

Sun Communities, Inc.

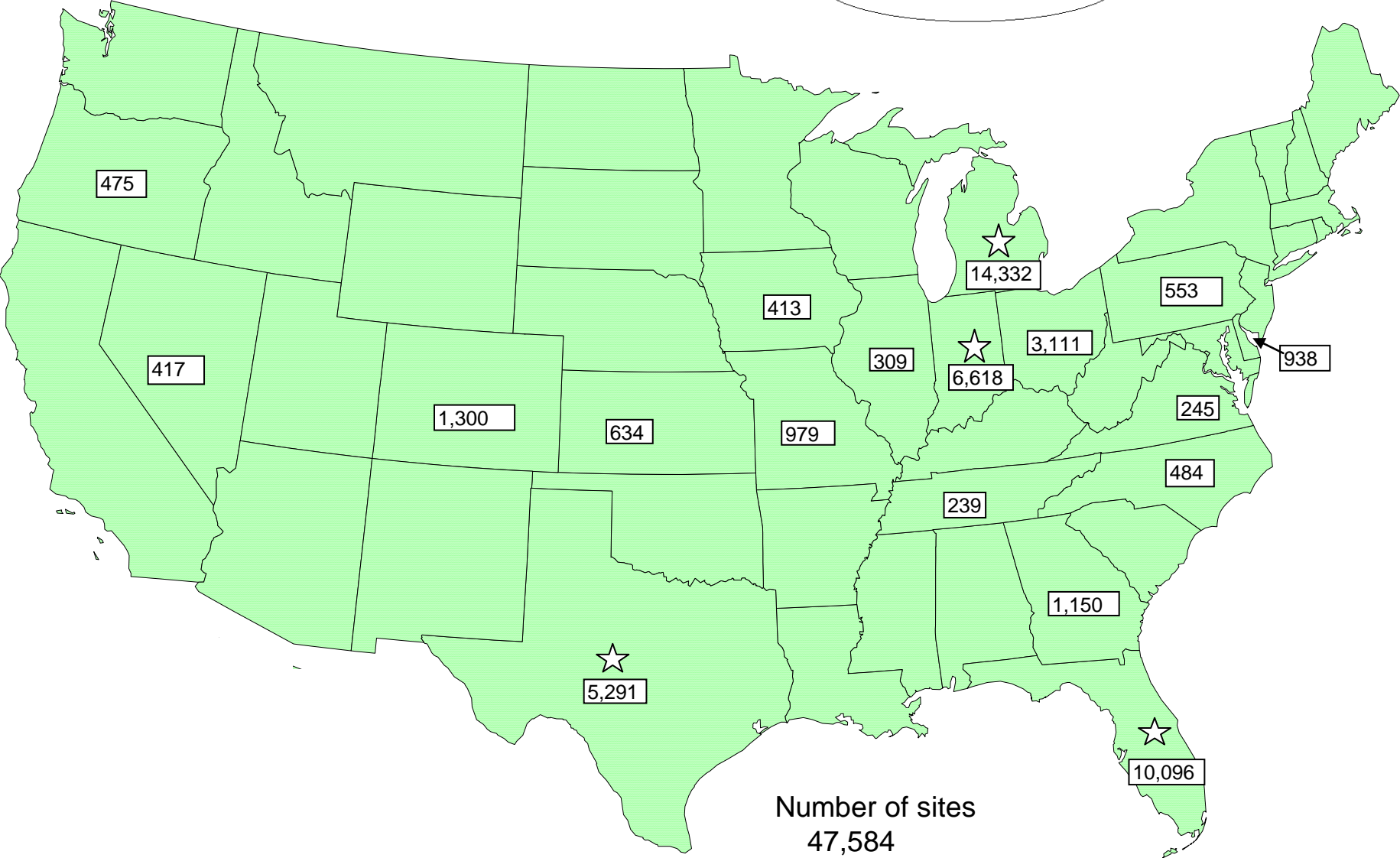
Supplemental Operating and Financial Data

For the Quarter Ended March 31, 2006



This Supplemental Operating and Financial Data is not an offer to sell or a solicitation to buy any of the securities of the Company. Any offers to sell or solicitations to buy any of the Company securities of the Company shall be made by means of a prospectus.

