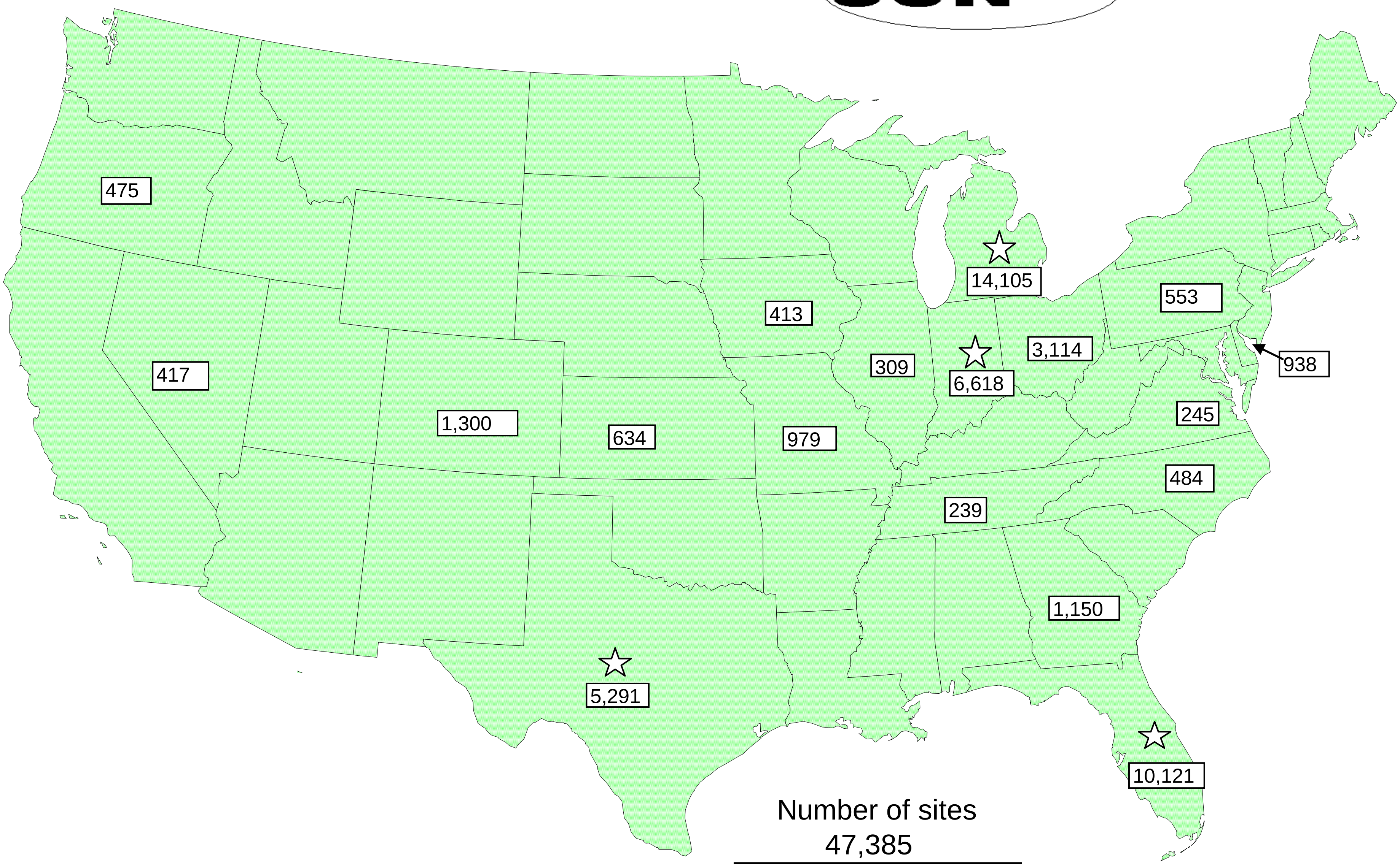
Sun Communities, Inc.

