UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

[X] Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2006.

OR

[ ] Transition pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

COMMISSION FILE NUMBER 1-12616

SUN COMMUNITIES, INC.
(Exact Name of Registrant as Specified in its Charter)

Maryland	38-2730780
(State of Incorporation)	(I.R.S. Employer Identification No.)

27777 Franklin Rd. Suite 200 Southfield, Michigan	48034
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number, including area code: (248) 208-2500

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. (Check one):

Large accelerated filer [ ]   Accelerated filer [X]   Non-accelerated filer [ ]

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes [ ] No [X]

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Number of shares of Common Stock, $.01 par value per share, outstanding as of September 30, 2006: 18,142,652

SUN COMMUNITIES, INC.

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SUN COMMUNITIES, INC.
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2006 AND DECEMBER 31, 2005
(AMOUNTS IN THOUSANDS)

	(UNAUDITED) SEPTEMBER 30, 2006	DECEMBER 31, 2005
ASSETS		
Investment in rental property, net	$1,170,426	$1,161,820
Cash and cash equivalents	4,047	5,880
Inventory of manufactured homes	13,065	17,105
Investment in affiliate	47,019	46,352
Notes and other receivables	40,615	41,134
Other assets	41,319	48,245
Total assets	$1,316,491	$1,320,536
LIABILITIES		
Debt	$1,072,619	$1,050,168
Lines of credit	90,572	73,300
Other liabilities	29,724	32,267
Total liabilities	1,192,915	1,155,735
Minority interest	15,102	21,544
STOCKHOLDERS' EQUITY		
Preferred stock, $.01 par value, 10,000 shares authorized, none issued	$ --	$ --
Common stock, $.01 par value, 90,000 shares authorized, 19,944 and 19,814 issued in 2006 and 2005, respectively	199	198
Additional paid-in capital	452,386	460,568
Officer's notes	(9,163)	(9,427)
Unearned compensation	--	(13,187)
Accumulated comprehensive earnings	821	532
Distributions in excess of accumulated earnings	(272,169)	(231,827)
Treasury stock, at cost, 1,802 shares in 2006 and 2005	(63,600)	(63,600)
Total stockholders' equity	108,474	143,257
Total liabilities and stockholders' equity	$1,316,491	$1,320,536

The accompanying notes are an integral part of the consolidated financial statements

SUN COMMUNITIES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE PERIODS ENDED SEPTEMBER 30, 2006 AND 2005
(AMOUNTS IN THOUSANDS EXCEPT FOR PER SHARE DATA)
(UNAUDITED)

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2006	2005	2006	2005
REVENUES				
Income from rental property	$45,680	$44,022	$139,340	$133,416
Revenue from home sales	4,783	6,008	15,330	14,136
Rental home revenue	3,965	2,549	11,107	6,181
Ancillary revenues, net	(16)	36	284	606
Interest	1,244	863	2,916	3,575
Other income (loss)	(644)	(195)	816	(411)
Total revenues	55,012	53,283	169,793	157,503
COSTS AND EXPENSES				
Property operating and maintenance	12,349	11,722	35,448	34,166
Real estate taxes	4,031	3,801	11,828	11,373
Cost of home sales	3,749	4,784	11,952	10,772
Rental home operating and maintenance	2,965	1,889	8,143	4,854
General and administrative - rental property	3,426	3,630	12,825	10,735
General and administrative - home sales and rentals	1,561	1,826	4,727	4,875
Depreciation and amortization	15,072	13,525	44,835	40,011
Interest	15,623	14,092	45,598	41,265
Interest on mandatorily redeemable debt	935	1,087	3,010	3,234
Florida storm damage recovery	--	--	--	(555)
Total expenses	59,711	56,356	178,366	160,730
Equity income (loss) from affiliate	300	(1,147)	967	(1,042)
Loss from operations	(4,399)	(4,220)	(7,606)	(4,269)
Less income (loss) allocated to minority interest:				
Preferred OP Units	--	--	--	961
Common OP Units	(510)	(495)	(851)	(618)
Loss from continuing operations	(3,889)	(3,725)	(6,755)	(4,612)
Income from discontinued operations	--	--	--	824
Loss before cumulative effect of change in accounting principle	(3,889)	(3,725)	(6,755)	(3,788)
Cumulative effect of change in accounting principle	--	--	289	--
Net loss	$(3,889)	$(3,725)	$ (6,466)	$ (3,788)
Weighted average common shares outstanding:				
Basic	17,655	17,746	17,601	17,775
Diluted	17,655	17,746	17,601	17,775
Basic and diluted earnings (loss) per share:				
Continuing operations	$ (0.22)	$ (0.21)	$ (0.39)	$ (0.26)
Discontinued operations	--	--	--	0.05
Loss before cumulative effect of change in accounting principle	(0.22)	(0.21)	(0.39)	(0.21)
Cumulative effect of change in accounting principle	--	--	0.02	--
Net loss	$ (0.22)	$ (0.21)	$ (0.37)	$ (0.21)

The accompanying notes are an integral part of the consolidated financial statements

SUN COMMUNITIES, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
FOR THE PERIODS SEPTEMBER 30, 2006 AND 2005
(AMOUNTS IN THOUSANDS)
(UNAUDITED)

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2006	2005	2006	2005
Net loss	$(3,889)	$(3,725)	$(6,466)	$(3,788)
Unrealized income (loss) on interest rate swaps	(1,133)	1,150	289	1,074
Comprehensive loss	$(5,022)	$(2,575)	$(6,177)	$(2,714)

SUN COMMUNITIES, INC.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2006
(AMOUNTS IN THOUSANDS)
(UNAUDITED)

	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	OFFICER'S NOTES	UNEARNED COMPENSATION	ACCUMULATED COMPREHENSIVE EARNINGS (LOSS)	DISTRIBUTIONS IN EXCESS OF ACCUMULATED EARNINGS	TREASURY STOCK	TOTAL EQUITY
BALANCE, DECEMBER 31, 2005	$198	$460,568	$(9,427)	$(13,187)	$532	$(231,827)	$(63,600)	$143,257
Issuance of common stock, net	1	1,014						1,015
Options and restricted stock transactions		1,799						1,799
SFAS 123R adjustment		(13,187)		13,187				--
Stock-based compensation - amortization and forfeitures		2,192						2,192
Repayment of officer's notes			264					264
Net loss						(6,466)		(6,466)
Unrealized income on interest rate swaps					289			289
Cash distributions declared of $1.89 per share						(33,876)		(33,876)
BALANCE, SEPTEMBER 30, 2006	$199	$452,386	$(9,163)	$ --	$821	$(272,169)	$(63,600)	$108,474

The accompanying notes are an integral part of the consolidated financial statements

SUN COMMUNITIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2006 AND 2005
(AMOUNTS IN THOUSANDS)

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (6,466)	$ (3,788)
Adjustments to reconcile net loss to cash provided by operating activities:		
Loss allocated to minority interests	(851)	(504)
Gain from property dispositions	--	(828)
Loss (gain) on valuation of derivative instruments	(165)	400
Stock compensation expense, net of cumulative effect of change in accounting principle	2,465	1,518
Depreciation and amortization	47,188	43,826
Amortization of deferred financing costs	1,285	1,489
Distributions from affiliate	300	800
Equity loss (income) from affiliate	(967)	1,042
Increase in notes receivable from sale of homes	(3,721)	(2,799)
Decrease in inventory, other assets and other receivables, net	5,667	3,526
Decrease in accounts payable and other liabilities	(2,752)	(1,411)
Net cash provided by operating activities	41,983	43,271
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment in rental properties	(46,330)	(73,043)
Purchase of short-term investments	--	(84,875)
Proceeds from sale of short-term investments	--	129,850
Proceeds related to property dispositions	--	3,867
Proceeds from sale of installment loans on manufactured homes to Origen	4,226	--
Decrease in notes receivable and officer's notes, net	272	8,586
Net cash used in investing activities	(41,832)	(15,615)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Redemption of common stock and OP units	(1,335)	(2,304)
Proceeds from option exercise	2,151	114
Borrowings on lines of credit	113,287	81,100
Repayments on lines of credit	(96,015)	(27,900)
Payments to retire preferred operating partnership units	(8,175)	(50,000)
Payments to redeem notes payable and other debt	(22,020)	(33,386)
Proceeds from notes payable and other debt	48,100	6,025
Payments for deferred financing costs	(685)	(35)
Treasury stock purchases	--	(13,889)
Distributions	(37,292)	(35,683)
Net cash used in financing activities	(1,984)	(75,958)
Net decrease in cash and cash equivalents	(1,833)	(48,302)
Cash and cash equivalents, beginning of period	5,880	52,586
Cash and cash equivalents, end of period	$ 4,047	$ 4,284
SUPPLEMENTAL INFORMATION:		
Cash paid for interest including capitalized amounts of $47 and $53 for the nine months ended September 30, 2006 and 2005, respectively	$ 45,086	$ 40,047
Cash paid for interest on mandatorily redeemable debt	$ 2,998	$ 3,224
Noncash investing and financing activities:		
Debt assumed for rental properties	$ 4,500	$ --
Unrealized gain on interest rate swaps	$ 289	$ 1,074

The accompanying notes are an integral part of the consolidated financial statements

1. BASIS OF PRESENTATION:

These unaudited consolidated financial statements of Sun Communities, Inc., a Maryland corporation, (the "Company") and all majority-owned and controlled subsidiaries including Sun Communities Operating Limited Partnership (the "Operating Partnership"), SunChamp LLC ("SunChamp"), and Sun Home Services, Inc. ("SHS"), have been prepared pursuant to the Securities and Exchange Commission ("SEC") rules and regulations and should be read in conjunction with the consolidated financial statements and notes thereto of the Company included in the Annual Report on Form 10-K for the year ended December 31, 2005. The following notes to consolidated financial statements present interim disclosures as required by the SEC. The accompanying consolidated financial statements reflect, in the opinion of management, all adjustments necessary for a fair presentation of the interim financial statements. All such adjustments are of a normal and recurring nature. Certain reclassifications have been made to prior periods' financial statements in order to conform to current period presentation.

