



BLUE HERON PINES - FLORIDA



GLEN LAUREL - NORTH CAROLINA



FOREST VIEW - FLORIDA



PALM CREEK - ARIZONA

Supplemental Operating & Financial Data

FIRST QUARTER 2016



SUN COMMUNITIES, INC.

Portfolio Overview
(as of March 31, 2016)

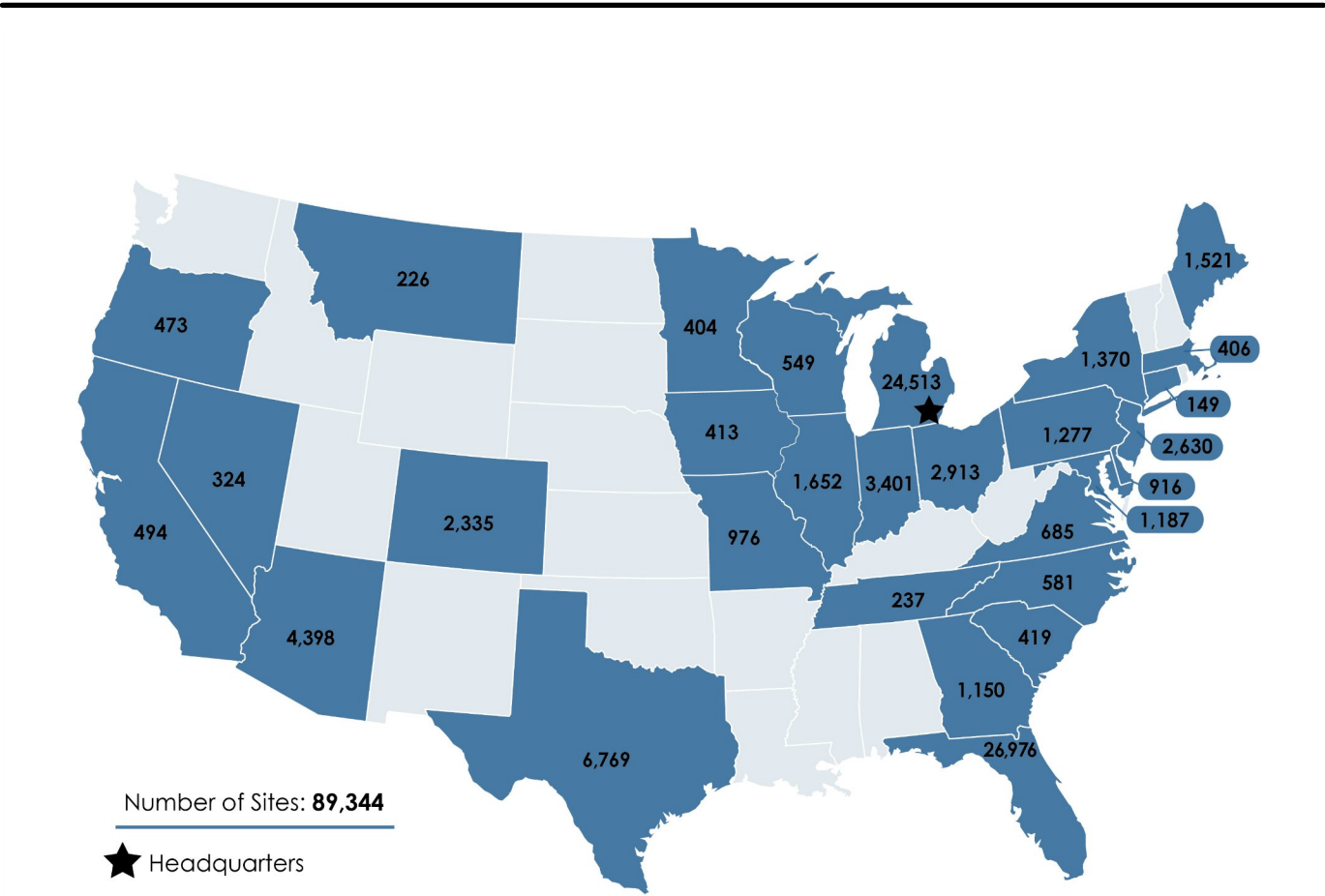


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Balance Sheets
(amounts in thousands)