Supplemental Operating and Financial Data

For the Quarter Ended December 31, 2005

Portfolio Overview

SUN



Number of sites

47,385

Management Offices ☆

SUN COMMUNITIES, INC.
SUPPLEMENTAL INFORMATION
4th QUARTER 2005

INDEX

(A) The statements of operations provided in this supplemental information package presents funds from operations, net operating income, EBITDA and funds available for distribution which are REIT industry financial measures that are not calculated in accordance with generally accepted accounting principles ("GAAP"). Please see footnote (1) at the back of this report for a definition of these supplemental performance measures.

RESEARCH COVERAGE

AG EDWARDS	ART HAVENER (314) 955-3436
GREEN STREET	CRAIG LEUPOLD (949) 640-8780
KEYBANC CAPITAL MARKETS	DAVID B. RODGERS (216) 263-4785
LEHMAN BROTHERS	DAVID HARRIS (212) 526-3413
RBC CAPITAL MARKETS	JAY LEUPP (415) 633-8588
	DAVID RONCO (415) 633-8566
HARRIS NESBITT	PAUL ADORNATO (212) 855-4170
	RICHARD ANDERSON (212) 855-4170
SMITH BARNEY CITIGROUP	JOHN STEWART (212) 816-1685

EARNINGS ANNOUNCEMENTS

	1st Quarter	2nd Quarter	3rd Quarter
EARNINGS ANNOUNCEMENTS	04/27/06	07/27/06	10/26/06
DIVIDEND DECLARATIONS	04/03/06	07/03/06	10/02/06

INQUIRIES

Sun Communities welcomes questions or comments from stockholders, analysts, investment managers, media or any prospective investor. Please address all inquires to Ms. Carol Petersen of our investor relations department.

AT OUR WEBSITE →	www.suncommunities.com
BY PHONE →	(248) 208-2500
BY FACSIMILE →	(248) 208-2641
BY MAIL →	SUN COMMUNITIES Investor Relations The American Center 27777 Franklin Rd., Suite 200 Southfield, MI 48034
BY E MAIL →	CPETERSE@SUNCOMMUNITIES.COM

SUN COMMUNITIES

BALANCE SHEETS
(in thousands)

	Quarter Ended				
	December 31, 2005	September 30, 2005	June 30, 2005	March 31, 2005	December 31, 2004
ASSETS					
Real Estate					
Land	$ 116,738	$ 116,568	$ 116,567	$ 116,192	$ 116,187
Land improvements and buildings	1,156,612	1,155,431	1,156,283	1,156,333	1,145,131
Furniture, fixtures and equipment	36,120	35,626	34,157	34,623	35,002
Rental homes	117,314	103,746	91,190	71,928	51,540
Land held for future development	31,082	30,778	30,711	31,652	31,652
Property under development	256	1,465	1,245	1,118	1,041
Gross real estate investment	1,458,122	1,443,614	1,430,153	1,411,846	1,380,553
Less: Accumulated depreciation	(296,302)	(283,344)	(270,945)	(260,169)	(248,597)
Net real estate investment	1,161,820	1,160,270	1,159,208	1,151,677	1,131,956
Cash and cash equivalents	5,880	4,284	3,392	17,783	97,561
Notes and other receivables	41,134	39,526	43,562	44,205	45,037
Inventory	17,105	19,947	21,480	19,954	25,964
Investment in affiliate	46,352	46,518	47,965	48,243	48,360
Other assets	48,245	49,200	51,202	50,685	54,289
Total assets	$ 1,320,536	$ 1,319,745	$ 1,326,809	$ 1,332,547	$ 1,403,167
LIABILITIES AND EQUITY					
Liabilities					
Line of credit	$ 73,300	$ 53,200	$ 23,900	$ -	$ -
Mortgage loans payable	988,045	989,005	1,000,665	1,006,682	1,011,302
Senior unsecured notes	-	-	-	5,017	5,017
Preferred operating units	62,123	62,123	62,123	62,123	62,123
Accounts payable, deposits and accrued liabilities	32,267	30,525	30,504	42,312	31,936
Total liabilities	1,155,735	1,134,853	1,117,192	1,116,134	1,110,378
Minority interest - Preferred OP units	-	-	-	-	50,000
Minority interest - Common OP units and others	21,544	19,398	26,225	28,050	31,043
	21,544	19,398	26,225	28,050	81,043
Stockholders' Equity					
Preferred stock	-	-	-	-	-
Common stock	198	198	196	196	196
Paid in capital	460,568	464,616	462,299	461,834	462,522
Officer's notes	(9,427)	(9,522)	(9,617)	(9,711)	(9,798)
Deferred compensation	(13,187)	(13,659)	(14,155)	(14,734)	(15,557)
Unrealized (losses) on interest rate swaps	532	115	(1,035)	215	(959)
Distributions in excess of net income	(231,827)	(218,780)	(203,635)	(203,417)	(181,073)
Treasury stock at cost	(63,600)	(57,474)	(50,661)	(46,020)	(43,585)
Total stockholders' equity	143,257	165,494	183,392	188,363	211,746
Total liabilities and stockholders' equity	$ 1,320,536	$ 1,319,745	$ 1,326,809	$ 1,332,547	$ 1,403,167
Common OP units outstanding	2,328	2,328	2,461	2,461	2,473
Number of shares outstanding	17,918	18,120	18,125	18,243	18,330