Portfolio Overview



Number of sites
47,584

Management Offices
★

SUN COMMUNITIES, INC.
SUPPLEMENTAL INFORMATION
1st QUARTER 2006

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

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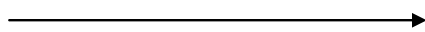
EARNINGS ANNOUNCEMENTS

	<u>2nd Quarter</u>	<u>3rd Quarter</u>	<u>4th Quarter</u>
EARNINGS ANNOUNCEMENTS	07/21/06	10/26/06	02/15/07
DIVIDEND DECLARATIONS	07/03/06	10/02/06	01/02/07

INQUIRIES

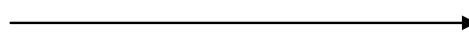
Sun Communities welcomes questions or comments from stockholders, analysts, investment managers, media or any prospective investor. Please address all inquiries to Ms. Carol Petersen of our investor relations department.

AT OUR WEBSITE



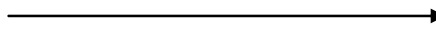
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BY PHONE



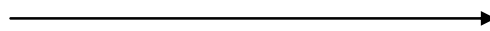
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SUN COMMUNITIES

BALANCE SHEETS

(in thousands)

	Quarter Ended				
	March 31, 2006	December 31, 2005	September 30, 2005	June 30, 2005	March 31, 2005
ASSETS					
Real Estate					
Land	\$ 117,516	\$ 116,738	\$ 116,568	\$ 116,567	\$ 116,192
Land improvements and buildings	1,166,159	1,156,612	1,155,431	1,156,283	1,156,333
Furniture, fixtures and equipment	36,187	36,120	35,626	34,157	34,623
Rental homes	130,451	117,314	103,746	91,190	71,928
Land held for future development	31,082	31,082	30,778	30,711	31,652
Property under development	347	256	1,465	1,245	1,118
Gross real estate investment	1,481,742	1,458,122	1,443,614	1,430,153	1,411,846
Less: Accumulated depreciation	(310,121)	(296,302)	(283,344)	(270,945)	(260,169)
Net real estate investment	1,171,621	1,161,820	1,160,270	1,159,208	1,151,677
Cash and cash equivalents	5,608	5,880	4,284	3,392	17,783
Notes and other receivables	40,993	41,134	39,526	43,562	44,205
Inventory	16,400	17,105	19,947	21,480	19,954
Investment in affiliate	46,632	46,352	46,518	47,965	48,243
Other assets	46,450	48,245	49,200	51,202	50,685
Total assets	<u>\$ 1,327,704</u>	<u>\$ 1,320,536</u>	<u>\$ 1,319,745</u>	<u>\$ 1,326,809</u>	<u>\$ 1,332,547</u>
LIABILITIES AND EQUITY					
<i>Liabilities</i>					
Line of credit	\$ 90,300	\$ 73,300	\$ 53,200	\$ 23,900	\$ -
Mortgage loans payable	991,579	988,045	989,005	1,000,665	1,006,682
Senior unsecured notes	-	-	-	-	5,017
Preferred operating units	62,123	62,123	62,123	62,123	62,123
Accounts payable, deposits and accrued liabilities	30,593	32,267	30,525	30,504	42,312
Total liabilities	<u>1,174,595</u>	<u>1,155,735</u>	<u>1,134,853</u>	<u>1,117,192</u>	<u>1,116,134</u>
Minority interest - Preferred OP units	-	-	-	-	-
Minority interest - Common OP units and others	18,805	21,544	19,398	26,225	28,050
	<u>18,805</u>	<u>21,544</u>	<u>19,398</u>	<u>26,225</u>	<u>28,050</u>
<i>Stockholders' Equity</i>					
Preferred stock	-	-	-	-	-
Common stock	199	198	198	196	196
Paid in capital	449,628	447,381	450,957	448,144	447,100
Officer's notes	(9,335)	(9,427)	(9,522)	(9,617)	(9,711)
Unrealized (losses) on interest rate swaps	1,376	532	115	(1,035)	215
Distributions in excess of net income	(243,964)	(231,827)	(218,780)	(203,635)	(203,417)
Treasury stock at cost	(63,600)	(63,600)	(57,474)	(50,661)	(46,020)
Total stockholders' equity	<u>134,304</u>	<u>143,257</u>	<u>165,494</u>	<u>183,392</u>	<u>188,363</u>
Total liabilities and stockholders' equity	<u>\$ 1,327,704</u>	<u>\$ 1,320,536</u>	<u>\$ 1,319,745</u>	<u>\$ 1,326,809</u>	<u>\$ 1,332,547</u>
Common OP units outstanding	2,321	2,328	2,328	2,461	2,461
Number of shares outstanding	17,976	17,918	18,120	18,125	18,243

SUN COMMUNITIES

DEBT ANALYSIS

(in thousands)

