

The State of the Retail Market

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Navigating through Challenging Times in the Retail Industry

- The consumer continues to reign in spending / migration to value
- Retailers continue to report negative comp store sales / reflects substantially reduced inventories
- Demand for retail space has substantially decreased from national retailers and tenants have significantly cut back on their capital allocation for new stores in 2010
- Bankruptcies have increased in 2009, with many turning into liquidations



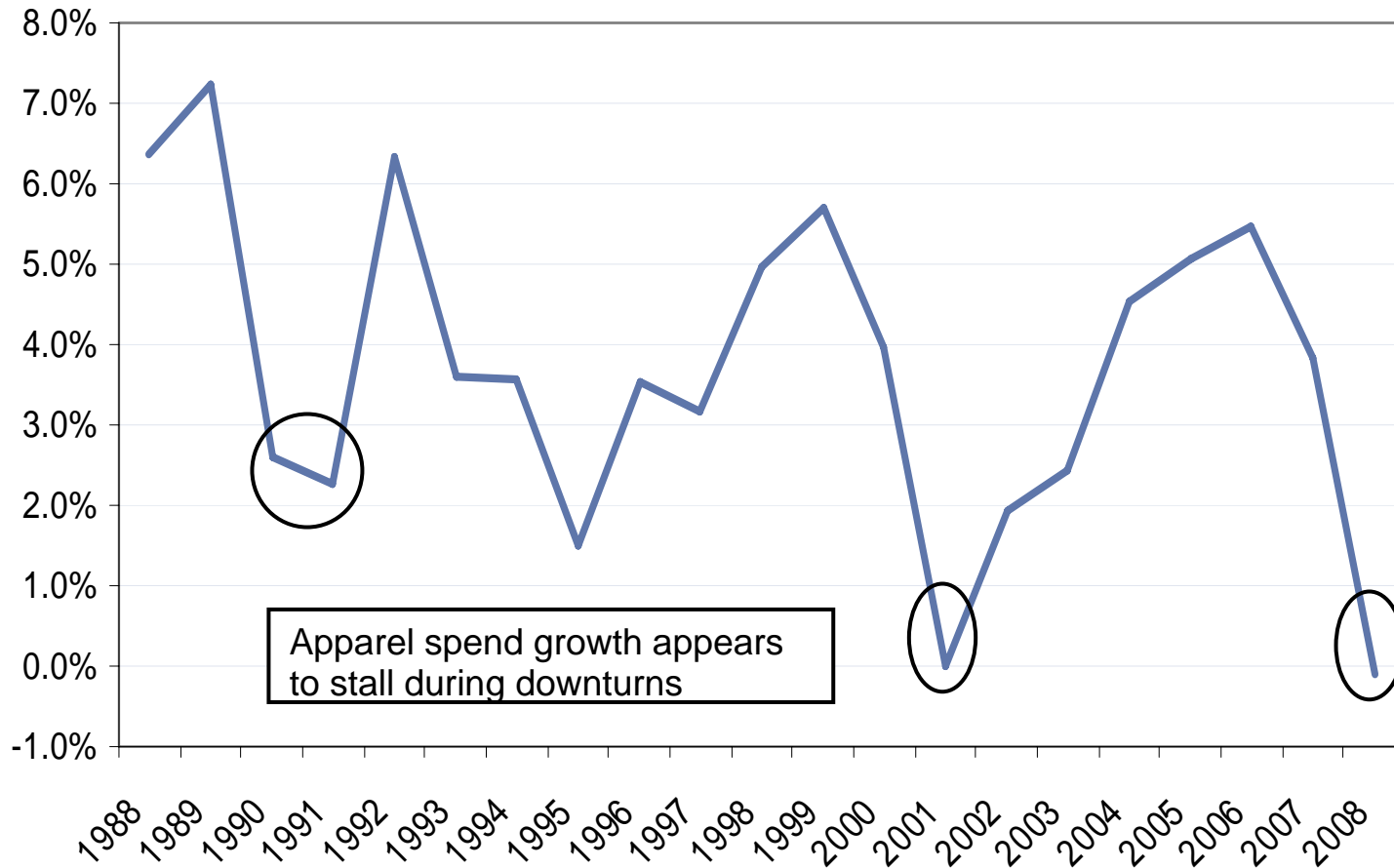
Store Closings in All Retail Sectors

Sector	Companies with Closures	Retail Doors Closing	Estimated Lost Sales (\$ in millions)	Market Share Opportunity
Hardlines				
<i>Home Improvement</i>	2	95	\$1,091	0.7%
<i>Home Furnishings</i>	5	890	\$3,058	2.8%
<i>Consumer Electronics</i>	5	1,127	\$12,459	8.0%
<i>Office Products</i>	1	112	\$1,167	2.7%
<i>Auto Parts Retailers</i>	1	31	\$119	0.3%
<i>Miscellaneous</i>	3	514	\$899	
Jewelers	9	925	\$906	5.3%
Specialty Apparel/Footwear	23	2,207	\$2,908	1.5%
Department stores	12	816	\$15,314	3.7%
Supermarkets	7	163	\$3,330	0.7%
Drug Stores	1	72	\$352	0.2%
Total	69	6,952	\$41,603	

Source: Goldman Sachs, Final Four a destination, July 15, 2009



Recession Ushers in Pullback in Apparel Spending



Source: Goldman Sachs, Final Four a destination, July 15, 2009



Recent Economic Indicators and Retail Implications

- The economy has stopped contracting, due mostly to unprecedented monetary and fiscal intervention.
- The latest indicators of business sentiment suggest the recession ended in August but the consumer is still on their heels.
- Relentless cost-cutting has preserved business profit margins, which bodes well for some recovery.
- Weak labor markets and stagnant incomes could keep the economy weak for an extended period.
- Shape of (potential) recovery is of great debate.



Changing Retail Landscape

- Retailers such as Costco, Ross, TJX Cos., Walmart and the drug store segment are reporting positive sales trends.
- High-end stores continue to face significant declines in comparable sales.