2. SHARE-BASED COMPENSATION:

In December 2004, the Financial Accounting Standards Board ("FASB") issued Statement No. 123 (revised December 2004), Share-Based Payment ("SFAS 123(R)"). SFAS 123(R) replaces FASB Statement No. 123 ("Statement 123"), Accounting for Stock-Based Compensation, and supersedes APB Opinion No. 25 ("APB 25"), Accounting for Stock Issued to Employees. SFAS 123(R) requires compensation costs related to share-based payment transactions be recognized in the financial statements. With limited exceptions, the amount of compensation cost will be measured based on the grant-date fair value of the equity or the liability instruments issued. In addition, liability awards will be remeasured each reporting period.

The Company adopted SFAS 123(R) effective January 1, 2006 using the "modified prospective" method permitted by SFAS 123(R) in which compensation cost is recognized beginning with the effective date (a) based on the requirements of SFAS 123(R) for all share-based payments granted after the effective date and (b) based on the requirements of Statement 123 for all awards granted to employees prior to the effective date of SFAS 123(R) that remain unvested on the effective date. Prior to the adoption of SFAS 123(R), forfeitures were recognized as they occurred. Upon adopting SFAS 123(R), an estimate of future forfeitures is incorporated into the determination of compensation cost for restricted stock grants and stock options. The effect of this estimate of future forfeitures is the reversal of previously recorded compensation expense on restricted stock grants that were not vested at January 1, 2006 and are now expected to be forfeited. For the nine months ended September 30, 2006, the cumulative effect of adopting SFAS 123(R) was an increase in loss from operations of $0.05 million, an increase in loss from continuing operations of $0.05 million, a decrease in net loss of $0.2 million and an increase of $0.01 in both basic and diluted earnings per share.

Under the provisions of SFAS 123(R), the recognition of aggregate deferred compensation as a component of equity is no longer permitted. Therefore, the amount of deferred compensation that had been in "Unearned compensation" was eliminated against "Additional paid-in capital" in the Company's Consolidated Balance Sheet commencing January 1, 2006.

2. SHARE-BASED COMPENSATION, CONTINUED;

The modified prospective method of SFAS 123(R) does not require prior periods to be restated to reflect the amount of compensation cost that would have been reflected in the financial statements. The effect on net income and earnings per share if the Company had applied the fair value recognition provisions of Statement 123 to stock-based compensation for the three and nine month periods ended September 30, 2005 was as follows (amounts in thousands except for per share data):

	THREE MONTHS	NINE MONTHS
Net loss, as reported	$(3,725)	$(3,788)
Stock based compensation expense included in net income as reported	$ 447	$ 1,518
Stock-based compensation expense under fair value method	(461)	(1,561)
Pro forma net loss	$(3,739)	$(3,831)
Earnings (loss) per share (Basic and Diluted), as reported	$ (0.21)	$ (0.21)
Earnings (loss) per share (Basic and Diluted), pro forma	$ (0.21)	$ (0.22)

Total compensation cost recorded for share-based compensation was $0.5 million and $0.4 million for the three months ended September 30, 2006 and 2005, respectively. Total compensation cost recorded for share-based compensation for the nine months ended September 30, 2006 and 2005 was $2.8 million and $1.5 million, respectively. Included in the compensation cost for the nine months ended September 30, 2006 was $0.04 million related to stock options that were granted prior to the adoption of SFAS 123(R), which are being recognized over the remaining vesting period.

The Company awards restricted stock and options to its employees under its Second Amended and Restated Stock Option Plan (the "Plan"). The Plan provides for the issuance of options, stock appreciation rights, restricted stock and other stock based awards. No further awards may be granted under the Plan at this time. The Company believes that the awards better align the interests of its employees with those of its shareholders and has provided these incentives to attract and retain executive officers and key employees.

RESTRICTED STOCK

The Company's primary share-based compensation is restricted stock. The following table summarizes the Company's restricted stock activity for the nine months ended September 30, 2006:

	NUMBER OF SHARES	WEIGHTED AVERAGE GRANT DATE FAIR VALUE
Nonvested restricted shares at January 1, 2006	417,275	$34.91
Granted	--	
Vested	(65,657)	$34.44
Forfeited	--	
Nonvested restricted shares at September 30, 2006	351,618	$35.00

2. SHARE-BASED COMPENSATION, CONTINUED;

The remaining compensation expense to be recognized associated with the 351,618 restricted shares outstanding at September 30, 2006 is approximately $7.2 million. That expense is expected to be recognized $0.3 million in the remainder of 2006, $1.7 million in 2007, $1.3 million in 2008, $2.3 million in 2009 and $1.6 million thereafter. For the nine months ended September 30, 2006, the Company recognized $1.8 million of compensation expense related to its outstanding restricted stock. Recipients receive dividend payments on the shares of restricted stock. The total fair value of shares vested during the nine months ended September 30, 2006 and 2005 was $2.3 million and $1.7 million, respectively.

PERFORMANCE-BASED RESTRICTED STOCK

The Company has 93,750 performance-based restricted shares with aggregate fair value of $3.3 million which may vest on March 1, 2010. The number of shares that will vest will be determined based on the compounded annual growth rate of the Company's per share funds from operations ("FFO") as determined by comparing the per share FFO for the year ended December 31, 2009 with the per share FFO for the year ended December 31, 2005. The Company must achieve compounded annual growth of at least 5% in order for the recipients to receive any amount of the award and at least 9% to receive the entire share award. The Company recognizes expense related to performance-based restricted shares based on an estimate of the number of restricted shares that will ultimately vest. For the nine months ended September 30, 2006, compensation expense of $0.5 million was recognized for the performance-based restricted shares based on an estimated vesting of 46.67% of the shares on March 1, 2010.

OPTIONS

At September 30, 2006, the Company had 506,155 options outstanding and exercisable under the Plan. For the nine months ended September 30, 2006, the Company recognized $0.03 million of compensation expense related to its outstanding options. No awards were granted in 2006 or 2005. The Black-Scholes option pricing model was used to value options until 2004 at which time the Company changed to the use of the Binomial option pricing model. The Company issues new shares at the time of share option exercise (or share unit conversion). The following table summarizes the Company's option activity for the first nine months of 2006:

	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE (PER COMMON SHARE)	WEIGHTED AVERAGE CONTRACTUAL TERM (IN YEARS)	AGGREGATE INTRINSIC VALUE (IN 000'S)
Options outstanding at January 1, 2006	614,839	$29.73		
Granted	--			
Exercised	(102,581)	$28.35		
Forfeited	(6,103)	$33.50		
Options outstanding at September 30, 2006	506,155	$29.96	2.2	$1,288
Options vested and exercisable at September 30, 2006	506,155	$29.96	2.2	$1,288

2. SHARE BASED COMPENSATION, CONTINUED;

The aggregate intrinsic value of options exercised during the nine months ended September 30, 2006 was $0.2 million. For options exercised during the first nine months of 2005, the aggregate intrinsic value was $0.02 million.

PHANTOM AWARDS

At September 30, 2006, the Company had 22,500 unvested phantom liability awards with an aggregate fair value of $0.7 million. The phantom awards pay cash bonuses per share equal to the amount of dividend paid per share of common stock. The awards vest (cash bonus is paid) in varying amounts until 2014. The remaining unrecognized expense related to these phantom liability awards is $0.6 million. For the nine months ended September 30, 2006, the Company recognized $0.1 million of compensation expense related to these phantom awards. Awards of 13,000 shares were granted and no shares were vested, exercised or forfeited during the nine months of 2006. The awards are remeasured at each reporting date.