	Quarter Ended				
	3/31/2016	12/31/2015	9/30/2015	6/30/2015	3/31/2015
ASSETS:					
Land	\$ 456,380	\$ 451,340	\$ 457,279	\$ 438,675	\$ 373,319
Land improvements and buildings	3,586,969	3,535,909	3,604,444	3,538,871	3,261,327
Rental homes and improvements	469,217	460,480	478,764	475,676	450,667
Furniture, fixtures and equipment	104,855	102,746	98,567	96,366	89,611
Land held for future development	23,047	23,047	23,659	23,659	23,955
Investment property	4,640,468	4,573,522	4,662,713	4,573,247	4,198,879
Accumulated depreciation	(889,941)	(852,407)	(879,184)	(857,106)	(823,106)
Investment property, net	3,750,527	3,721,115	3,783,529	3,716,141	3,375,773
Cash and cash equivalents	410,408	45,086	23,917	11,930	124,881
Inventory of manufactured homes	16,636	14,828	15,263	10,246	13,878
Notes and other receivables, net	54,124	47,972	49,201	54,903	88,850
Collateralized receivables, net ⁽¹⁾	142,944	139,768	138,241	124,731	127,269
Other assets, net	188,247	213,030	95,728	106,496	105,971
Total assets, net	<u>\$ 4,562,886</u>	<u>\$ 4,181,799</u>	<u>\$ 4,105,879</u>	<u>\$ 4,024,447</u>	<u>\$ 3,836,622</u>
LIABILITIES:					
Mortgage loans payable	\$ 2,114,818	\$ 2,125,267	\$ 2,197,359	\$ 2,155,770	\$ 2,066,650
Secured borrowings ⁽¹⁾	143,664	140,440	138,887	133,746	127,891
Preferred OP units - mandatorily redeemable	45,903	45,903	45,903	45,903	45,903
Lines of credit	58,065	24,687	166,677	37,742	144
Distributions payable	45,351	41,265	38,819	38,919	38,505
Other liabilities	184,102	184,859	190,284	196,589	176,207
Total liabilities	<u>2,591,903</u>	<u>2,562,421</u>	<u>2,777,929</u>	<u>2,608,669</u>	<u>2,455,300</u>
Series A-4 Preferred Stock	61,732	61,732	68,633	190,079	189,027
Series A-4 preferred OP units	20,762	21,065	20,982	24,155	24,419
STOCKHOLDERS' EQUITY:					
Series A Preferred Stock	34	34	34	34	34
Common stock	646	584	545	538	535
Additional paid-in capital	2,706,657	2,319,314	2,079,139	2,038,229	2,031,042
Distributions in excess of accumulated earnings	(896,896)	(864,122)	(916,961)	(911,628)	(890,374)
Total SUI stockholders' equity	<u>1,810,441</u>	<u>1,455,810</u>	<u>1,162,757</u>	<u>1,127,173</u>	<u>1,141,237</u>
Noncontrolling interests:					
Common and preferred OP units	80,018	82,538	76,914	75,356	27,291
Consolidated variable interest entities	(1,970)	(1,767)	(1,336)	(985)	(652)
Total noncontrolling interest	<u>78,048</u>	<u>80,771</u>	<u>75,578</u>	<u>74,371</u>	<u>26,639</u>
Total stockholders' equity	<u>1,888,489</u>	<u>1,536,581</u>	<u>1,238,335</u>	<u>1,201,544</u>	<u>1,167,876</u>
Total liabilities & stockholders' equity	<u>\$ 4,562,886</u>	<u>\$ 4,181,799</u>	<u>\$ 4,105,879</u>	<u>\$ 4,024,447</u>	<u>\$ 3,836,622</u>

Debt Analysis
(amounts in thousands)