- Outlet distribution channel is very important to retailers and consumers as they search for value.
- Anticipate an increase in store closings with subsequent acquisition of store locations by stronger operators.



Positive Signs for Retail

- Retailers believe we have reached bottom.
- Comp sales decreases should level off as we anniversary the “crash.”
- Retailers are reducing their spending and learning how to manage inventory – margins and cash flow are increasing.
- Construction of new retail square footage is at a 20-year low, which should allow any increasing demand to benefit well-positioned retailers. Not a supply issue like the early 1990’s.
- Balance sheets of retailers are generally stronger than in the last recession and most are still generating cash flow. Capital markets are back, even “DIP financing.”
- Eddie Bauer is an example of capital coming back into the sector – bought out of bankruptcy by Golden Gate Capital.



Retail – “Survival of the Fittest”

- Tenants come and go – it’s a natural phenomenon that occurs routinely in the retail real estate business. The list is long when looking at small shop tenants who are now defunct.

SPG’s Top 10 Mall Inline Tenants in 1993

<u>Company</u>	<u># of Stores</u>	<u>Sq. Ft. (000’s)</u>	<u>% of Total Sq. Ft.</u>	<u>% of Total Base Rent (000’s)</u>
Limited	156	1,126	2.1%	5.7%
F.W. Woolworth	206	642	1.2%	3.5%
Melville Corp.	135	442	0.8%	2.1%
United States Shoe	109	390	0.7%	2.0%
Edison Brothers	110	217	0.4%	1.1%
The Musicland Group	56	179	0.3%	1.1%
Petrie Stores Corp.	66	346	0.6%	1.1%
Zale Corp.	78	112	0.2%	1.0%
Kmart Corp.	47	173	0.3%	1.0%
Payless Shoe Stores	56	177	0.3%	.9%
TOTAL			7.1%	19.7%

SPG’s Top 10 Mall Inline Tenants at 6/30/09

<u>Company</u>	<u># of Stores</u>	<u>Sq. Ft. (000’s)</u>	<u>% of Total Sq. Ft.</u>	<u>% of Total Base Rent (000’s)</u>
Gap	283	3,199	1.3%	2.2%
Limited Brands	322	1,816	0.7%	2.1%
Aber. & Fitch	233	1,676	0.7%	1.7%
Footlocker	398	1,552	0.6%	1.4%
Zale Corp.	325	320	0.1%	1.0%
Luxottica Group	357	721	0.3%	1.0%
American Eagle	165	934	0.4%	0.9%
Express LLC	114	1,027	0.4%	0.9%
Sterling Jewelers	205	314	0.1%	0.9%
Genesco	366	506	0.2%	0.8%
TOTAL			4.8%	12.9%