At September 30, 2006, the Company had 18,750 unvested phantom performance-based liability awards with an aggregate fair value of $0.6 million. The phantom performance-based awards pay cash bonuses per vested share equal to the average of the highest and lowest selling price on March 1, 2010. The number of shares that will vest will be determined based on the compounded annual growth rate of the Company's per share funds from operations ("FFO") as determined by comparing the per share FFO for the year ended December 31, 2009 with the per share FFO for the year ended December 31, 2005. The Company must achieve compounded annual growth of at least 5% in order for the recipients to receive any amount of the award and at least 9% to receive the entire share award. The Company recognizes expense related to phantom performance-based liability awards based on an estimate of the number of phantom performance-based shares that will ultimately vest. For the nine months ended September 30, 2006, compensation expense of $0.1 million was recognized for the phantom performance-based liability awards based on an estimated vesting of 46.67% of the award on March 1, 2010.

2. SHARE BASED COMPENSATION, CONTINUED;

DIRECTOR OPTION AWARDS

The Company also has a 2004 Non-Employee Director Option Plan ("Director Plan") which authorizes the issuance of up to 100,000 options to non-employee directors. At September 30, 2006, the Company had 84,000 options awarded under the Director Plan and a predecessor plan. Of these, 15,000 are unvested of which 7,500, 5,000, and 2,500 shares will vest in the second quarter of 2007, 2008 and 2009, respectively. The remaining unrecognized expense related to these options is $0.04 million which will be recognized over the weighted average remaining vesting period of 1.3 years. For the nine months ended September 30, 2006, the Company recognized $0.03 million of compensation expense related to these director options. The fair value of the options issued is estimated on the date of grant using the Binomial (lattice) option pricing model, with the following assumptions used for the grants for the period indicated:

	NINE MONTHS ENDED SEPTEMBER 30, 2006		NINE MONTHS ENDED
	MARCH 2006 AWARD	MAY 2006 AWARD	SEPTEMBER 30, 2005
Estimated fair value per share of options granted during year:	$ 3.59	$ 2.31	N/A
Assumptions:			
Annualized dividend yield	7.19%	8.20%	N/A
Common stock price volatility	17.04%	17.05%	N/A
Risk-free rate of return	4.68%	5.05%	N/A
Expected option term (in years)	7.5	7.5	N/A

The following table summarizes the Director option activity for the nine months ended September 30, 2006:

	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE (PER COMMON SHARE)	WEIGHTED AVERAGE CONTRACTUAL TERM (IN YEARS)	AGGREGATE INTRINSIC VALUE (IN 000'S)
Options outstanding at January 1, 2006	71,500	$33.63		
Granted	15,000	$33.84		
Exercised	(2,500)	$26.50		
Canceled	--			
Options outstanding at September 30, 2006	84,000	$33.88	4.1	$246
Options vested and expected to vest	84,000	$33.88	4.1	$246
Options exercisable at September 30, 2006	69,000	$33.87	3.1	$202

3. RENTAL PROPERTY:

The following summarizes rental property (amounts in thousands):

	(UNAUDITED) SEPTEMBER 30, 2006	DECEMBER 31, 2005
Land	$ 117,562	$ 116,738
Land improvements and buildings	1,172,391	1,156,612
Rental homes and improvements	149,497	117,314
Furniture, fixtures, and equipment	36,877	36,120
Land held for future development	31,082	31,082
Property under development	--	256
	1,507,409	1,458,122
Less accumulated depreciation	(336,983)	(296,302)
Rental property, net	$1,170,426	$1,161,820

During the first quarter of 2006, the Company acquired one manufactured home community located in Oakland County, Michigan for a total purchase price of $7.8 million, with occupancy of approximately 95%. The transaction included the assumption of $4.5 million of debt.

The Company allocates the purchase price of properties to net tangible and identified intangible assets acquired based on their fair values in accordance with the provisions of SFAS No. 141. In making estimates of fair values for purposes of allocating purchase price, the Company utilizes a number of sources, including analysis of recently acquired and existing comparable properties in our portfolio, independent appraisals if obtained in connection with the acquisition or financing of the respective property, and other market data. The Company also considers information obtained about each property as a result of its pre-acquisition due diligence, marketing and leasing activities in estimating the fair value of the tangible and intangible assets (including in-place leases) acquired.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets. Useful lives are 30 years for land improvements and buildings, 10 years for rental homes, 7 to 15 years for furniture, fixtures and equipment, and 7 years for intangible assets.

4. NOTES AND OTHER RECEIVABLES:

The following table sets forth certain information regarding notes and other receivables (amounts in thousands):

	SEPTEMBER 30, 2006	DECEMBER 31, 2005
Mortgage note receivable, with interest payable at a weighted average interest rate of 8.03% and 6.63% at September 30, 2006 and December 31, 2005, respectively, maturing in August 2008, collateralized by a manufactured home community.	$13,532	$13,532
Installment loans on manufactured homes with interest payable monthly at a weighted average interest rate and maturity of 7.82% and 10 years, respectively, net of allowance for losses of $0.2 million, at September 30, 2006 and December 31, 2005.	19,175	19,688
Other receivables, net of allowance for losses of $0.3 million at September 30, 2006 and December 31, 2005.	7,908	7,914
	$40,615	$41,134

In the third quarter of 2006, the Company sold a portfolio of installment loans on manufactured homes totaling approximately $4.1 million in a related party transaction to a wholly--owned subsidiary of Origen Financial, Inc. for 100.5 percent of the principal balance for loans that were 89 days or less delinquent and 100 percent of the principal balance for loans that were 90 days or more delinquent. The Company recognized a gain on the sale of these notes of $0.02 million.

Officer's notes, presented as a reduction to stockholders' equity in the balance sheet, are 10 year, LIBOR + 1.75% notes, with a minimum and maximum interest rate of 6% and 9%, respectively. The notes become due in three equal installments on each of December 2008, 2009 and 2010. The following table sets forth certain information regarding officer's notes as of September 30, 2006 (in thousands except for shares and units):

PROMISSORY NOTES	OUTSTANDING PRINCIPAL BALANCE	SECURED BY: COMMON STOCK	SECURED BY: COMMON OP UNITS
Secured - $1.3 million	$1,059	65,158	--
Secured - $6.6 million	5,379	144,680	104,085
Secured - $1.0 million	833	77,025	--
Unsecured - $1.0 million	833	--	--
Unsecured - $1.3 million	1,059	--	--
	$9,163	286,863	104,085

4. NOTES AND OTHER RECEIVABLES, CONTINUED:

The officer's personal liability on the secured promissory notes is limited to all accrued interest on such notes plus fifty percent (50%) of the deficiency, if any, after application of the proceeds from the sale of the secured shares and/or the secured units to the then outstanding principal balance of the promissory notes. The unsecured notes are fully recourse to the officer.

The reduction in the aggregate principal balance of these notes was $0.3 million for the nine months ended September 30, 2006 and 2005. During an internal review, it was determined that an officer was subject to an increased interest rate due to technical default. The amount has been paid.

5. INVESTMENT IN AFFILIATE:

Origen Financial, Inc. ("Origen") is a real estate investment trust in the business of originating, acquiring and servicing manufactured home loans. In October 2003, the Company purchased 5,000,000 shares of common stock of Origen for $50 million. The Company owns approximately 20% of Origen at September 30, 2006 and its investment is accounted for using the equity method of accounting. Equity earnings recorded through September 30, 2006 reflect the Company's estimate of its portion of the anticipated earnings of Origen for the periods ending September 30, 2006 and the Company's adjustments for estimates made in prior quarters based on the actual reported results of Origen for such prior quarters.

6. DEBT:

The following table sets forth certain information regarding debt (amounts in thousands):

	SEPTEMBER 30, 2006	DECEMBER 31, 2005
Collateralized term loan, 7.01%, due September 9, 2007	$ 39,476	$ 40,079
Collateralized term loans - CMBS, 4.93-5.32%, due July 1, 2011-2016	493,845	494,511
Collateralized term loans - FNMA, of which $77.4M is variable, due May 1, 2014 and January 1, 2015 at the Company's option, interest at 4.51 - 5.3% at September 30, 2006 and 4.51 - 5.2% at December 31, 2005.	386,021	387,624
Preferred OP units, redeemable at various dates through January 2, 2014, average interest at 6.9% at September 30, 2006 and December 31, 2005.	53,947	62,123
Mortgage notes, other	99,330	65,831
	$1,072,619	$1,050,168

The collateralized term loans totaling $919.3 million at September 30, 2006 are secured by 94 properties comprising approximately 34,175 sites representing approximately $655.1 million of net book value. The mortgage notes totaling $99.3 million at September 30, 2006 are collateralized by 15 communities comprising approximately 4,611 sites representing approximately $157.2 million of net book value.

6. DEBT, CONTINUED:

The Company has an unsecured revolving line of credit with a maximum borrowing capacity of $115 million bearing interest at LIBOR + 1.75%. The outstanding balance on the line of credit at September 30, 2006 was $90.5 million. In addition, $3.4 million of availability was used to back standby letters of credit leaving a maximum of $21.1 million available to be drawn under the facility.