	Quarter Ended				
	3/31/2016	12/31/2015	9/30/2015	6/30/2015	3/31/2015
DEBT OUTSTANDING					
Lines of credit	\$ 58,065	\$ 25,000	\$ 167,000	\$ 37,742	\$ 144
Mortgage loans payable	2,114,818	2,133,706	2,205,760	2,164,172	2,074,669
Preferred OP units - mandatorily redeemable	45,903	45,903	45,903	45,903	45,903
Secured borrowing ⁽¹⁾	143,664	140,440	138,887	133,746	127,891
Total debt	<u>2,362,450</u>	<u>2,345,049</u>	<u>2,557,550</u>	<u>2,381,563</u>	<u>2,248,607</u>
% FIXED/FLOATING					
Fixed	90.7%	92.0%	87.0%	91.5%	92.9%
Floating	9.3%	8.0%	13.0%	8.5%	7.1%
Total	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
WEIGHTED AVERAGE INTEREST RATES					
Lines of credit	1.87%	1.62%	1.66%	3.23%	7.00%
Mortgage loans payable	4.67%	4.65%	4.69%	4.70%	4.69%
Preferred OP units - mandatorily redeemable	6.87%	6.87%	6.87%	6.87%	6.87%
Average before Secured borrowing	4.64%	4.66%	4.52%	4.72%	4.73%
Secured borrowing ⁽¹⁾	10.12%	10.17%	10.23%	10.30%	10.35%
Total average	<u>4.98%</u>	<u>4.99%</u>	<u>4.83%</u>	<u>5.04%</u>	<u>5.05%</u>
DEBT RATIOS					
Net Debt/Recurring EBITDA ^{(2) (4)}	5.5	6.6	7.8	8.1	8.0
Net Debt/Enterprise Value	27.7%	34.0%	37.9%	38.0%	34.2%
Net Debt + Preferred Stock/Enterprise Value	29.7%	36.1%	40.1%	42.0%	38.2%
Net Debt/Gross Assets	35.8%	45.6%	50.7%	48.5%	45.5%
COVERAGE RATIOS					
Recurring EBITDA/ Interest ^{(2) (4)}	3.0	3.1	3.1	3.1	3.2
Recurring EBITDA/ Interest + Pref. Distributions + Pref. Stock Distribution ^{(2) (4)}	2.7	2.6	2.7	2.7	2.8
MATURITIES/PRINCIPAL AMORTIZATION NEXT FIVE YEARS					
	2016	2017	2018	2019	2020
Lines of credit	\$ —	\$ 361	\$ —	\$ —	\$ 58,000
Mortgage loans payable:					
Maturities	106,830	95,599	48,317	64,314	58,078
Weighted average rate of maturities	6.0%	5.9%	6.1%	6.2%	5.9%
Principal amortization	23,055	36,754	37,136	36,382	36,303
Preferred OP units - mandatorily redeemable	3,670	7,570	—	—	—
Secured borrowing ⁽¹⁾	4,102	5,934	6,483	7,044	7,671
Total	<u>\$ 137,657</u>	<u>\$ 146,218</u>	<u>\$ 91,936</u>	<u>\$ 107,740</u>	<u>\$ 160,052</u>

Statements of Operations
(amounts in thousands)

	Quarter Ended				
	3/31/2016	12/31/2015	9/30/2015	6/30/2015	3/31/2015
REVENUES:					
Income from real property <i>(excluding transient revenue)</i>	\$ 119,084	\$ 117,604	\$ 119,784	\$ 118,979	\$ 110,747
Transient revenue	10,151	5,568	17,764	6,854	8,778
Revenue from home sales	24,737	25,169	18,991	18,734	16,834
Rental home revenue	11,708	11,756	11,856	11,495	11,129
Ancillary revenues	4,613	3,576	12,511	5,254	3,191
Interest	3,945	4,074	3,987	3,893	3,984
Brokerage commissions and other income, net	406	491	462	729	537
Total revenues	<u>174,644</u>	<u>168,238</u>	<u>185,355</u>	<u>165,938</u>	<u>155,200</u>
EXPENSES:					
Property operating and maintenance	31,201	33,360	38,716	34,507	29,214
Real estate taxes	9,585	8,683	8,520	8,796	8,715
Cost of home sales	18,184	19,296	13,386	13,702	12,557
Rental home operating and maintenance	5,876	6,841	7,031	5,479	5,605
Ancillary expense	3,508	3,888	6,936	4,149	2,546
Home selling expenses	2,278	2,079	1,910	1,797	1,690
General and administrative	13,792	10,511	12,670	12,646	11,628
Total expenses	<u>84,424</u>	<u>84,658</u>	<u>89,169</u>	<u>81,076</u>	<u>71,955</u>
RECURRING EBITDA ⁽⁴⁾	90,220	83,580	96,186	84,862	83,245
Interest	26,294	28,066	27,453	26,751	25,389
Interest on mandatorily redeemable preferred OP units	787	790	790	787	852
Depreciation and amortization	48,412	47,530	44,695	41,411	44,001
Extinguishment of debt	—	—	—	2,800	—
Transaction costs	2,721	4,653	1,664	2,037	9,449
(Gains) losses on disposition of properties, net	—	(98,430)	(18,190)	13	(8,769)
Provision for income tax	228	(71)	77	77	75
Income tax expense - reduction of deferred tax asset	—	1,000	—	—	—
Distributions from affiliate	—	—	—	(7,500)	—
NET INCOME	<u>11,778</u>	<u>100,042</u>	<u>39,697</u>	<u>18,486</u>	<u>12,248</u>
Preferred return to preferred OP units	(1,273)	(1,281)	(1,302)	(1,361)	(1,029)
Amounts attributable to noncontrolling interests	(276)	(6,922)	(2,125)	(743)	(264)
Preferred stock distribution	(2,354)	(2,440)	(3,179)	(4,088)	(4,086)
Preferred stock redemption costs	—	—	(4,328)	—	—
NET INCOME ATTRIBUTABLE TO SUI	<u><u>7,875</u></u>	<u><u>89,399</u></u>	<u><u>28,763</u></u>	<u><u>12,294</u></u>	<u><u>6,869</u></u>

