(18)	(11)	0	0			
Proceeds from issuance of common stock	532	45	49	57	0	0			
Redemption of preferred minority interests	(108)	(183)	0	(60)	0	0			
Purchase of treasury stock	0	(99)	(86)	(96)	0	0			
Other, net	(1)	(34)	(8)	(3)	0	0			
Net cash provided by (used in) financing activities	**8,330**	**(625)**	**(612)**	**2,382**	**(581)**	**(1,630)**	**120**	**22**	**25**
Effect of exchange rate changes on cash	0	0	0	(27)					
Net change in cash	29	63	(6)	172	22	45	75	19	(53)
Cash at the beginning of period :	11	40	103	97	269	291	336	410	429
Cash at the end of period :	**40**	**103**	**97**	**269**	**291**	**336**	**410**	**429**	**377**