In March of 2006, the Company closed on a $40.0 million floor plan facility that allows for draws on new and pre-owned home purchases and on the Company's portfolio of rental homes. At September 30, 2006 the outstanding balance on the floorplan was $0.1 million.

In May of 2006, the Company redeemed $8.2 million of Preferred OP units.

During the quarter the Company completed financings totaling $48 million. The 10 year notes have interest only payments at a rate of 6.159 percent and are secured by three communities. The proceeds from the financings were used to repay approximately $12 million of mortgage notes and pay down $36 million of the company's lines of credit.

Also during the quarter, the Company notified the lender of its intention to defease a $39.5 million loan cross collateralized by seven properties. One of the properties will be refinanced and the Company has entered into rate lock agreements at a blended rate of 5.796 percent on principal of $52.0 million. The Company paid a rate lock deposit of $520,000. The transaction is anticipated to close by mid- November.

At September 30, 2006, the total of maturities and amortization of debt during the next five years, prior to the anticipated transaction described above, are approximately as follows: 2007 -- $76.3 million; 2008 - $15.9 million; 2009 - $25.7 million, 2010 - $21.6 million; 2011 - $121.3 million and $811.8 million thereafter.

The most restrictive of these debt agreements place limitations on secured and unsecured borrowings and contain minimum debt service coverage, leverage, distribution and net worth requirements. At September 30, 2006 and 2005, all covenants were met.

7. OTHER INCOME (LOSS):

The components of other income (loss) are as follows for the periods ended September 30, 2006 and 2005 (in thousands):

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2006	2005	2006	2005
Brokerage commissions	$ 212	$ 254	$ 881	$ 777
Disposal of assets	(774)	(365)	(682)	(727)
Unsuccessful acquisition expenditures	(2)	(5)	(20)	(360)
Lawsuit settlement	(17)	--	399	--
Other	(63)	(79)	238	(101)
	$(644)	$(195)	$ 816	$(411)

SUN COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

8. SEGMENT REPORTING (AMOUNTS IN THOUSANDS):

The consolidated operations of the Company can be segmented into manufactured home sales and property operations segments. Following is a presentation of selected financial information:

	THREE MONTHS ENDED SEPTEMBER 30, 2006			NINE MONTHS ENDED SEPTEMBER 30, 2006		
	PROPERTY OPERATIONS	MANUFACTURED HOME SALES AND RENTALS	CONSOLIDATED	PROPERTY OPERATIONS	MANUFACTURED HOME SALES AND RENTALS	CONSOLIDATED
Revenues	$ 45,680(2)	$ 8,748	$ 54,428	$139,340(2)	$ 26,437	$165,777
Operating expenses/Cost of sales	16,380	6,714	23,094	47,276	20,095	67,371
Net operating income (1)/Gross profit	29,300	2,034	31,334	92,064	6,342	98,406
Adjustments to arrive at net income (loss):						
Other revenues	549	35	584	3,426	590	4,016
General and administrative	(3,426)	(1,561)	(4,987)	(12,825)	(4,727)	(17,552)
Depreciation and amortization	(11,234)	(3,838)	(15,072)	(34,034)	(10,801)	(44,835)
Interest expense	(16,446)	(112)	(16,558)	(48,287)	(321)	(48,608)
Equity income from affiliate	300	--	300	967	--	967
Loss allocated to minority interest	510	--	510	851	--	851
Income (loss) from continuing operations	$ (447)	$(3,442)	$ (3,889)	$ 2,162	$ (8,917)	$ (6,755)
Cumulative effect of change in accounting pronciple	--	--	--	289	--	289
Net income (loss)	$ (447)	$(3,442)	$ (3,889)	$ 2,451	$ (8,917)	$ (6,466)

	THREE MONTHS ENDED SEPTEMBER 30, 2005			NINE MONTHS ENDED SEPTEMBER 30, 2005		
	PROPERTY OPERATIONS	MANUFACTURED HOME SALES AND RENTALS	CONSOLIDATED	PROPERTY OPERATIONS	MANUFACTURED HOME SALES AND RENTALS	CONSOLIDATED
Revenues	$ 44,022(2)	$ 8,557	$ 52,579	$133,416(2)	$20,317	$153,733
Operating expenses/Cost of sales	15,523	6,673	22,196	45,539	15,626	61,165
Net operating income (1)/Gross profit	28,499	1,884	30,383	87,877	4,691	92,568
Adjustments to arrive at net income (loss):						
Other revenues	524	180	704	2,493	1,277	3,770
General and administrative	(3,630)	(1,826)	(5,456)	(10,735)	(4,875)	(15,610)
Depreciation and amortization	(10,903)	(2,622)	(13,525)	(33,330)	(6,681)	(40,011)
Interest expense	(15,100)	(79)	(15,179)	(44,255)	(244)	(44,499)
Florida storm damage recovery	--	--	--	555	--	555
Equity loss from affiliate	(1,147)	--	(1,147)	(1,042)	--	(1,042)
(Income) loss allocated to minority interest	495	--	495	(343)	--	(343)
Income (loss) from continuing operations	$ (1,262)	$(2,463)	$ (3,725)	$ 1,220	$(5,832)	$ (4,612)
Income from discontinued operations	--	--	--	818	6	824
Net income (loss)	$ (1,262)	$(2,463)	$ (3,725)	$ 2,038	$(5,826)	$ (3,788)

(1) Investors in and analysts following the real estate industry utilize net operating income ("NOI") as a supplemental performance measure. 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. Net income includes interest and depreciation and amortization which often have no effect on the market value of a property and therefore limit its use as a performance measure. In addition, such expenses are often incurred at a parent company level and therefore are not necessarily linked to the performance of a real estate asset. 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.

(2) Seasonal recreational vehicle revenue is included in Property Operations revenues and is approximately $5.0 million annually. This seasonal revenue is recognized approximately 60% in the first quarter, 5% in both the second and third quarters and 30% in the fourth quarter of each fiscal year.

8. SEGMENT REPORTING (AMOUNTS IN THOUSANDS), CONTINUED:

SELECTED BALANCE SHEET DATA	SEPTEMBER 30, 2006			DECEMBER 31, 2005		
	PROPERTY OPERATIONS	MANUFACTURED HOME SALES AND RENTALS	CONSOLIDATED	PROPERTY OPERATIONS	MANUFACTURED HOME SALES AND RENTALS	CONSOLIDATED
Identifiable assets:						
Investment in rental property, net	$1,039,009	$131,417	$1,170,426	$1,052,603	$109,217	$1,161,820
Cash and cash equivalents	4,362	(315)	4,047	6,125	(245)	5,880
Inventory of manufactured homes	--	13,065	13,065	--	17,105	17,105
Investments in and advances to affiliate	47,019	--	47,019	46,352	--	46,352
Notes and other receivables	38,939	1,676	40,615	34,460	6,674	41,134
Other assets	40,096	1,223	41,319	47,129	1,116	48,245
Total assets	$1,169,425	$147,066	$1,316,491	$1,186,669	$133,867	$1,320,536

9. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES (IN THOUSANDS):

The Company has entered into four derivative contracts consisting of three interest rate swap agreements and an interest rate cap agreement. The Company's primary strategy in entering into derivative contracts is to minimize the variability that changes in interest rates could have on its future cash flows. The Company generally employs derivative instruments that effectively convert a portion of its variable rate debt to fixed rate debt and to cap the maximum interest rate on its variable rate borrowings. The Company does not enter into derivative instruments for speculative purposes.

The swap agreements have the effect of fixing interest rates relative to a portion of a collateralized term loan due to FNMA. One swap matures in July 2009, with an effective fixed rate of 4.84 percent. A second swap matures in July 2012, with an effective fixed rate of 5.28 percent. The third swap matures in July 2007, with an effective fixed rate of 3.88 percent. The third swap is effective as long as 90-day LIBOR is 7 percent or lower. The three swaps have an aggregate notional amount of $75.0 million. The interest rate cap agreement matured on April 3, 2006 and was replaced with a new interest rate cap agreement that has a cap rate of 11.79 percent, a notional amount of $152.4 million and a termination date of May 29, 2007. Each of the Company's derivative contracts is based upon 90-day LIBOR.

The Company has designated the first two swaps and the interest rate cap as cash flow hedges for accounting purposes. The changes in the value of these hedges are reflected in other comprehensive income/loss on the balance sheet. These three hedges were highly effective and had minimal effect on income. The third swap does not qualify as a hedge for accounting purposes and, accordingly, the entire change in valuation is reflected as a component of interest expense. The valuation adjustment decreased interest expense by $0.2 million and increased interest expense by $0.4 million for the nine months ended September 30, 2006 and 2005, respectively.