SUN COMMUNITIES

DEBT ANALYSIS

(in thousands)

	Quarter Ended December 31, 2005	September 30, 2005	June 30, 2005	March 31, 2005	December 31, 2004
DEBT OUTSTANDING					
Line of credit	$ 73,300	$ 53,200	$ 23,900	$ -	$ -
Mortgage loans payable	988,045	989,005	1,000,665	1,006,682	1,011,302
Senior unsecured notes	-	-	-	5,017	5,017
Preferred operating units	62,123	62,123	62,123	62,123	62,123
Total debt	$ 1,123,468	$ 1,104,328	$ 1,086,688	$ 1,073,822	$ 1,078,442
% FIXED/FLOATING					
Fixed	85.16%	86.72%	88.51%	90.25%	89.94%
Floating	14.84%	13.28%	11.49%	9.75%	10.06%
Total	100.00%	100.00%	100.00%	100.00%	100.00%
AVERAGE INTEREST RATES					
Line of credit	6.10%	5.70%	5.11%	-	-
Mortgage loans payable	5.12%	5.09%	5.07%	5.03%	4.97%
Senior unsecured notes	-	-	-	6.77%	6.77%
Preferred operating units	6.98%	6.98%	6.98%	6.92%	6.80%
Total average	5.29%	5.22%	5.18%	5.15%	5.08%
DEBT RATIOS					
Debt/Total Capitalization	63.9%	62.1%	58.6%	59.1%	54.8%
Debt/Gross Assets	69.5%	68.9%	68.0%	67.4%	65.3%
COVERAGE RATIOS					
EBITDA/ Mortgage Interest	2.0	1.8	2.1	2.3	2.4
EBITDA/Mortgage Interest + Pref. Distributions	1.9	1.7	1.9	2.1	2.0

MATURITIES/PRINCIPAL AMORTIZATION NEXT FIVE YEARS

	31-Dec-06	31-Dec-07	31-Dec-08	31-Dec-09	31-Dec-10
Line of credit	$ -	$ 73,300	$ -	$ -	$ -
Mortgage loans payable: .					
Maturities	22,738	56,078	6,545	11,200	-
Principal amortization	6,287	12,049	12,338	12,900	13,479
Preferred operating units	8,175	4,500	-	4,770	4,170
Total	$ 37,200	$ 145,927	$ 18,883	$ 28,870	$ 17,649

SUN COMMUNITIES

STATEMENT OF OPERATIONS
(in thousands)