Retailers Still Need to Grow Their Business

➤ The retail landscape has many strong, well-capitalized retail players, including those who have emerged in the past several years as well as new concepts coming to market:

- 2b Bebe
- 5 Guys
- 7 For All Mankind
- 77 Kids
- Aerie
- Aero Kids
- Aeropostale
- Agaci
- Aldo
- Aldo Accessories
- Anthropologie
- Apple
- Aritzia
- Aveda
- Bare Escentuals
- Billabong
- B.J.'s Brewhouse
- Bobby Flay's Burger Bar
- Buffalo Wild Wings
- Burberry Children
- California Pizza Kitchen
- Chipotle
- Coach
- Crazy 8
- Ed Hardy
- Fossil
- Free People
- H&M
- Intimacy
- Lululemon
- Madewell
- Metropark
- Michael Kors
- Microsoft
- Pandora
- PS by Aero
- Red Robin
- Sephora
- Shoe Show
- Stir Crazy
- Teavana
- Tory Burch
- True Religion
- Urban Outfitters
- Vanity
- Yogen Fruz



Department Store Consolidation Nothing New

- Department store consolidation and store closures have been occurring for decades.
- SPG's top anchors have changed considerably since its 1993 IPO, providing opportunities to retenant vacant department stores with more viable retailers such as Nordstrom, Dick's Sporting Goods, Target, big boxes, restaurants and theaters.

Top Anchors		
1993	2000	2009
JCPenney	Sears	Macy's
Sears	JCPenney	Sears
Dillard's	Federated Stores	JCPenney
Montgomery Ward	Dillard's	Dillard's
May Dept. Stores	May Dept. Stores	Nordstrom
Service Merchandise	Saks Inc.	Belk
Dayton Hudson	Montgomery Ward	Bon-Ton
Federated Stores	Dayton Hudson	Target
Kohl's	Nordstrom	Neiman Marcus
	Belk	Dick's Sporting Goods
		Saks



Opportunities Through Department Store Consolidation

- Redevelopment will continue as department stores reduce their store counts.
- Strongest locations will prosper and present opportunities.
- Certain retail real estate will become obsolete.
- Over the last decade, SPG has successfully retenanted the following:
 - 17 Macy's/May Company stores
 - Replacements included Nordstrom, Kohl's, Dick's Sporting Goods, Barnes & Noble, AMC Theatres, small shops and restaurants
 - 9 Lord & Taylor stores
 - Replacements included Nordstrom, Macy's, Neiman Marcus, flagship small shop retailers and restaurants
 - 11 Montgomery Ward stores
 - Replacements included Nordstrom, Von Maur, Dillard's, Dick's Sporting Goods, Best Buy, Bed Bath & Beyond and small shops
 - 9 Parisian stores
 - Replacements included Nordstrom, Carson Pirie Scott, Kohl's and Belk
 - 5 Mervyn's stores
 - Replacements included Nordstrom, JCPenney, Dillard's and Forever 21



Lifestyle Centers – The Good, The Bad & The Ugly

- Lifestyle centers have been overbuilt with developers facing a challenging leasing environment.
 - Many centers remain under leased and over-levered, creating opportunities for well-capitalized real estate companies with deep tenant relationships.
- Historically, SPG selectively developed lifestyle centers using its development expertise and leasing leverage to create highly productive retail environments. These centers typically comprised more than 500,000 square feet, incorporating department stores, specialty stores and restaurants.
 - For example, SPG's Coconut Point in Estero, Florida successfully opened in 2006. This master-planned community features retail, restaurants, office, luxury condominiums and hotel.



1.2 million square foot center features a combination of anchors including Dillard's, Barnes & Noble, Bed Bath & Beyond, Best Buy, SuperTarget and T.J. Maxx, as well as restaurants, a theater and specialty stores.

As of June 30th, the regional mall component was 94% occupied and the community center component was 100% occupied.