SFAS No. 133, the "Accounting for Derivative Instruments and Hedging Activities," requires all derivative instruments to be carried at fair value on the balance sheet. The fair value of the instruments approximates an asset of $0.5 million and less than $0.01 million as of September 30, 2006 and December 31, 2005, respectively.

These valuation adjustments will only be realized if the Company terminates the swaps prior to maturity. This is not the intent of the Company and, therefore, the net of valuation adjustments through the various maturity dates will approximate zero.

10. DISPOSITION OF PROPERTIES:

During the second quarter of 2005, the Company sold two properties located in Florida comprised of 96 manufactured housing sites and 165 recreational vehicle sites for a combined sales price of $5.7 million. These transactions resulted in a $0.8 million gain.

In accordance with SFAS 144, "Accounting for the Impairment or Disposal of Long--Lived Assets" effective for financial statements issued for all fiscal years beginning after December 15, 2001, results of operations and gain/(loss) on sales of real estate for properties with identifiable cash flows sold subsequent to December 31, 2001 are reflected in the Consolidated Statements of Operations as income from discontinued operations for all periods presented. Below is a summary of the results of operations of sold properties through their respective disposition dates (in thousands):

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2006	2005	2006	2005
Income from rental property	$--	$--	$--	$ 407
Revenue from home sales	--	--	--	96
Ancillary revenues, net and other income	--	--	--	3
Property operating and maintenance expenses	--	--	--	(170)
Cost of home sales	--	--	--	(89)
Real estate taxes	--	--	--	(24)
Selling, general and administrative expenses	--	--	--	(6)
Depreciation and amortization	--	--	--	(62)
Interest expense	--	--	--	(45)
Income from operations	--	--	--	110
Gain on sale of properties	--	--	--	828
Income allocated to common OP units	--	--	--	(114)
Income from discontinued operations	$--	$--	$--	$ 824

11. EARNINGS (LOSS) PER SHARE (IN THOUSANDS):

For the periods ended September 30, 2006 and 2005:

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2006	2005	2006	2005
Earnings (loss) used for basic and diluted earnings (loss) per share:				
Continuing operations	$(3,889)	$(3,725)	$(6,755)	$(4,612)
Discontinued operations	$ --	$ --	$ --	$ 824
Weighted average shares used for basic earnings (loss) per share	17,655	17,746	17,601	17,775
Dilutive securities:				
Stock options and other	--	--	--	--
Diluted weighted average shares	17,655	17,746	17,601	17,775

Diluted earnings per share reflect the potential dilution that would occur if dilutive securities were exercised or converted into common stock. The calculation of both basic and diluted earnings per share for the three and nine month periods ending September 30, 2006 and 2005 is based upon weighted average shares prior to dilution, as the effect of including potentially dilutive securities in the calculation during these periods would be anti-dilutive.

The Company also has the following potentially convertible securities which, if converted, may impact dilution:

CONVERTIBLE SECURITIES	NUMBER OF UNITS ISSUED	CONVERSION FEATURES
Series A Preferred OP Units	1,325,275	Convertible to common stock at $68 per share/unit. Mandatorily redeemable on January 2, 2014
Series B-2 Preferred OP Units	100,000	Convertible into Common OP Units after January 31, 2005 at $45 per share/unit.

12. COMMITMENTS AND CONTINGENCIES:

On April 9, 2003, T.J. Holdings, LLC ("TJ Holdings"), a member of Sun/Forest, LLC ("Sun/Forest") (which, in turn, owns an equity interest in SunChamp LLC), ("SunChamp"), filed a complaint against the Company, SunChamp, certain other affiliates of the Company and two directors of Sun Communities, Inc. in the Superior Court of Guilford County, North Carolina. The complaint alleges that the defendants wrongfully deprived the plaintiff of economic opportunities that they took for themselves in contravention of duties allegedly owed to the plaintiff and purports to claim damages of $13.0 million plus an unspecified amount for punitive damages. The Company believes the complaint and the claims threatened therein have no merit and will defend it vigorously. These proceedings were stayed by the Superior Court of Guilford County, North Carolina in 2004 pending final determination by the Circuit Court of Oakland County, Michigan as to whether the dispute should be submitted to arbitration and the conclusion of all appeals therefrom. On April 4, 2005, the Oakland County Circuit Court issued a final order compelling arbitration for certain claims brought in the North Carolina case but denying arbitration for certain other claims in the North Carolina case. Shortly thereafter, the Company appealed this decision with respect to the claims for which the court denied arbitration and such appeal is currently pending in the Michigan Court of Appeals.

As announced on February 27, 2006, the U.S. Securities and Exchange Commission (the "SEC") completed its inquiry regarding the Company's accounting for its SunChamp investment during 2000, 2001 and 2002, and the Company and the SEC entered into an agreed-upon Administrative Order (the "Order"). The Order required that the Company cease and desist from violations of certain non intent-based provisions of the federal securities laws, without admitting or denying any such violations.

The Order included the following findings by the SEC, entered without admission or denial by the Company: (a) the Company's sales of equity interests in SunChamp to third-party investors in 2000 and 2001 should have been disregarded for purposes of allocating losses and, as a result, the Company should have recognized its proportionate share of SunChamp losses during the applicable periods in accordance with the equity method of accounting; and (b) the SunChamp losses should have been reflected in the period incurred, rather than applying a ninety (90) day lag. As a result of these findings, the SEC concluded that the Company overstated its net income for the years ended December 31, 2000, 2001 and 2002 by approximately $3.7 million, $4.7 million and $2.7 million, respectively. In correspondence with the SEC subsequent to the entry of the Order, the SEC has asked the Company to expand its financial statement disclosure to include more specific details relating to the SEC's findings and to disclose the Company's basis for determining that restating its financial statements is not necessary in light of those findings. Those discussions with the SEC are ongoing.

The Company has considered the effect of the SEC's findings in the Order on its financial disclosure and overall disclosure obligations. After review and analysis, the Company has determined not to revise its financial statements because management believes that the impact of the findings is not material, either quantitatively or qualitatively, to the Company's financial statements as a whole.

12. COMMITMENTS AND CONTINGENCIES, CONTINUED:

On February 27, 2006, the SEC filed a civil action against the Company's Chief Executive Officer, Chief Financial Officer and a former controller in the United States District Court for the Eastern District of Michigan alleging various claims generally consistent with the SEC's findings set forth in the Order. This action is still in a preliminary stage in which answers have been filed but discovery has not yet commenced. The Company continues to indemnify such employees for all costs and expenses incurred in connection with such civil action.

The Company is involved in various other legal proceedings arising in the ordinary course of business. All such proceedings, taken together, are not expected to have a material adverse impact on our results of operations or financial condition.

13. SUBSEQUENT EVENTS:

Subsequent to quarter end, the Company entered into two rate lock agreements related to a financing that will be collateralized by two communities. The Company paid a rate lock deposit of $195,000 to lock the interest rate of 5.83 percent on $19.5 million in principal and a rate lock deposit of $160,000 to lock the interest rate of 5.86 percent on $16 million in principal for a period of 85 days.

Also subsequent to quarter end, the Company repaid $4.6 million of debt that was collateralized by one community.

14. RECENT ACCOUNTING PRONOUNCEMENTS:

On July 13, 2006 the Financial Accounting Standards Board issued Interpretation (FIN 48), Accounting for Uncertainty in Income Taxes -- an interpretation of FASB Statement No. 109. FIN 48 prescribes a consistent recognition threshold and measurement standard, as well as clear criteria for subsequently recognizing, derecognizing and measuring tax positions for financial statement purposes. FIN 48 also requires expanded disclosure with respect to the uncertainty of income taxes. FIN 48 is effective for fiscal years beginning after December 15, 2006 and must therefore be adopted by the Company for its fiscal year ended December 31, 2007. Management is currently evaluating the impact of FIN 48.

In September 2006, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin No. 108 (SAB 108). Due to diversity in practice among registrants, SAB 108 expresses SEC staff views regarding the process by which misstatements in financial statements are evaluated for purposes of determining whether financial statement restatement is necessary. SAB 108 is effective for fiscal years ending after November 15, 2006, and early application is encouraged. The Company does not believe SAB 108 will have a material impact on our results from operations or financial position.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" (SFAS No. 157). SFAS No. 157 establishes a common definition for fair value to be applied to US GAAP guidance requiring use of fair value, establishes a framework for measuring fair value, and expands disclosure about such fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. The Company is currently assessing the impact of SFAS No. 157 on its consolidated financial position and results of operations.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

The following discussion and analysis of the consolidated financial condition and results of operations should be read in conjunction with the consolidated financial statements and the notes thereto. Capitalized terms are used as defined elsewhere in this Form 10-Q.