	Quarter Ended				
	December 31, 2005	September 30, 2005	June 30, 2005	March 31, 2005	December 31, 2004
REVENUES					
Income from rental property	$ 45,569	$ 44,022	$ 43,945	$ 45,449	$ 43,340
Gross profit from home sales	1,160	1,224	797	1,343	630
Rental revenues, net	385	660	634	33	52
Gain on sale	-	-	-	-	5,879
Other income	775	(443)	1,392	1,779	871
Total revenues	47,889	45,463	46,768	48,604	50,772
EXPENSES					
Property operating and maintenance	10,925	11,722	11,479	10,965	10,715
Real estate taxes	3,800	3,801	3,800	3,772	3,762
Selling, general and administrative	5,090	5,456	5,109	5,045	7,625
Hurricane expenses (recovery)	165	-	(55)	(500)	-
Total expenses	19,980	20,979	20,333	19,282	22,102
EBITDA [(1)]	27,909	24,484	26,435	29,322	28,670
Interest expense and preferred distributions	(15,473)	(15,179)	(14,617)	(14,703)	(13,817)
Perpetual preferred distributions	-	-	-	(961)	(1,110)
Depreciation and amortization	(14,319)	(13,525)	(13,461)	(13,025)	(12,271)
Minority interest	219	495	200	(77)	(180)
Income (loss) from continuing operations	(1,664)	(3,725)	(1,443)	556	1,292
Income (loss) from discontinued operations	-	-	693	131	17
NET INCOME (LOSS)	(1,664)	(3,725)	(750)	687	1,309
Depreciation and amortization	14,972	14,166	14,100	13,664	12,480
Valuation adjustment	30	194	(153)	359	226
(Gain)/loss on sale of land/properties/assets	257	365	(513)	47	(3,880)
Minority interest	(219)	(495)	(104)	95	182
FUNDS FROM OPERATIONS [(1)]	13,376	10,505	12,580	14,852	10,317
Less: Recurring capital expenditures	(2,196)	(2,159)	(1,951)	(1,396)	(2,774)
FUNDS AVAILABLE FOR DISTRIBUTION ("FAD") [(1)]	$ 11,180	$ 8,346	$ 10,629	$ 13,456	$ 7,543
FFO PER SHARE/UNIT [(1)]	$0.67	$0.52	$0.62	$0.73	$0.51
FAD PER SHARE/UNIT [(1)]	$0.56	$0.42	$0.53	$0.66	$0.37
DISTRIBUTION PER SHARE/UNIT	$0.63	$0.63	$0.63	$0.63	$0.61
DILUTED FFO PER SHARE/UNIT	$0.67	$0.52	$0.62	$0.73	$0.50
PAYOUT RATIO	94.0%	121.2%	101.6%	86.3%	119.6%
WEIGHTED AVERAGE SHARES/UNITS	19,868	20,103	20,193	20,319	20,306

SUN COMMUNITIES

RECONCILIATION OF NET INCOME TO FUNDS FROM OPERATIONS
(Amounts in thousands, exept per share/OP unit amounts) (Unaudited)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2005	**2004**	**2005**	**2004**
Net income (loss)	$ (1,664)	$ 1,309	$ (5,452)	$ (40,468)
Adjustments:				
Depreciation and amortization	14,972	12,480	56,902	45,589
Valuation adjustment(2)	30	226	430	528
Allocation of SunChamp losses(3)	-	-	-	300
(Gain) loss on disposition of assets, net	257	(3,880)	156	(3,880)
Income (loss) allocated to minority interest	(219)	182	(723)	(5,364)
Funds from operations (FFO)	$ 13,376	$ 10,317	$ 51,313	$ (3,295)
FFO - Continuing Operations	$ 13,376	$ 10,250	$ 51,141	$ (3,628)
FFO - Discontinued Operations	$ -	$ 67	$ 172	$ 333
Weighted average common shares/OP Units outstanding:				
Basic	19,868	20,306	20,121	20,792
Diluted	19,971	20,464	20,253	20,792
Continuing Operations:				
FFO per weighted average Common Share/OP Unit - Basic	$ 0.67	$ 0.51	$ 2.53	$ (0.17)
FFO per weighted average Common Share/OP Unit - Diluted	$ 0.67	$ 0.50	$ 2.53	$ (0.17)
Discontinued Operations:				
FFO per weighted average Common Share/OP Unit - Basic	$ -	$ 0.00	$ 0.01	$ 0.01
FFO per weighted average Common Share/OP Unit - Diluted	$ -	$ 0.00	$ 0.01	$ 0.01
Total Operations:				
FFO per weighted average Common Share/OP Unit - Basic	$ 0.67	$ 0.51	$ 2.54	$ (0.16)
FFO per weighted average Common Share/OP Unit - Diluted	$ 0.67	$ 0.50	$ 2.54	$ (0.16)

(2) The Company entered into three interest rate swaps and an interest rate cap agreement. The valuation adjustment reflects the theoretical noncash profit and loss were those hedging transactions terminated at the balance sheet date. As the Company has no expectation of terminating the transactions prior to maturity, the net of these noncash valuation adjustments will be zero at the various maturities. As any imperfection related to hedging correlation in these swaps is reflected currently in cash as interest, the valuation adjustments reflect volatility that would distort the comparative measurement of FFO and on a net basis approximate zero. Accordingly, the valuation adjustments are excluded from FFO. The valuation adjustment is included in interest expense.