Reconciliation of Net Income to Funds from Operations
(amounts in thousands except for per share data)

	Three Months Ended March 31,	
	2016	2015
Net income attributable to Sun Communities, Inc. common stockholders	\$ 7,875	\$ 6,869
Adjustments:		
Preferred return to preferred OP units	625	45
Amounts attributable to noncontrolling interests	349	78
Depreciation and amortization	48,077	44,264
Gain on disposition of properties, net	—	(8,769)
Gain on disposition of assets, net	(3,656)	(1,702)
Funds from operations ("FFO") attributable to Sun Communities, Inc. common stockholders and dilutive convertible securities ⁽³⁾⁽⁴⁾	53,270	40,785
Adjustments:		
Transaction costs	2,721	9,449
FFO attributable to Sun Communities, Inc. common stockholders and dilutive convertible securities excluding certain items ⁽³⁾⁽⁴⁾	\$ 55,991	\$ 50,234
Weighted average common shares outstanding - basic:	57,736	52,498
Add:		
Common stock issuable upon conversion of stock options	13	16
Restricted stock	377	378
Common OP units	2,863	2,560
Common stock issuable upon conversion of Series A-1 preferred OP units	945	—
Common stock issuable upon conversion of Series A-3 preferred OP units	75	75
Weighted average common shares outstanding - fully diluted	62,009	55,527
FFO attributable to Sun Communities, Inc. common stockholders and dilutive convertible securities ⁽³⁾ per Share - fully diluted	\$ 0.86	\$ 0.73
FFO attributable to Sun Communities, Inc. common stockholders and dilutive convertible securities ⁽³⁾ per Share excluding certain items - fully diluted	\$ 0.90	\$ 0.90

Summary of Securities Outstanding as of March 31, 2016
(units/stock/shares in thousands)

	Number of Units/Stock/ Shares Outstanding	Conversion Rate	If Converted	Issuance Price per unit	Annual Distribution Rate
<u>Convertible Securities</u>					
Series A-1 preferred OP Units	387	2.43902	944	\$100	6.0%
Series A-3 preferred OP Units	40	1.8605	74	\$100	4.5%
Series A-4 preferred OP Units	754	0.444444	335	\$25	6.5%
Series C preferred OP Units	340	1.111	378	\$100	4.0%
Common OP Units	2,863	1.0	2,863	N/A	Mirrors the Common Shares distributions
Series A-4 cumulative convertible Preferred Stock	2,067	0.444444	919	\$25	6.5%
<u>Non-Convertible Securities</u>					
Preferred Stock (SUI-PrA)	3,400	N/A	N/A	\$25	7.125%
Common Shares	64,578	N/A	N/A	N/A	\$2.60*

* Annual distribution is based on the last quarter distribution annualized.