The Regional Mall – Proven Retail Venue

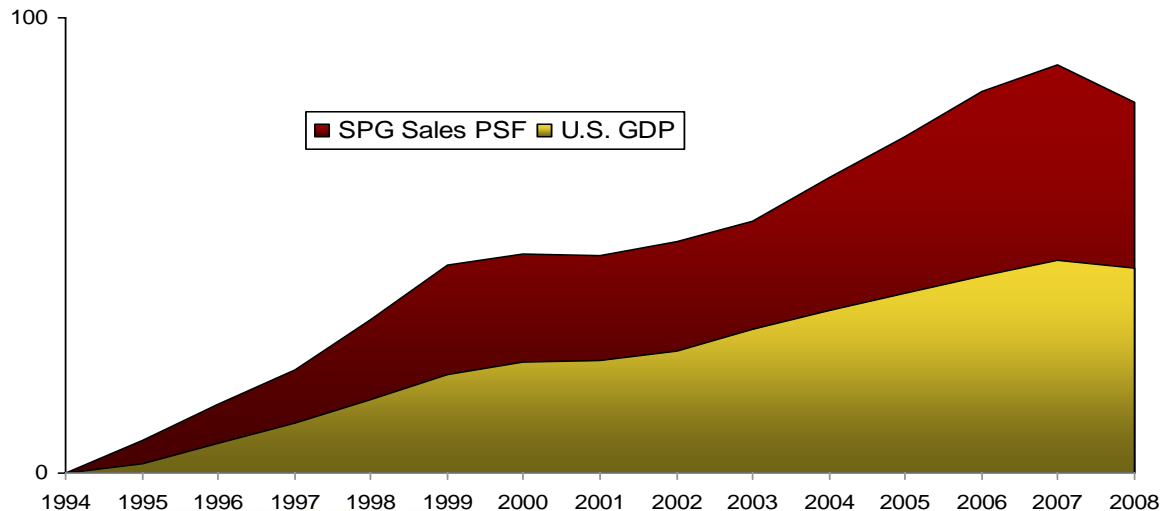
- Now in its sixth decade, the shopping mall has been written off by naysayers for various reasons including the demise of the department store, the threat of catalog, TV and Internet shopping, and the proliferation of big boxes and lifestyle centers.
- The mall will continue to evolve, as it has over the past 60 years. As a proven location for the sale of good and services, the mall will prosper and remain the primary venue where consumers want to shop and be entertained due to:
 - High traffic and sales productivity
 - A regional mall hosts millions of visitors each year providing the most productive means for retailers to offer their goods and services.
 - Significant franchise value
 - Centers are usually located in the heart of a retail shopping district.
 - Strategic locations
 - Malls have distinct trade areas within a metropolitan market and are, therefore, less competitive with each other.