	Quarter Ended				
	March 31, 2006	December 31, 2005	September 30, 2005	June 30, 2005	March 31, 2005
DEBT OUTSTANDING					
Line of credit	\$ 90,300	\$ 73,300	\$ 53,200	\$ 23,900	\$ -
Mortgage loans payable	991,579	988,045	989,005	1,000,665	1,006,682
Senior unsecured notes	-	-	-	-	5,017
Preferred operating units	62,123	62,123	62,123	62,123	62,123
Total debt	<u>\$ 1,144,002</u>	<u>\$ 1,123,468</u>	<u>\$ 1,104,328</u>	<u>\$ 1,086,688</u>	<u>\$ 1,073,822</u>
% FIXED/FLOATING					
Fixed	83.55%	85.16%	86.72%	88.51%	90.25%
Floating	16.45%	14.84%	13.28%	11.49%	9.75%
Total	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
AVERAGE INTEREST RATES					
Line of credit	6.62%	6.10%	5.70%	5.11%	-
Mortgage loans payable	5.17%	5.12%	5.09%	5.07%	5.03%
Senior unsecured notes	-	-	-	-	6.77%
Preferred operating units	7.06%	6.98%	6.98%	6.98%	6.92%
Total average	<u>5.39%</u>	<u>5.29%</u>	<u>5.22%</u>	<u>5.18%</u>	<u>5.15%</u>
DEBT RATIOS					
Debt/Total Capitalization	61.4%	63.9%	62.1%	58.6%	59.1%
Debt/Gross Assets	69.9%	69.5%	68.9%	68.0%	67.4%
COVERAGE RATIOS					
EBITDA/ Mortgage Interest	2.1	2.0	1.8	2.1	2.3
EBITDA/Mortgage Interest + Pref. Distributions	2.0	1.9	1.7	1.9	2.1

MATURITIES/PRINCIPAL AMORTIZATION NEXT FIVE YEARS

	31-Mar-07	31-Mar-08	31-Mar-09	31-Mar-10	31-Mar-11
Line of credit	\$ -	\$ 90,300	\$ -	\$ -	\$ -
Mortgage loans payable:					
Maturities	24,438	54,378	6,545	11,200	
Principal amortization	8,183	12,269	12,573	13,007	13,650
Preferred operating units	8,175	4,500		4,770	4,170
Total	<u>\$ 40,796</u>	<u>\$ 161,447</u>	<u>\$ 19,118</u>	<u>\$ 28,977</u>	<u>\$ 17,820</u>

SUN COMMUNITIES

STATEMENT OF OPERATIONS

(in thousands)

	Quarter Ended				
	March 31, 2006	December 31, 2005	September 30, 2005	June 30, 2005	March 31, 2005
REVENUES					
Income from rental property	\$ 48,073	\$ 45,569	\$ 44,022	\$ 43,945	\$ 45,449
Gross profit from home sales	859	1,160	1,224	797	1,343
Rental revenues, net	716	385	660	634	33
Other income	1,847	775	(443)	1,392	1,779
Total revenues	<u>51,495</u>	<u>47,889</u>	<u>45,463</u>	<u>46,768</u>	<u>48,604</u>
EXPENSES					
Property operating and maintenance	11,385	10,925	11,722	11,479	10,965
Real estate taxes	3,894	3,800	3,801	3,800	3,772
General and administrative	6,407	5,090	5,456	5,109	5,045
Hurricane expenses (recovery)	-	165	-	(55)	(500)
Total expenses	<u>21,686</u>	<u>19,980</u>	<u>20,979</u>	<u>20,333</u>	<u>19,282</u>
EBITDA ⁽¹⁾	29,809	27,909	24,484	26,435	29,322
Interest expense and preferred distributions	(15,814)	(15,473)	(15,179)	(14,617)	(14,703)
Perpetual preferred distributions	-	-	-	-	(961)
Depreciation and amortization	(14,978)	(14,319)	(13,525)	(13,461)	(13,025)
Minority interest	115	219	495	200	(77)
Income (loss) from continuing operations	(868)	(1,664)	(3,725)	(1,443)	556
Income (loss) from discontinued operations	-	-	-	693	131
NET INCOME (LOSS)	<u>(868)</u>	<u>(1,664)</u>	<u>(3,725)</u>	<u>(750)</u>	<u>687</u>
Depreciation and amortization	15,588	14,972	14,166	14,100	13,664
Valuation adjustment	43	30	194	(153)	359
(Gain)/loss on sale of land/properties/assets	(32)	257	365	(513)	47
Minority interest	(115)	(219)	(495)	(104)	95
FUNDS FROM OPERATIONS ⁽¹⁾	14,616	13,376	10,505	12,580	14,852
Less: Recurring capital expenditures	(1,384)	(2,196)	(2,159)	(1,951)	(1,396)
FUNDS AVAILABLE FOR DISTRIBUTION ("FAD") ⁽¹⁾	<u>\$ 13,232</u>	<u>\$ 11,180</u>	<u>\$ 8,346</u>	<u>\$ 10,629</u>	<u>\$ 13,456</u>
FFO PER SHARE/UNIT ⁽¹⁾	\$0.74	\$0.67	\$0.52	\$0.62	\$0.73
FAD PER SHARE/UNIT ⁽¹⁾	\$0.67	\$0.56	\$0.42	\$0.53	\$0.66
DISTRIBUTION PER SHARE/UNIT	\$0.63	\$0.63	\$0.63	\$0.63	\$0.63
DILUTED FFO PER SHARE/UNIT	\$0.73	\$0.67	\$0.52	\$0.62	\$0.73
PAYOUT RATIO	85.1%	94.0%	121.2%	101.6%	86.3%
WEIGHTED AVERAGE SHARES/UNITS	19,857	19,868	20,103	20,193	20,319