Statement of Operations – Same Community
(amounts in thousands except for percentages and other information)

	Three Months Ended March 31,			
	2016	2015	Change	% Change
REVENUES:				
Income from real property	\$ 114,545	\$ 107,447	\$ 7,098	6.6%
PROPERTY OPERATING EXPENSES:				
Payroll and benefits	8,877	8,157	720	8.8%
Legal, taxes & insurance	1,685	1,625	60	3.7%
Utilities	6,396	6,239	157	2.5%
Supplies and repair	2,731	2,560	171	6.7%
Other	2,890	2,621	269	10.3%
Real estate taxes	8,993	8,263	730	8.8%
Property operating expenses	31,572	29,465	2,107	7.2%
NET OPERATING INCOME (NOI)⁽⁴⁾	\$ 82,973	\$ 77,982	\$ 4,991	6.4%

OTHER INFORMATION	As of March 31,			
	2016	2015	Change	% Change
Number of properties	219	219		
Overall occupancy ⁽⁵⁾	96.1%	93.6% ⁽¹³⁾	2.5%	
Sites available for development	5,906	6,574	(668)	(10.2)%
Monthly base rent per site - MH	\$ 488	\$ 472	\$ 16	3.4 %
Monthly base rent per site - RV ⁽⁶⁾	\$ 430	\$ 416	\$ 14	3.4 %
Monthly base rent per site - Total ⁽⁶⁾	\$ 481	\$ 465	\$ 16	3.4 %

Rental Program Summary
(amounts in thousands except for *)

	Three Months Ended March 31,			
	2016	2015	Change	% Change
REVENUES:				
Rental home revenue	\$ 11,708	\$ 11,129	\$ 579	5.2 %
Site rent included in Income from real property	15,218	15,127	91	0.6 %
Rental Program revenue	26,926	26,256	670	2.6 %
EXPENSES:				
Commissions	775	834	(59)	(7.1)%
Repairs and refurbishment	2,666	2,416	250	10.3 %
Taxes and insurance	1,565	1,476	89	6.0 %
Marketing and other	870	879	(9)	(1.0)%
Rental Program operating and maintenance	5,876	5,605	271	4.8 %
NET OPERATING INCOME (NOI) ⁽⁴⁾	\$ 21,050	\$ 20,651	\$ 399	1.9 %
Occupied rental home information as of March 31, 2016 and 2015:				
Number of occupied rentals, end of period*	10,815	11,157	(342)	(3.1)%
Investment in occupied rental homes, end of period	\$ 447,378	\$ 431,421	\$ 15,957	3.7 %
Number of sold rental homes*	294	181	113	62.4 %
Weighted average monthly rental rate, end of period*	\$ 865	\$ 834	\$ 31	3.7 %

Homes Sales Summary
(amounts in thousands except for *)

	Three Months Ended March 31,			
	2016	2015	Change	% Change
New home sales	\$ 5,469	\$ 5,246	\$ 223	4.3 %
Pre-owned home sales	19,268	11,588	7,680	66.3 %
Revenue from home sales	24,737	16,834	7,903	46.9 %
New home cost of sales	4,844	4,191	653	15.6 %
Pre-owned home cost of sales	13,340	8,366	4,974	59.5 %
Cost of home sales	18,184	12,557	5,627	44.8 %
NOI / Gross Profit ⁽⁴⁾	\$ 6,553	\$ 4,277	\$ 2,276	53.2 %
Gross profit – new homes	\$ 625	\$ 1,055	\$ (430)	(40.8)%
Gross margin % – new homes	11.4%	20.1%	(8.7)%	
Average selling price - new homes*	\$ 82,864	\$ 79,484	\$ 3,380	4.3 %
Gross profit – pre-owned homes	\$ 5,928	\$ 3,222	\$ 2,706	84.0 %
Gross margin % – pre-owned homes	30.8%	27.8%	3.0 %	
Average selling price - pre-owned homes*	\$ 27,565	\$ 24,294	\$ 3,271	13.5 %
Home sales volume:				
New home sales*	66	66	—	— %
Pre-owned home sales*	699	477	222	46.5 %
Total homes sold*	765	543	222	40.9 %

Acquisition Summary - Properties Acquired in 2015 and 2016
(amounts in thousands except for statistical data)