(3) The Company acquired the equity interest of another investor in SunChamp in December 2002. Consideration consisted of a long-term note payable at net book value. Although the adjustment for the allocation of the SunChamp losses (based on SunChamp as a stand-alone entity) is not reflected in the accompanying financial statements, management believes that it is appropriate to provide for this adjustment because the Company's payment obligations with respect to the note are subordinate in all respects to the return of the members' equity (including the gross book value of the acquired equity) plus a preferred return. As a result, the losses that are allocated to the Company from SunChamp as a stand-alone entity under generally accepted accounting principles are effectively reallocated to the note for purposes of calculating FFO. A situation such as this is not contemplated in the NAREIT definition of FFO due to the unique circumstances of the transaction. Although not comparable to the precise NAREIT definition, the Company believes the inclusion of this item in its calculation of FFO to be appropriate as noted above.

STATEMENT OF OPERATIONS
SAME PROPERTY
(in thousands)

	Quarter Ended		12 Months Ended	
	December 31, 2005	December 31, 2004	December 31, 2005	December 31, 2004
REVENUES				
Income from property	$ 40,438	$ 38,938	$ 158,882	$ 153,999
EXPENSES				
Real estate taxes	3,336	3,300	13,344	12,740
Payroll	2,758	2,732	11,815	11,628
Repairs and maintenance	1,279	1,482	6,335	6,273
Utilities, net	2,249	2,048	8,786	8,666
Other	1,230	1,433	4,736	4,778
Total expenses	10,852	10,995	45,016	44,085
NET OPERATING INCOME ("NOI") (1)	$ 29,586	$ 27,943	$ 113,866	$ 109,914
NUMBER OF COMMUNITIES [4]	121	121	121	121
NUMBER OF DEVELOPED SITES [4]	42,926	42,876	42,926	42,876
NUMBER OF OCCUPIED SITES [4]	35,246	35,236	35,246	35,236
OCCUPANCY PERCENTAGE [5]	84.7%	85.0%	84.7%	85.0%
WEIGHTED AVERAGE RENT [5]	355	342	355	342
SITES AVAILABLE FOR DEVELOPMENT	5,282	5,446	5,282	5,446
SITES IN DEVELOPMENT	99	208	99	208

(4) Includes MH and RV Sites

(5) Includes MH sites only

STATEMENT OF OPERATIONS
SAME PROPERTY -- PERCENTAGE GROWTH

	Quarter Ended	12 Months Ended	
	December 31, 2005	December 31, 2005	December 31, 2004
NUMBER OF COMMUNITIES	121	121	108
REVENUES			
Income from property	3.9%	3.2%	4.0%
EXPENSES			
Real estate taxes	1.1%	4.7%	9.8%
Payroll	1.0%	1.6%	0.4%
Repairs and maintenance	-13.7%	1.0%	-0.5%
Utilities, net	9.8%	1.4%	4.7%
Other	-14.2%	-0.9%	-2.3%
Total expenses	-1.30%	2.11%	3.40%
NET OPERATING INCOME ("NOI") [1]	5.9%	3.6%	4.3%

SUN COMMUNITIES

RENTAL PROGRAM SUMMARY
(in thousands)

	Twelve Months Ended December 31, 2005	Twelve Months Ended December 31, 2004
Revenue		
Rental program revenue	$ 21,371	$ 10,887
Expenses		
Payroll and commissions	1,825	1,054
Repairs and refurbishment	3,190	1,375
Taxes and insurance	1,022	459
Other	1,336	487
Total expenses	7,373	3,375
Operating income	$ 13,998 (6)	$ 7,512 (6)
Number of occupied rentals, end of period	3,711	1,933
Cost of occupied rental homes	$ 109,214	$ 51,540
Weighted average monthly rental rate	$ 643	$ 579