SUN COMMUNITIES

**RECONCILIATION OF NET INCOME (LOSS) TO FUNDS FROM OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2006 AND 2005
(Amounts in thousands except for per share data)
(Unaudited)**

	<u>2006</u>	<u>2005</u>
Net income (loss)	\$ (868)	\$ 687
Adjustments:		
Depreciation and amortization	15,588	13,664
Valuation adjustment ⁽¹⁾	43	359
(Gain) loss on disposition of assets, net	(32)	47
Income (loss) allocated to minority interest	(115)	95
Funds from operations (FFO)	<u>\$ 14,616</u>	<u>\$ 14,852</u>
FFO - Continuing Operations	<u>\$ 14,616</u>	<u>\$ 14,660</u>
FFO - Discontinued Operations	<u>\$ -</u>	<u>\$ 192</u>
Weighted average common shares/OP Units outstanding:		
Basic	<u>19,857</u>	<u>20,319</u>
Diluted	<u>20,007</u>	<u>20,421</u>
Continuing Operations:		
FFO per weighted average Common Share/OP Unit - Basic	<u>\$ 0.74</u>	<u>\$ 0.72</u>
FFO per weighted average Common Share/OP Unit - Diluted	<u>\$ 0.73</u>	<u>\$ 0.72</u>
Discontinued Operations:		
FFO per weighted average Common Share/OP Unit - Basic	<u>\$ -</u>	<u>\$ 0.01</u>
FFO per weighted average Common Share/OP Unit - Diluted	<u>\$ -</u>	<u>\$ 0.01</u>
Total Operations:		
FFO per weighted average Common Share/OP Unit - Basic	<u>\$ 0.74</u>	<u>\$ 0.73</u>
FFO per weighted average Common Share/OP Unit - Diluted	<u>\$ 0.73</u>	<u>\$ 0.73</u>

⁽²⁾ The Company entered into three interest rate swaps and an interest rate cap agreement. The valuation adjustment reflects the theoretical noncash profit and loss were those hedging transactions terminated at the balance sheet date. As the Company has no expectation of terminating the transactions prior to maturity, the net of these non-cash 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.

SUN COMMUNITIES

**STATEMENT OF OPERATIONS
SAME PROPERTY**

(in thousands)

	Quarter Ended		12 Months Ended	
	March 31, 2006	March 31, 2005	December 31, 2005	December 31, 2004
REVENUES				
Income from property	\$ 45,069	\$ 43,358	\$ 158,882	\$ 153,999
EXPENSES				
Real estate taxes	3,798	3,728	13,344	12,740
Payroll	3,260	3,253	11,815	11,628
Repairs and maintenance	1,022	1,142	6,335	6,273
Utilities, net	3,025	2,812	8,786	8,666
Other	1,250	1,393	4,736	4,778
Total expenses	<u>12,355</u>	<u>12,328</u>	<u>45,016</u>	<u>44,085</u>
NET OPERATING INCOME ("NOI")⁽¹⁾	<u>\$ 32,714</u>	<u>\$ 31,030</u>	<u>\$ 113,866</u>	<u>\$ 109,914</u>
NUMBER OF COMMUNITIES⁽³⁾	133	133	121	121
NUMBER OF DEVELOPED SITES⁽³⁾	46,516	46,488	42,926	42,876
NUMBER OF OCCUPIED SITES⁽³⁾	38,132	38,177	35,246	35,236
OCCUPANCY PERCENTAGE⁽⁴⁾	84.3%	84.7%	84.7%	85.0%
WEIGHTED AVERAGE RENT⁽⁴⁾	360	347	355	342
SITES AVAILABLE FOR DEVELOPMENT	6,359	6,501	5,282	5,446
SITES IN DEVELOPMENT	41	208	99	208