	Three Months Ended March 31, 2016	
REVENUES:		
Income from real property <i>(excluding transient revenue)</i>	\$	6,950
Transient revenue		1,364
Revenue from home sales		1,842
Rental home revenue		49
Ancillary revenues		525
Total revenues		10,730
COSTS AND EXPENSES:		
Property operating and maintenance		2,218
Real estate taxes		589
Cost of home sales		1,439
Rental home operating and maintenance		22
Ancillary expense		473
Total expenses		4,741
NET OPERATING INCOME (NOI) ⁽⁴⁾	\$	5,989
	As of March 31, 2016	
Other information:		
Number of properties		14
Developed sites		6,075
Occupied sites ⁽¹⁴⁾		4,033
Occupancy % ⁽¹⁴⁾		92.9%
Monthly base rent per site - MH	\$	512
Monthly base rent per site - RV ⁽⁶⁾	\$	497
Monthly base rent per site - Total ⁽⁶⁾	\$	512
Home sales volume:		
New homes sales		10
Pre-owned homes sales		31
Occupied rental home information:		
Number of occupied rentals, end of period		65
Investment in occupied rental homes <i>(in thousands)</i>	\$	2,765
Weighted average monthly rental rate	\$	835

Property Summary

(includes MH and Annual/Seasonal RV's)

COMMUNITIES	3/31/2016	12/31/2015	9/30/2015	6/30/2015	3/31/2015
MICHIGAN					
Communities	66	65	70	71	71
Sites for development	2,105	2,105	2,262	2,262	2,262
Developed sites	24,363	23,966	24,657	24,867	24,852
Occupied ⁽¹⁴⁾	23,079	22,677	23,179	23,271	23,065
Occupancy % ⁽¹⁴⁾	94.7%	94.6%	94.0%	93.6%	92.8%
FLORIDA					
Communities	61	61	62	61	55
Sites for development	823	823	823	823	443
Developed sites	24,312	24,216	24,528	24,397	21,283
Occupied ⁽¹⁴⁾	23,359	23,201	23,427	23,256	20,128
Occupancy % ⁽¹⁴⁾	96.1%	95.8%	95.5%	95.3%	94.6%
TEXAS					
Communities	17	16	19	19	18
Sites for development	1,347	1,347	1,599	1,999	1,999
Developed sites	5,970	5,965	6,507	6,103	6,113
Occupied ⁽¹⁴⁾	5,602	5,517	6,034	5,919	5,862
Occupancy % ⁽¹⁴⁾	93.8%	92.5%	92.7%	97.0%	95.9%
ARIZONA					
Communities	10	10	11	11	11
Sites for development	393	393	393	393	393
Developed sites	3,302	3,301	3,279	3,285	3,296
Occupied ⁽¹⁴⁾	3,102	3,078	3,043	3,035	3,026
Occupancy % ⁽¹⁴⁾	93.9%	93.2%	92.8%	92.4%	91.8%
INDIANA					
Communities	11	11	16	16	16
Sites for development	363	363	522	522	522
Developed sites	2,900	2,900	4,913	4,913	4,913
Occupied ⁽¹⁴⁾	2,674	2,628	3,865	3,882	3,910
Occupancy % ⁽¹⁴⁾	92.2%	90.6%	78.7%	79.0%	79.6%
OHIO					
Communities	9	9	9	11	11
Sites for development	—	—	—	—	—
Developed sites	2,700	2,703	2,703	3,388	3,374
Occupied ⁽¹⁴⁾	2,585	2,560	2,565	3,045	3,008
Occupancy % ⁽¹⁴⁾	95.7%	94.7%	94.9%	89.9%	89.2%
COLORADO					
Communities	7	7	7	7	7
Sites for development	304	304	304	304	304
Developed sites	2,335	2,335	2,335	2,335	2,337
Occupied ⁽¹⁴⁾	2,319	2,315	2,289	2,259	2,250
Occupancy % ⁽¹⁴⁾	99.3%	99.1%	98.0%	96.7%	96.3%

Property Summary

(includes MH and Annual/Seasonal RV's)