(6) Includes site rent included in Income from rental property

CAPITAL IMPROVEMENTS, DEVELOPMENT AND ACQUISITIONS
(in thousands)

	Recurring Capital Expenditures Average/Site	Recurring Capital Expenditures [7]	Lot Modifications [8]	Acquisitions [9]	Expansion & Development [10]	Revenue Producing [11]
2003	$148	$6,491	$2,343	$4,514	$14,426	$1,897
2004	$147	$6,594	$3,996	$120,086	$9,743	$883
2005	$163	$7,702	$4,342	$9,759	$3,633	$891

(7) Includes capital expenditures necessary to maintain asset quality, including purchasing and replacing assets used to operate the community. These capital expenditures include major road, driveway, and pool repairs, clubhouse renovations, and adding or replacing street lights, playground equipment, signage, maintenance facilities, manager housing and property vehicles. Minimum capitalizable amount or project is $500. Excludes $1,700,000 related to main office move in 2003 and software conversion costs of $3,400,000 and $442,894 in 2003 and 2004 respectively. In addition, $2,088,947 for refurbishment costs related to leased homes has been expensed in 2005.

(8) Includes capital expenditures which improve the asset quality of the community. These costs are incurred when an existing older home (usually a smaller single-sectional home) moves out, and the site is prepared for a larger new home, more often than not, a multi-sectional home. These activities which are mandated by strict manufacturer's installation requirements and State building code include new foundations, driveways, and utility upgrades. The new home will be in the community for 30 to 40 years and these costs are depreciated over a 30 year life.

(9) Acquisitions represent the purchase price of existing operating communities and land parcels to develop expansions or new communities. Acquisitions also include deferred maintenance identified during due diligence and those capital improvements necessary to bring the community up to Sun's standards. These include upgrading clubhouses, landscaping, new street light systems, new mailing delivery systems, pool renovation including larger decks, heaters, and furniture, new maintenance facilities, and new signage including main signs and internal road signs. These are considered as acquisition costs and while identified during due diligence, it sometimes requires six to twelve months after closing to complete.

(10) These are the costs of developing expansions and new communities.

(11) These are capital costs related to revenue generating activities, consisting primarily of cable TV, garages, sheds, and sub-metering of water and sewer. Occasionally, a special capital project requested by residents and accompanied by an extra rental increase will be classified as revenue producing. Capitalized revenue generating expenditures made by Sun Home Services, Inc. are excluded from this amount.

SUN COMMUNITIES

PROPERTY SUMMARY

	Quarter Ended				
	December 31, 2005	September 30, 2005	June 30, 2005	March 31, 2005	December 31, 2004
STABILIZED COMMUNITIES					
MICHIGAN					
Communities	43	43	43	43	43
Sites for Development	293	332	332	332	332
Developed Sites	13,493	13,454	13,454	13,454	13,454
Occupied	11,563	11,675	11,780	11,816	11,737
Occupancy %	85.7%	86.8%	87.6%	87.8%	87.2%
FLORIDA					
Communities	15	15	15	16	15
Sites for Development	329	358	372	515	520
Developed Sites	5,707	5,672	5,651	5,727	5,685
Occupied	5,614	5,599	5,563	5,620	5,581
Occupancy %	98.4%	98.7%	98.4%	98.1%	98.2%
INDIANA					
Communities	17	17	17	17	17
Sites for Development	422	422	422	422	422
Developed Sites	6,360	6,360	6,360	6,360	6,360
Occupied	4,741	4,776	4,858	4,927	4,936
Occupancy %	74.5%	75.1%	76.4%	77.5%	77.6%
OHIO					
Communities	10	10	10	10	10
Sites for Development	-	-	-	-	-
Developed Sites	2,917	2,917	2,917	2,917	2,917
Occupied	2,589	2,608	2,599	2,585	2,550
Occupancy %	88.8%	89.4%	89.1%	88.6%	87.4%
TEXAS					
Communities	6	6	6	6	6
Sites for Development	-	-	-	-	-
Developed Sites	1,501	1,500	1,500	1,499	1,501
Occupied	1,328	1,284	1,313	1,312	1,304
Occupancy %	88.5%	85.6%	87.5%	87.5%	86.9%
OTHER STATES					
Communities	17	17	17	17	17
Sites for Development	69	69	69	69	69
Developed Sites	6,687	6,687	6,687	6,687	6,687
Occupied	5,908	5,943	5,974	5,940	5,912
Occupancy %	88.4%	88.9%	89.3%	88.8%	88.4%