Well-Tested Retail Model

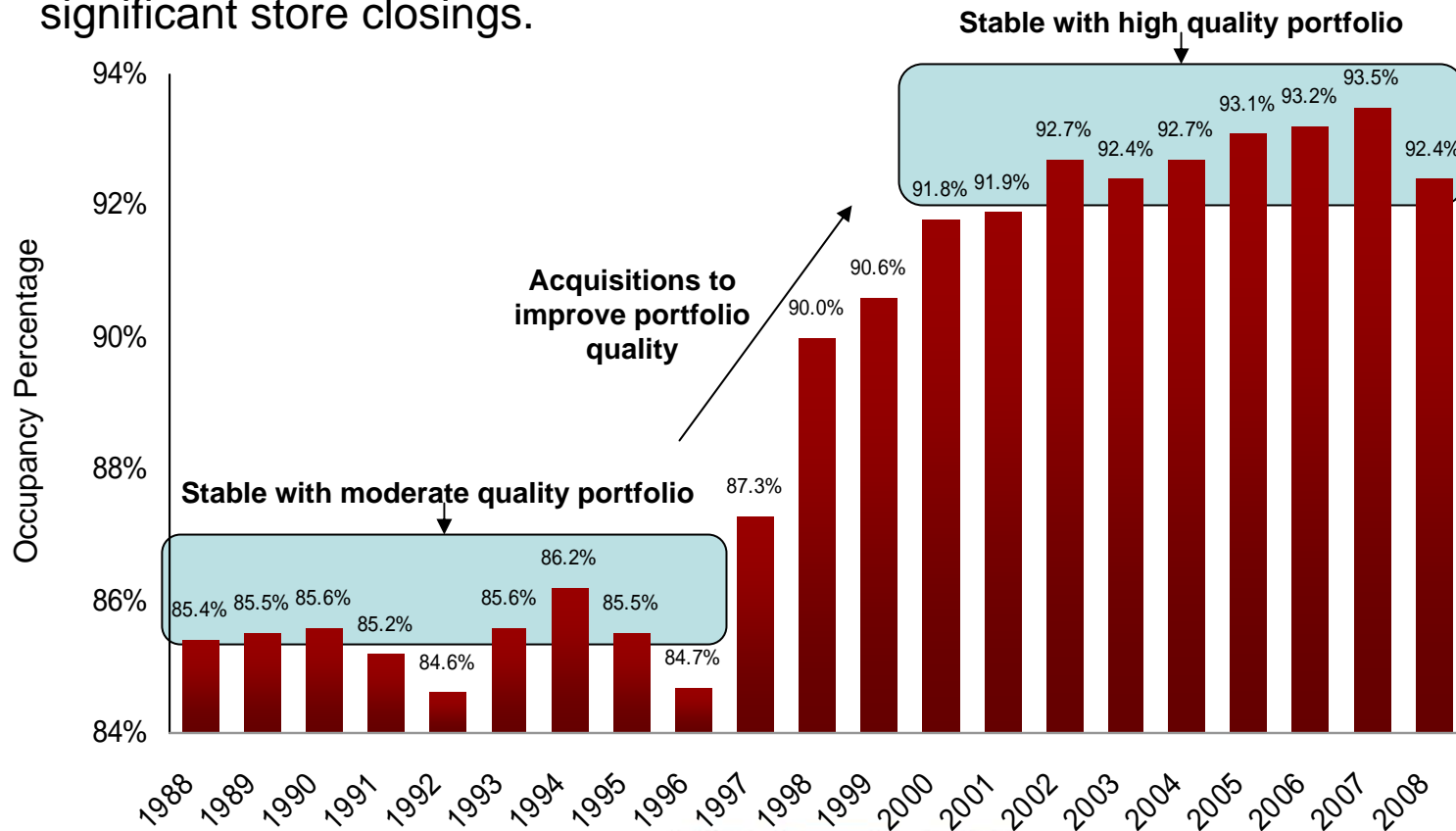
- Tenants can afford to pay 12-18% of sales as occupancy cost.
- Revenues are contractual, long-term leases and not dependent on short-term consumer mindset. As such, the landlord is well-positioned to withstand a downturn during difficult economic times.
- With more limited capital budgets, tenants will gravitate toward existing high quality properties for new stores.

Retail sales are directly correlated to U.S. Gross Domestic Product (GDP), as illustrated by the graph. For the period 1994-2008, SPG increased its regional mall sales psf 81% versus growth in U.S. GDP of 45%.



Occupancy

- During recessionary periods, SPG's regional mall portfolio experienced minimal declines in occupancy.
- SPG has been successful at increasing occupancy even during periods with significant store closings.



Simon's Five Retail Real Estate Platforms

**Regional
Malls**



**Premium Outlet
Centers®**



The Mills®



**Community/
Lifestyle Centers**



**International
Properties**



- Simon is uniquely positioned as an owner, operator and developer across multiple retail formats and its portfolio is comprised of high quality retail assets.
- Though not immune to the effects of the recession, well-located retail real estate will weather the storm and continue to be the preferred location for retailers in the distribution of goods and services.



Forward-looking statement

Statements in this presentation that are not historical may be deemed “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Although we believe that the expectations reflected in any forward-looking statements are based on reasonable assumptions, we can give no assurance that these expectations will be attained and it is possible that our actual results may differ materially from those indicated by these forward-looking statements due to a variety of risks and uncertainties. Such factors include, but are not limited to: the Company's ability to meet debt service requirements, the availability and terms of financing, changes in the Company's credit rating, changes in market rates of interest and foreign exchange rates for foreign currencies, the ability to hedge interest rate risk, risks associated with the acquisition, development and expansion of properties, general risks related to retail real estate, the liquidity of real estate investments, environmental liabilities, international, national, regional and local economic climates, changes in market rental rates, trends in the retail industry, relationships with anchor tenants, the inability to collect rent due to the bankruptcy or insolvency of tenants or otherwise, risks relating to joint venture properties, costs of common area maintenance, competitive market forces, risks related to international activities, insurance costs and coverage, terrorist activities, changes in economic and market conditions and maintenance of our status as a real estate investment trust. The Company discusses these and other risks and uncertainties under the heading “Risk Factors” in its annual and quarterly periodic reports filed with the SEC. The Company may update that discussion in its periodic reports, but otherwise the Company undertakes no duty or obligation to update or revise these forward-looking statements, whether as a result of new information, future developments, or otherwise.

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