COMMUNITIES	3/31/2016	12/31/2015	9/30/2015	6/30/2015	3/31/2015
MICHIGAN					
OTHER STATES					
Communities	52	52	57	55	54
Sites for development	1,846	1,846	1,846	1,556	1,283
Developed sites	13,881	13,855	14,903	14,828	14,347
Occupied ⁽¹⁴⁾	13,429	13,334	14,129	14,016	13,550
Occupancy % ⁽¹⁴⁾	96.7%	96.2%	94.8%	94.5%	94.4%
TOTAL - PORTFOLIO					
Communities	233	231	251	251	243
% Community age restricted	26.2%	26.4%	25.9%	25.9%	25.5%
Sites for development	7,181	7,181	7,749	7,859	7,206
Developed sites	79,763	79,241	83,825	84,116	80,515
Occupied ⁽¹⁴⁾	76,149	75,310	78,531	78,683	74,799
Occupancy % ⁽¹⁴⁾	95.5%	95.0%	93.7%	93.5%	92.9%

TRANSIENT RV PORTFOLIO SUMMARY

States					
Michigan	150	160	165	164	182
Florida	2,664	2,823	2,915	2,660	2,663
Texas	799	414	864	875	624
Arizona	1,096	1,087	1,053	1,095	1,084
Indiana	501	501	501	501	501
Ohio	213	210	237	238	252
Maine	575	604	605	613	622
New York	489	499	511	512	512
New Jersey	995	981	987	1,002	1,028
Other States	2,099	2,092	2,055	1,309	1,337
Total transient RV sites	9,581	9,371	9,893	8,969	8,805

Capital Improvements, Development, and Acquisitions

(amounts in thousands except for *)

	Recurring Capital Expenditures Average/Site*	Recurring Capital Expenditures ⁽⁷⁾	Lot Modifications ⁽⁸⁾	Acquisitions ⁽⁹⁾	Expansion & Development ⁽¹⁰⁾	Revenue Producing ⁽¹¹⁾
2014	\$ 227	\$ 18,077	\$ 9,414	\$ 785,624	\$ 22,196	\$ 1,454
2015	\$ 230	\$ 20,344	\$ 13,961	\$ 1,214,482	\$ 28,660	\$ 4,497
YTD 2016	\$ 32	\$ 2,884	\$ 4,022	\$ 40,207	\$ 9,431	\$ 474

Operating Statistics for Manufactured Homes and Annual/Seasonal RV's

MARKETS	Resident Move-outs	Net Leased Sites ⁽¹²⁾	New Home Sales	Pre-owned Home Sales	Brokered Re-sales
Michigan	126	142	1	326	23
Florida	51	171	35	51	225
Texas	41	85	2	108	9
Indiana	18	46	—	67	—
Ohio	37	25	—	25	1
Arizona	10	24	11	5	40
Colorado	5	4	8	51	5
Other states	172	95	9	66	16
YTD ended March 31, 2016	460	592	66	699	319

TOTAL FOR YEAR ENDED	Resident Move-outs	Net Leased Sites ⁽¹²⁾	New Home Sales	Pre-owned Home Sales	Brokered Re-sales
2015	1,344	1,905	273	2,210	1,244
2014	1,504	1,890	113	1,853	618
2013	1,391	1,885	85	1,844	562
2012	1,126	1,069	76	1,666	417
2011	949	892	28	1,411	353
2010	890	563	36	1,339	320
2009	1,049	224	71	1,045	348
2008	1,018	(47)	122	843	341
2007	1,200	(148)	76	636	394
2006	1,250	(500)	121	371	539
2005	1,252	103	179	246	593

PERCENTAGE TRENDS	Resident Move-outs	Resident Re-sales
YTD 2016	2.4%	5.8%
2015	2.0%	5.9%
2014	2.6%	5.0%
2013	2.6%	4.6%
2012	2.5%	4.9%
2011	2.3%	4.7%
2010	2.3%	5.1%
2009	2.8%	4.9%
2008	2.7%	5.8%
2007	3.2%	6.5%
2006	3.3%	7.7%