PROPERTY SUMMARY (continued)

	Quarter Ended				
	December 31, 2005	September 30, 2005	June 30, 2005	March 31, 2005	December 31, 2004
TOTAL--MH STABILIZED PORTFOLIO					
Communities	108	108	108	109	108
Sites for development	1,113	1,181	1,195	1,338	1,343
Developed sites	36,665	36,590	36,569	36,644	36,604
Occupied	31,743	31,885	32,087	32,200	32,020
Occupancy %	86.6%	87.1%	87.7%	87.9%	87.5%
NEW COMMUNITY DEVELOPMENT					
Communities	24	24	24	24	24
Sites for development	5,829	5,899	5,899	5,899	5,934
Developed sites	5,311	5,311	5,311	5,311	5,271
Occupied	3,406	3,391	3,357	3,212	3,074
Occupancy %	64.1%	63.8%	63.2%	60.5%	58.3%
RV PORTFOLIO SUMMARY					
Communities	12	12	12	13	12
Sites	5,409	5,425	5,438	5,662	4,981
Permanent	3,062	3,069	3,063	3,111	2,973
Seasonal	2,347	2,356	2,375	2,551	2,008
States					
Florida	4,414	4,429	4,442	4,657	3,977
Texas	838	839	839	848	847
Delaware	157	157	157	157	157

Notes: Communities as listed above, include only those communities which are open for occupancy while Sites for development include additional communities for development which do not currently have available sites.

Communities total to more than 135 because certain communities have manufactured home and recreational vehicle components and are counted in each category and certain communities have both stabilized and development components.

SUN COMMUNITIES

OPERATING STATISTICS
YEAR TO DATE

MARKETS	***RESIDENT MOVE OUTS***	***NET LEASED SITES***	***NEW HOME SALES***	***PRE-OWNED HOME SALES***	***BROKERED RESALES***
Michigan	523	(144)	10	86	94
Florida	8	77	110	17	327
Indiana	255	(190)	1	31	11
Ohio	78	70	4	17	17
Texas	73	220	10	22	8
Other States	234	66	22	70	85
RV Communities	n/m	n/m	22	3	51
Through Dec. 31, 2005	1,171	99	179	246	593
For the Year					
2004	1,118	(709)	180	357	683
2003	1,328	(849)	257	283	626
2002	1,256	(172)	286	174	592
2001	1,108	214	438	327	584
2000	720	366	416	182	863
1999	974	756	648	152	766
1998	883	998	682	188	642
1997	702	798	584	118	555

	MOVE OUTS	**RESALES**
2005	3.3%	8.4%
2004	3.3%	8.0%
2003	3.9%	7.4%
2002	3.8%	7.1%
2001	3.2%	7.4%
2000	2.4%	8.6%
1999	3.1%	8.5%
1998	3.0%	8.6%
1997	2.8%	8.5%
1996	2.8%	8.9%

Note: 2004 and 2005 move outs exclude move outs by finance companies.

SUN COMMUNITIES, INC.
FOOTNOTES TO SUPPLEMENTAL DATA

(1) Investors in and analysts following the real estate industry utilize funds from operations ("FFO"), net operating income ("NOI"), EBITDA and funds available for distribution ("FAD") as supplemental performance measures. While the Company believes net income (as defined by GAAP) is the most appropriate measure, it considers FFO, NOI, EBITDA and FAD, given their wide use by and relevance to investors and analysts, appropriate supplemental measures. FFO, reflecting the assumption that real estate values rise or fall with market conditions, principally adjusts for the effects of GAAP depreciation/amortization of real estate assets. NOI provides a measure of rental operations and does not factor in depreciation/amortization and non-property specific expenses such as general and administrative expenses. EBITDA provides a further tool to evaluate ability to incur and service debt and to fund dividends and other cash needs. FAD provides a further tool to evaluate ability to fund dividends. In addition, FFO, NOI, EBITDA and FAD are commonly used in various ratios, pricing multiples/yields and returns and valuation calculations used to measure financial position, performance and value.