SIGNIFICANT ACCOUNTING POLICIES

The Company had identified significant accounting policies that, as a result of the judgments, uncertainties, uniqueness and complexities of the underlying accounting standards and operations involved could result in material changes to its financial condition or results of operations under different conditions or using different assumptions. Details regarding the Company's significant accounting policies are described fully in the Company's 2005 Annual Report filed with the Securities and Exchange Commission on Form 10-K. During the nine months ended September 30, 2006, there have been no material changes to the Company's significant accounting policies that impacted the Company's financial condition or results of operations except for the adoption of Financial Accounting Standards Board ("FASB") Statement No. 123 (revised December 2004), Share-Based Payment ("SFAS 123(R)").

In December 2004, FASB issued SFAS 123(R). SFAS 123(R) replaces FASB Statement No. 123 ("Statement 123"), Accounting for Stock-Based Compensation, and supersedes APB Opinion No. 25 ("APB 25"), Accounting for Stock Issued to Employees. SFAS 123(R) requires compensation costs related to share-based payment transactions be recognized in the financial statements. The Company adopted SFAS 123(R) effective January 1, 2006 using the "modified prospective" method. Therefore, prior period statements have not been restated. Under this method, in addition to reflecting compensation expense for new-share based awards, expense is also recognized to reflect the remaining service period of awards that had been included in pro-forma disclosures in prior periods.

With the adoption of SFAS 123(R), the Company is required to record the fair value of stock-based compensation awards as an expense. In order to determine the fair value of stock options on the grant date, the Company applies the Binomial (lattice) option-pricing model. Inherent in this model are assumptions related to expected stock-price volatility, option life, risk-free interest rate and dividend yield. While the risk-free rate and dividend yield are less subjective assumptions, typically based on factual data derived from public sources, the expected stock-price volatility and option life assumptions require a greater level of judgment which make them critical accounting estimates.

The Company uses an expected stock-price volatility assumption that is based on historical implied volatilities of the underlying stock which is obtained from public data sources. With regard to the weighted-average option life assumption, the Company considers the exercise behavior of past grants and models the pattern of aggregate exercises. Patterns are determined on specific criteria of the aggregate pool of optionees. The Company uses the resources of an outside consultant for valuing its options. Two awards of 7,500 options each were made to the Company's non-employee directors during the nine months ended September 30, 2006.

Performance-based awards vest based upon the achievement of certain performance conditions and the Company makes its best estimate as to the ultimate achievement of such performance conditions.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Comparison of the three months ended September 30, 2006 and 2005

For the three months ended September 30, 2006, loss from operations before minority interest increased by $0.2 million from $(4.2) million to $(4.4) million, when compared to the three months ended September 30, 2005. The increased loss was due to increased expenses of $3.3 million, offset by increased revenues of $1.7 million and increased equity income from affiliate of $1.4 million as described in more detail below.

Income from rental property increased by $1.7 million from $44.0 million to $45.7 million, or 3.9 percent, due to acquisitions ($0.3 million) and rent increases and other community revenues ($1.4 million).

Revenues from home sales decreased by $1.2 million from $6.0 million to $4.8 million, or 20.0 percent. The decrease in revenues was due to consumer demand shifting to pre-owned homes. The Company sold 135 manufactured homes during the third quarter of 2006 of which 17 percent were new homes, as compared to 132 sales during the same period in 2005 of which approximately 47 percent were new homes.

Rental home revenue increased by $1.4 million from $2.6 million to $4.0 million. The number of tenants in the Company's rental program increased from 3,438 at September 30, 2005 to 4,659 at September 30, 2006, resulting in additional revenue of approximately $1.1 million. The remainder of the increase resulted from an increase in the average rental rate per home from $634 per month at September 30, 2005 to $678 per month at September 30, 2006.

Ancillary revenues, net decreased by approximately $0.1 million due primarily to an increase in golf course management fees.

Interest income increased by $0.3 million due primarily to an increase in interest on officer's notes as discussed in footnote # 4.

Other income decreased by $0.4 million from a loss of $(0.2) million to a loss of $(0.6) million due primarily to an increase in the loss associated with the disposition of miscellaneous assets.

Property operating and maintenance expenses increased by $0.6 million from $11.7 million to $12.3 million, or 5.1 percent. The increase was due to increases in utility costs ($0.3 million), health insurance costs ($0.3 million) and property insurance cost ($0.1 million), partially offset by decreases in repair and maintenance ($0.1 million).

Real estate taxes increased by $0.2 million due to increases in assessments and tax rates.

Cost of home sales decreased by $1.1 million from $4.8 million to $3.7 million, or 23 percent due to the increase in the number of pre-owned homes sold and decrease in the number of new homes sold. The Company sold 135 manufactured homes during the third quarter of 2006 of which only 17 percent were new homes, as compared to 132 sales during the same period in 2005 of which approximately 47 percent were new homes. Gross profit margins increased from 20.4 percent in 2005 to 21.6 percent in 2006.

Rental home operating and maintenance expense increased by $1.1 million from $1.9 million to $3.0 million, or 57.9 percent due primarily to an increase in the number of tenants in the Company's rental program.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS, CONTINUED:

General and administrative expenses for rental property decreased by $0.2 million from $3.6 million to $3.4 million, or 5.6 percent, due primarily to a decrease in legal expenses $(0.4 million) partially offset by an increase in consulting expenses ($0.1 million) and an increase in Michigan Single Business Tax expense ($0.1 million).

General and administrative expenses for home sales and rentals decreased by $0.2 million from $1.8 million to $1.6 million, or 11.1 percent. The decrease was due to decreases in payroll and commissions ($0.1 million) and a decrease in other miscellaneous expenses ($0.1 million).

Depreciation and amortization increased by $1.6 million from $13.5 million to $15.1 million, or 11.8 percent, due primarily to an increase in the total rental home portfolio.

Interest expense increased by $1.3 million from $15.2 million to $16.5 million, or 8.6 percent, primarily due to increased debt levels at higher variable rates.

Comparison of the nine months ended September 30, 2006 and 2005

For the nine months ended September 30, 2006, loss from operations before minority interest increased by $3.4 million from a loss of $(4.2) million to a loss of $(7.6) million, when compared to the nine months ended September 30, 2005. The increase was due to increased expenses of $17.6 million, partially offset by increased revenues of $12.2 million and increased equity income from affiliate of $2.0 million as described in more detail below.

Income from rental property increased by $5.9 million from $133.4 million to $139.3 million, or 4.4 percent, due to acquisitions ($1.3 million) and rent increases and other community revenues ($4.6 million).

Revenues from home sales increased by $1.2 million from $14.1 million to $15.3 million, or 8.5 percent. The Company sold 366 manufactured homes during the nine months ended September 30, 2006 as compared to 342 sales during the same period in 2005. The increase in the number of homes sold resulted in additional revenue of approximately $1.0 million. The remainder of the increase resulted from an increase in the average selling price per home.

Rental home revenue increased by $4.9 million from $6.2 million to $11.1 million. The number of tenants in the Company's rental program increased from 3,438 at September 30, 2005 to 4,659 at September 30, 2006, resulting in additional revenue of approximately $3.5 million. The remainder of the increase resulted from an increase in the average rental rate per home from $634 per month at September 30, 2005 to $678 per month at September 30, 2006.

Ancillary revenues, net, decreased by $0.3 million from $0.6 million to $0.3 million due to a non-refundable option payment received in 2005 ($0.2 million) and increased golf course management fees ($0.1 million).

Interest income decreased by $0.7 million from $3.6 million to $2.9 million, or 19.4 percent, due primarily to a decrease in interest earned on the Company's short-term investments and a decrease in the amount of interest earning notes and receivables.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS, CONTINUED:

Other income increased by $1.2 million from a loss of $(0.4) million to income of $0.8 million due to an increase in brokerage commissions ($0.1 million), a decrease in unsuccessful acquisition expenses ($0.3 million), proceeds from a lawsuit settlement ($0.4 million) and an increase in other miscellaneous operating income ($0.4 million).

Property operating and maintenance expenses increased by $1.3 million from $34.2 million to $35.5 million, or 3.8 percent. The increase was due to acquisitions ($0.4 million), increases in utility costs ($1.2 million) and payroll and health insurance costs ($0.4 million), partially offset by decreases in repair and maintenance ($0.3 million) and other miscellaneous expenses ($0.4 million).

Real estate taxes increased by $0.4 million from $11.4 million to $11.8 million, or 3.5 percent, due to acquisitions ($0.1 million) and increases in assessments and tax rates ($0.3 million).

Cost of home sales increased by $1.2 million from $10.8 million to $12.0 million, or 11.1 percent due primarily to the increase in the number of homes sold. The Company sold 366 manufactured homes during the nine months ended September 30, 2006 as compared to 342 sales during the same period in 2005. The increase in the number of homes sold resulted in additional costs of approximately $0.8 million. The remainder of the increase resulted from an increase in the average cost per home. Gross profit margins decreased from 23.8 percent in 2005 to 22.0 percent in 2006 due to increased sales of pre-owned homes at lower margins partially offset by improved margins on new home sales.

Rental home operating and maintenance expense increased by $3.3 million from $4.8 million to $8.1 million, or 68.7 percent due primarily to an increase in the number of tenants in the Company's rental program.