Footnotes to Supplemental Data

- (1) This is a transferred asset transaction which has been classified as collateralized receivables and the cash received from this transaction has been classified as a secured borrowing. The interest income and interest expense accrue at the same rate/amount.
- (2) The coverage ratios are calculated using the trailing 12 months for the period ended and have been adjusted to exclude: depreciation and amortization; income taxes; interest expense; transaction costs; extinguishment of debt; distributions from affiliates; gain on dispositions; and gain on settlement. See Statement of Operations on page 7 for detailed amounts.
- (3) The effect of certain anti-dilutive convertible securities is excluded from these items.
- (4) Investors in and analysts following the real estate industry utilize funds from operations (FFO), net operating income (NOI), Recurring EBITDA and funds available for distribution (FAD) as supplemental performance measures. We believe FFO, NOI, Recurring EBITDA and FAD are appropriate measures given their wide use by and relevance to investors and analysts. 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. Recurring EBITDA, a metric calculated as EBITDA exclusive of certain nonrecurring items, provides a further tool to evaluate ability to incur and service debt and to fund dividends and other cash needs. FAD provides information to evaluate our ability to fund dividends. In addition, FFO, NOI, Recurring 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 attributable to Sun Communities, Inc. common stockholders and dilutive convertible securities (FFO) is defined by the National Association of Real Estate Investment Trusts (NAREIT) as net income (loss) computed in accordance with generally accepted accounting principles (GAAP), 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 our 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, impairment 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 (loss). 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. FFO is computed in accordance with our interpretation of standards established by NAREIT, which may not be comparable to FFO reported by other REITs that do not define the term in accordance with the current NAREIT definition or interpret the current NAREIT definition differently.

Because FFO excludes significant economic components of net income (loss) including depreciation and amortization, FFO should be used as an adjunct to net income (loss) and not as an alternative to net income (loss). 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 (loss) 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 (loss), cash flow from operating activities, investing activities and financing activities, provide investors with an indication of our ability to service debt and to fund acquisitions and other expenditures. Other REITs may use different methods for calculating FFO, accordingly, our FFO may not be comparable to other REITs.

NOI is derived from revenues minus property operating expenses and real estate taxes. 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 (loss) (determined in accordance with GAAP) as an indication of our financial performance or to be an alternative to cash flow from operating activities (determined in accordance with GAAP) as a measure of our liquidity; nor is it indicative of funds available for our cash needs, including its ability to make cash distributions. We believe that net income (loss) is the most directly comparable GAAP measurement to NOI. Because of the inclusion of items such as interest, depreciation, and amortization, the use of net income (loss) 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. We believe that NOI 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. We use 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; clubhouse renovations; 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 alternatives to net income (loss) (calculated in accordance with GAAP) for purposes of evaluating our operating performance, or cash flows (calculated in accordance with GAAP) as a measure of liquidity. FFO, NOI, EBITDA and FAD as calculated by us may not be comparable to similarly titled, but differently calculated, measures of other REITs or to the definition of FFO published by NAREIT.

- (5) Includes manufactured housing and annual/seasonal recreational vehicle sites, and excludes transient recreational vehicle sites and recently completed but vacant expansion sites.
- (6) Monthly base rent per site pertains to annual/seasonal recreational vehicle sites and excludes transient recreational vehicle sites.
- (7) Includes capital expenditures necessary to maintain asset quality, including purchasing and replacing assets used to operate the community. These capital expenditures include items such as: major road, driveway, and pool improvements; clubhouse renovations; adding or replacing street lights; playground equipment; signage; maintenance facilities; manager housing and property vehicles. The minimum capitalized amount or project is five hundred dollars.
- (8) Includes capital expenditures which improve the asset quality of the community. These costs are incurred when an existing older home moves out, and the site is prepared for a 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 items such as new foundations, driveways, and utility upgrades.
- (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 items such as: upgrading clubhouses; landscaping; new street light systems; new mail 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 acquisition costs and although identified during due diligence, they sometimes require up to twelve months after closing to complete.
- (10) Expansion and development costs consist primarily of construction costs and costs necessary to complete home site improvements.
- (11) Capital costs related to revenue generating activities, consisting primarily of garages, sheds, and sub-metering of water, sewer and electricity. Revenue generating attractions at our RV resorts are also included here and, occasionally, a special capital project requested by residents and accompanied by an extra rental increase will be classified as revenue producing.
- (12) Net leased sites do not include sites acquired in that year.
- (13) Occupancy reflects current year gains from expansion sites and the conversion of transient RV guests to annual/seasonal RV contracts as vacant in 2015.

(14) Includes manufactured housing and annual/seasonal recreational vehicle sites, and excludes transient recreational vehicle sites, which are included in total developed sites.