Funds from operations ("FFO") is defined by the National Association of Real Estate Investment Trusts ("NAREIT") as net income (computed in accordance with generally accepted accounting principles), excluding gains (or losses) from sales of depreciable operating property, plus real estate-related depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. FFO is a non-GAAP financial measure that management believes is a useful supplemental measure of the Company's operating performance. Management generally considers FFO to be a useful measure for reviewing comparative operating and financial performance because, by excluding gains and losses related to sales of previously depreciated operating real estate assets and excluding real estate asset depreciation and amortization (which can vary among owners of identical assets in similar condition based on historical cost accounting and useful life estimates), FFO provides a performance measure that, when compared year over year, reflects the impact to operations from trends in occupancy rates, rental rates and operating costs, providing perspective not readily apparent from net income. Management believes that the use of FFO has been beneficial in improving the understanding of operating results of REITs among the investing public and making comparisons of REIT operating results more meaningful.

Because FFO excludes significant economic components of net income including depreciation and amortization, FFO should be used as an adjunct to net income and not as an alternative to net income. The principal limitation of FFO is that it does not represent cash flow from operations as defined by GAAP and is a supplemental measure of performance that does not replace net income as a measure of performance or net cash provided by operating activities as a measure of liquidity. In addition, FFO is not intended as a measure of a REIT's ability to meet debt principal repayments and other cash requirements, nor as a measure of working capital. FFO only provides investors with an additional performance measure that, when combined with measures computed in accordance with GAAP such as net income, cash flow from operating activities, investing activities and financing activities, provide investors with an indication of the Company's ability to service debt and to fund acquisitions and other expenditures. Other REITS may use different methods for calculating FFO and, accordingly, the Company's FFO may not be comparable to other REITs.

NOI is derived from revenues (determined in accordance with GAAP) minus property operating expenses and real estate taxes (determined in accordance with GAAP). NOI does not represent cash generated from operating activities in accordance with GAAP and should not be considered to be an alternative to net income (determined in accordance with GAAP) as an indication of the Company's financial performance or to be an alternative to cash flow from operating activities (determined in accordance with GAAP) as a measure of the Company's liquidity; nor is it indicative of funds available for the Company's cash needs, including its ability to make cash distributions. The Company believes that net income is the most directly comparable GAAP measurement to net operating income. Because of the inclusion of items such as interest, depreciation and amortization, the use of net income as a performance measure is limited as these items may not accurately reflect the actual change in market value of a property, in the case of depreciation and in the case of interest, may not necessarily be linked to the operating performance of a real estate asset, as it is often incurred at a parent company level and not at a property level. The Company believes that net operating income is helpful to investors as a measure of operating performance because it is an indicator of the return on property investment, and provides a method of comparing property performance over time. The Company uses NOI as a key management tool when evaluating performance and growth of particular properties and/or groups of properties. The principal limitation of NOI is that it excludes depreciation, amortization and non-property specific expenses such as general and administrative expenses, all of which are significant costs, and therefore, NOI is a measure of the operating performance of the properties of the Company rather than of the Company overall EBITDA is defined as NOI plus other income, plus (minus) equity earnings (loss) from affiliates, minus general and administrative expenses. EBITDA includes EBITDA from discontinued operations.

FAD is defined as FFO minus recurring capital expenditures. Recurring capital expenditures are those expenditures necessary to maintain asset quality, including major road, driveway and pool repairs, and clubhouse renovations and adding or replacing street lights, playground equipment, signage and maintenance facilities.

FFO, NOI, EBITDA and FAD do not represent cash generated from operating activities in accordance with GAAP and are not necessarily indicative of cash available to fund cash needs, including the repayment of principal on debt and payment of dividends and distributions. FFO, NOI, EBITDA and FAD should not be considered as substitutes for net income (calculated in accordance with GAAP) as a measure of results of operations or cash flows (calculated in accordance with GAAP) as a measure of liquidity. FFO, NOI, EBITDA and FAD as calculated by the Company may not be comparable to similarly titled, but differently calculated, measures of other REITs or to the definition of FFO published by NAREIT.