General and administrative expenses for rental property increased by $2.1 million from $10.7 million to $12.8 million, or 19.6 percent, due to an increase in payroll and benefits ($1.8 million) that includes the accrual of annual performance based bonus incentives and initial recognition of expense related to performance-based restricted and phantom stock awards, and an increase in expenditures related to a review of the Company's strategic alternatives ($0.3 million).

General and administrative expenses for home sales and rentals decreased by $0.2 million from $4.9 million to $4.7 million, or 4.1 percent due primarily to a decrease in miscellaneous operating expenses.

Depreciation and amortization increased by $4.8 million from $40.0 million to $44.8 million, or 12.0 percent, due primarily to an increase in the total rental home portfolio.

Interest expense increased by $4.1 million from $44.5 million to $48.6 million, or 9.2 percent, primarily due to increased debt levels at higher variable rates.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS, CONTINUED:

SAME PROPERTY INFORMATION

The following table reflects property-level financial information as of and for the nine months ended September 30, 2006 and 2005. The "Same Property" data represents information regarding the operation of communities owned as of January 1, 2005 and September 30, 2006. Site, occupancy, and rent data for those communities is presented as of the last day of each period presented. The "Total Portfolio" column differs from the "Same Property" column by including financial and statistical information for new development and acquisition communities.

	SAME PROPERTY		TOTAL PORTFOLIO	
	2006	2005	2006	2005
	(in thousands)		(in thousands)	
Income from rental property	$131,809	$127,283	$139,340	$133,416
Property operating expenses:				
Property operating and maintenance	27,210	26,646	35,448	34,166
Real estate taxes	11,531	11,184	11,828	11,373
Property operating expenses	38,741	37,830	47,276	45,539
Property net operating income (1)	$ 93,068	$ 89,453	$ 92,064	$ 87,877
Number of properties	133	133	136	135
Developed sites	46,535	46,485	47,603	47,326
Occupied sites	37,940 (2)	38,126 (2)	38,342 (2)	38,318 (2)
Occupancy %	83.7%(3)	84.4%(3)	83.6%(3)	84.2%(3)
Weighted average monthly rent per site	$ 366 (3)	$ 352 (3)	$ 365 (3)	$ 352 (3)
Sites available for development	6,322	6,480	6,820	7,080
Sites planned for development in next year	5	112	5	112

(1) Investors in and analysts following the real estate industry utilize net operating income ("NOI") as a supplemental performance measure. 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. Net income includes interest and depreciation and amortization which often have no effect on the market value of a property and therefore limit its use as a performance measure. In addition, such expenses are often incurred at a parent company level and therefore are not necessarily linked to the performance of a real estate asset. 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.

(2) Occupied sites include manufactured housing and permanent recreational vehicle sites, and exclude seasonal recreational vehicle sites.

(3) Occupancy % and weighted average rent relates to manufactured housing sites, excluding recreational vehicle sites.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS, CONTINUED:

On a same property basis, property net operating income increased by $3.6 million from $89.5 million to $93.1 million, or 4.0 percent. Income from rental property increased by $4.5 million from $127.3 million to $131.8 million, or 3.5 percent, due primarily to increases in rents including water and property tax pass through. Property operating expenses increased by $0.9 million from $37.8 million to $38.7 million, or 2.4 percent, due primarily to increases in real estate taxes and utilities costs.

RENTAL PROGRAM

The following tables reflect additional information regarding the Company's rental program for the periods ended and as of September 30, 2006 and 2005:

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2006	2005	2006	2005
Rental home revenue	$3,965	$2,549	$11,107	$ 6,181
Site rent included in Income from rental property	4,957	3,383	13,839	8,482
Rental program revenue	8,922	5,932	24,946	14,663
Expenses				
Payroll and commissions	503	388	1,525	1,214
Repairs and refurbishment	1,324	955	3,315	2,105
Taxes and insurance	642	176	1,860	724
Other	496	370	1,443	811
Rental program operating and maintenance	2,965	1,889	8,143	4,854
Net operating income (1)	$5,957	$4,043	$16,803	$ 9,809

(1) See Note (1) following Same Property Information

OCCUPIED RENTAL HOMES INFORMATION (IN THOUSANDS EXCEPT FOR *):

	2006	2005
Number of occupied rentals, end of period*	4,659	3,438
Cost of occupied rental homes	$138,053	$97,827
Weighted average monthly rental rate*	$ 678	$ 634

Net operating income from the rental program increased $1.9 million from $4.0 million to $5.9 million in the third quarter of 2006 as a result of a $3.0 million increase in revenue offset by a $1.1 million increase in expenses. Revenues increased due to an increase in the weighted average monthly rental rate and an increase in the number of leased rental homes. Expenses were also impacted by the increase in the number of leased rental homes.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

LIQUIDITY AND CAPITAL RESOURCES

The Company's principal liquidity demands have historically been, and are expected to continue to be, distributions to the Company's stockholders and the unitholders of the Operating Partnership, capital improvements of properties, the purchase of new and pre-owned homes, property acquisitions, development and expansion of properties, and debt repayment.

The Company expects to meet its short-term liquidity requirements through its working capital provided by operating activities, its $115.0 million line of credit and its $40.0 million floor plan. The Company considers these resources to be adequate to meet all operating requirements, including recurring capital improvements, routinely amortizing debt and other normally recurring expenditures of a capital nature, pay dividends to its stockholders to maintain qualification as a REIT in accordance with the Internal Revenue Code and make distributions to the Operating Partnership's unitholders.

The Company has invested approximately $2.4 million in its development communities for the nine months ended September 30, 2006 consisting primarily of costs necessary to complete home site improvements such as driveways, sidewalks, piers, pads and runners and anticipates investing an additional $0.5 - $1.0 million for such costs during the remainder of 2006. The Company expects to finance these investments by using net cash flows provided by operating activities and by drawing upon its lines of credit.

The Company has invested $7.8 million ($3.3 million cash and $4.5 million in assumed debt) in the acquisition of properties during 2006. Although substantial acquisitions are not anticipated prior to year end, the Company continuously seeks acquisition opportunities that meet the Company's criteria for acquisition. Should such investment opportunities arise the Company will finance the acquisitions though the temporary use of its line of credit until permanent secured financing can be arranged, through the assumption of existing debt on the properties or the issuance of certain equity securities.

The Company has also invested approximately $32.2 million during the nine months ended September 30, 2006 in homes primarily intended for its rental program. Expenditures for the remainder of 2006 will be dependent upon the condition of the markets for the purchase of value priced repossessions in our communities and the purchase of new homes for sale to new residents.

Cash and cash equivalents decreased by $1.8 million from $5.9 million at December 31, 2005 to $4.1 million at September 30, 2006. Net cash provided by operating activities decreased by $1.3 million to $42.0 million for the nine months ended September 30, 2006 compared to $43.3 million for the nine months ended September 30, 2005.

The Company's net cash flows provided by operating activities may be adversely impacted by, among other things: (a) the market and economic conditions in the Company's current markets generally, and specifically in metropolitan areas of the Company's current markets; (b) lower occupancy and rental rates of the Company's properties (the "Properties"); (c) increased operating costs, including insurance premiums, real estate taxes and utilities, that cannot be passed on to the Company's tenants; and (d) decreased sales of manufactured homes. See "Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2005.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

LIQUIDITY AND CAPITAL RESOURCES, CONTINUED:

The Company anticipates meeting its long-term liquidity requirements, such as scheduled debt maturities, large property acquisitions, and Operating Partnership unit redemptions through the collateralization of its properties. From time to time, the Company may also issue shares of its capital stock, issue equity units in the Operating Partnership or sell selected assets. The ability of the Company to finance its long-term liquidity requirements in such manner will be affected by numerous economic factors affecting the manufactured housing community industry at the time, including the availability and cost of mortgage debt, the financial condition of the Company, the operating history of the Properties, the state of the debt and equity markets, and the general national, regional and local economic conditions. See "Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2005. If the Company is unable obtain additional debt or equity financing on acceptable terms, the Company's business, results of operations and financial condition will be adversely impacted.

At September 30, 2006, the Company's debt to total market capitalization approximated 64.0 percent (assuming conversion of all Common OP Units to shares of common stock). The debt has a weighted average maturity of approximately 6.8 years and a weighted average interest rate of 5.5 percent.

Capital expenditures for the nine months ended September 30, 2006 and 2005 included recurring capital expenditures of $5.2 million and $5.5 million, respectively.

Net cash used in investing activities increased by $26.2 million to $41.8 million for the nine months ended September 30, 2006 compared to $15.6 million for the nine months ended September 30, 2005. This increase was due to a $44.9 million decrease in net proceeds from sale of short-term investments, a $3.9 million decrease in proceeds related to property dispositions and a $8.3 million decrease in notes receivable and officers' notes, net, offset by decreased investment in rental property of $26.7 million and a $4.2 million increase in proceeds from sale of installment loans on manufactured homes to Origen.

Net cash used in financing activities decreased by $74.0 million to $2.0 million for the nine months ended September 30, 2006 compared to $76.0 million used in financing activities for the nine months ended September 30, 2005. This decrease was primarily due to a $41.8 million decrease in payments to retire preferred operating partnership units, a $42.1 million increase in proceeds from notes payable and other debt, a $13.9 million reduction in funds used to purchase Company stock, a $11.4 million reduction in payments made to redeem notes payable and other debt, a $1.0 million decrease in payments to redeem common stock and OP units and a $2.0 million increase in proceeds from option exercises, offset by a decrease of $35.9 million in borrowings on lines of credit, an increase in distributions of $1.6 million and an increase in payments for deferred financing costs of $0.7 million.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

SUPPLEMENTAL MEASURE:

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. Other REITS may use different methods for calculating FFO and, accordingly, the Company's FFO may not be comparable to other REITs.

The following table reconciles net income to FFO and calculates both basic and diluted FFO per share for the periods ended September 30, 2006 and 2005 (in thousands):

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

SUPPLEMENTAL MEASURE, CONTINUED:

SUN COMMUNITIES, INC.
RECONCILIATION OF NET LOSS TO FUNDS FROM OPERATIONS
(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE/OP UNIT AMOUNTS) (UNAUDITED)

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2006	2005	2006	2005
Net loss	$(3,889)	$(3,725)	$(6,466)	$(3,788)
Adjustments:				
Depreciation and amortization	15,570	14,166	46,160	41,930
Valuation adjustment(1)	(187)	194	(166)	400
(Gain) loss on disposition of assets, net	774	365	844	(101)
Loss allocated to minority interest	(510)	(495)	(851)	(504)
Funds from operations (FFO)	$11,758	$10,505	$39,521	$37,937
FFO - Continuing Operations	$11,758	$10,505	$39,521	$37,765
FFO - Discontinued Operations	$ --	$ --	$ --	$ 172
Weighted average common shares/OP Units outstanding:				
Basic	19,974	20,103	19,923	20,205
Diluted	20,150	20,242	20,102	20,357
Continuing Operations:				
FFO per weighted average common share/OP Unit - Basic	$ 0.59	$ 0.52	$ 1.99	$ 1.87
FFO per weighted average common share/OP Unit - Diluted	$ 0.59	$ 0.52	$ 1.97	$ 1.86
Discontinued Operations:				
FFO per weighted average common share/OP Unit - Basic	$ --	$ --	$ --	$ 0.01
FFO per weighted average common share/OP Unit - Diluted	$ --	$ --	$ --	$ 0.01
Total Operations:				
FFO per weighted average common share/OP Unit - Basic	$ 0.59	$ 0.52	$ 1.99	$ 1.88
FFO per weighted average common share/OP Unit - Diluted	$ 0.59	$ 0.52	$ 1.97	$ 1.87

(1) 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.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

SAFE HARBOR STATEMENT

This Form 10-Q contains various "forward-looking statements" within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934, and the Company intends that such forward-looking statements will be subject to the safe harbors created thereby. For this purpose, any statements contained in this filing that relate to prospective events or developments are deemed to be forward-looking statements. Words such as "believes," "forecasts," "anticipates," "intends," "plans," "expects," "may", "will" and similar expressions are intended to identify forward-looking statements. These forward-looking statements reflect the Company's current views with respect to future events and financial performance, but involve known and unknown risks and uncertainties, both general and specific to the matters discussed in this filing. These risks and uncertainties may cause the actual results of the Company to be materially different from any future results expressed or implied by such forward looking statements. Such risks and uncertainties include the national, regional and local economic climates, the ability to maintain rental rates and occupancy levels, competitive market forces, changes in market rates of interest, the ability of manufactured home buyers to obtain financing, the level of repossessions by manufactured home lenders and those risks and uncertainties referenced under the headings entitled "Risk Factors" contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2005 and the Company's filings with the Securities and Exchange Commission. The forward-looking statements contained in this Form 10-Q speak only as of the date hereof and the Company expressly disclaims any obligation to provide public updates, revisions or amendments to any forward-looking statements made herein to reflect changes in the Company's expectations of future events.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

The Company's principal market risk exposure is interest rate risk. The Company mitigates this risk by maintaining prudent amounts of leverage, minimizing capital costs and interest expense while continuously evaluating all available debt and equity resources and following established risk management policies and procedures, which include the periodic use of derivatives. The Company's primary strategy in entering into derivative contracts is to minimize the variability that changes in interest rates could have on its future cash flows. The Company generally employs derivative instruments that effectively convert a portion of its variable rate debt to fixed rate debt. The Company does not enter into derivative instruments for speculative purposes.

The Company's variable rate debt totals $188.3 million and $146.7 million as of September 30, 2006 and 2005, respectively, which bears interest at various Prime and LIBOR/DMBS rates. If Prime or LIBOR/DMBS increased or decreased by 1.00 percent during the nine months ended September 30, 2006 and 2005, the Company believes its interest expense would have increased or decreased by approximately $1.9 million and $1.2 million based on the $193.9 million and $121.1 million average balance outstanding under the Company's variable rate debt facilities for the nine months ended September 30, 2006 and 2005, respectively.

Additionally, the Company had $13.5 million LIBOR based variable rate mortgage and other notes receivables as of September 30, 2006 and 2005. If LIBOR increased or decreased by 1.0 percent during the nine months ended September 30, 2006 and 2005, the Company believes interest income would have increased or decreased by approximately $0.1 million and $0.1 million based on the $13.5 million and $14.3 million average balance outstanding on all variable rate notes receivable for the nine months ended September 30, 2006 and 2005, respectively.

The Company has entered into three separate interest rate swap agreements and an interest rate cap agreement. One of the swap agreements fixes $25 million of variable rate borrowings at 4.84 percent through July 2009, another of the swap agreements fixes $25 million of variable rate borrowings at 5.28 percent through July 2012 and the third swap agreement, which is only effective for so long as 90-day LIBOR is 7 percent or less, fixes $25 million of variable rate borrowings at 3.88 percent through July 2007. The interest rate cap agreement has a cap rate of 11.79 percent, a notional amount of $152.4 million and a termination date of May 29, 2007. Each of the Company's derivative contracts is based upon 90-day LIBOR.

ITEM 4. CONTROLS AND PROCEDURES

(a) Under the supervision and with the participation of the Company's management, including the Chief Executive Officer, Gary A. Shiffman, and Chief Financial Officer, Jeffrey P. Jorissen, the Company evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as of the end of the period covered by this quarterly report, pursuant to Rule 13a-15 of the Securities Exchange Act of 1934 (the "Exchange Act"). Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective to ensure that information the Company is required to disclose in its filings with the Securities and Exchange Commission under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms, and to ensure that information required to be disclosed by the Company in the reports that it files under the Exchange Act is accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

(b) There have been no changes in the Company's internal control over financial reporting during the quarterly period ended September 30, 2006, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II

ITEM 6. -- EXHIBITS REQUIRED BY ITEM 601 OF REGULATION S-K

See the attached Exhibit Index.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: November 8, 2006

SUN COMMUNITIES, INC.

BY: /s/ Jeffrey P. Jorissen

Jeffrey P. Jorissen, Chief Financial Officer and Secretary
(Duly authorized officer and principal financial officer)

SUN COMMUNITIES, INC.
EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION
31.1	Certification of Chief Executive Officer pursuant to Securities Exchange Act Rules 13a-14(a)/15(d)-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Securities Exchange Act Rules 13a-14(a)/15(d)-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Exhibit 31.1

CERTIFICATIONS
(As Adopted Under Section 302 of the Sarbanes-Oxley Act of 2002)

I, Gary A. Shiffman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Sun Communities, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 8, 2006

/s/ Gary A. Shiffman

Gary A. Shiffman, Chief Executive Officer

CERTIFICATIONS
(As Adopted Under Section 302 of the Sarbanes-Oxley Act of 2002)

I, Jeffrey P. Jorissen, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Sun Communities, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 8, 2006

/s/ Jeffrey P. Jorissen

Jeffrey P. Jorissen, Chief Financial Officer

Exhibit 32.0

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350
(Adopted Under Section 906 of the Sarbanes-Oxley Act of 2002)

The undersigned officers, Gary A. Shiffman and Jeffrey P. Jorissen, hereby certify that to the best of their knowledge: (a) this Quarterly Report on Form 10-Q of Sun Communities, Inc., for the quarter ended September 30, 2006, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and (b) the information contained in this Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the issuer.

/s/ Gary A. Shiffman Dated: November 8, 2006

Gary A. Shiffman, Chief Executive Officer

/s/ Jeffrey P. Jorissen Dated: November 8, 2006

Jeffrey P. Jorissen, Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Sun Communities, Inc. and will be retained by Sun Communities, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.