⁽³⁾ Includes MH and RV Sites

⁽⁴⁾ Includes MH sites only

SUN COMMUNITIES

STATEMENT OF OPERATIONS SAME PROPERTY -- PERCENTAGE GROWTH

	Quarter Ended		12 Months Ended
	March 31, 2006	March 31, 2005	December 31, 2005
NUMBER OF COMMUNITIES	133	122	121
REVENUES			
Income from property	3.9%	1.2%	3.2%
EXPENSES			
Real estate taxes	1.8%	7.6%	4.7%
Payroll	0.2%	-4.8%	1.6%
Repairs and maintenance	-10.5%	0.3%	1.0%
Utilities, net	7.6%	-0.9%	1.4%
Other	-10.3%	3.6%	-0.9%
Total expenses	0.22%	0.98%	2.11%
NET OPERATING INCOME ("NOI") ⁽¹⁾	5.4%	1.3%	3.6%

SUN COMMUNITIES

RENTAL PROGRAM SUMMARY

(in thousands)

	Three Months Ended	
	March 31, 2006	March 31, 2005
Revenue		
Rental program revenue	\$ 3,329	\$ 1,517
Site rent included in Income from rental Property	4,186	2,207
Total revenue	<u>\$ 7,515</u>	<u>\$ 3,724</u>
Expenses		
Payroll and commissions	475	427
Repairs and refurbishment	957	541
Taxes and insurance	594	281
Other	587	236
Total expenses	<u>2,613</u>	<u>1,485</u>
Operating income	<u>\$ 4,902</u>	<u>\$ 2,239</u>
Number of occupied rentals, end of period	4,215	2,536
Cost of occupied rental homes	\$ 124,007	\$ 70,033
Weighted average monthly rental rate	\$ 653	\$ 594

SUN COMMUNITIES

CAPITAL IMPROVEMENTS, DEVELOPMENT AND ACQUISITIONS (in thousands)

	Recurring Capital Expenditures Average/Site	Recurring Capital Expenditures ⁽⁵⁾	Lot Modifications ⁽⁶⁾	Acquisitions ⁽⁷⁾	Expansion & Development ⁽⁸⁾	Revenue Producing ⁽⁹⁾
2004	\$147	\$6,594	\$3,996	\$120,086	\$9,743	\$883
2005	\$163	\$7,702	\$4,342	\$9,759	\$3,633	\$891
thru 03/2006	\$29	\$1,384	\$778	\$7,865	\$697	\$366

⁽⁵⁾ Includes capital expenditures necessary to maintain asset quality, including purchasing and replacing assets used to operate the community. These capital expenditures include major road, driveway, and pool repairs, clubhouse renovations, and adding or replacing street lights, playground equipment, signage, maintenance facilities, manager housing and property vehicles. Minimum capitalizable amount or project is five hundred dollars. Excludes software conversion costs of \$ 0.44 million in 2004. In addition, \$0.65 million for refurbishment costs related to leased homes has been expensed in 2006.

⁽⁶⁾ Includes capital expenditures which improve the asset quality of the community. These costs are incurred when an existing older home (usually a smaller single-sectional home) moves out, and the site is prepared for a larger new home, more often than not, a multi-sectional home. These activities which are mandated by strict manufacturer's installation requirements and State building code include new foundations, driveways, and utility upgrades. The new home will be in the community for 30 to 40 years and these costs are depreciated over a 30 year life.

⁽⁷⁾ Acquisitions represent the purchase price of existing operating communities and land parcels to develop expansions or new communities. Acquisitions also include deferred maintenance identified during due diligence and those capital improvements necessary to bring the community up to Sun's standards. These include upgrading clubhouses, landscaping, new street light systems, new mailing delivery systems, pool renovation including larger decks, heaters, and furniture, new maintenance facilities, and new signage including main signs and internal road signs. These are considered as acquisition costs and while identified during due diligence, it sometimes requires six to twelve months after closing to complete.

⁽⁸⁾ These are the costs of developing expansions and new communities.

⁽⁹⁾ These are capital costs related to revenue generating activities, consisting primarily of cable TV, garages, sheds, and sub-metering of water and sewer. Occasionally, a special capital project requested by residents and accompanied by an extra rental increase will be classified as revenue producing. Capitalized revenue generating expenditures made by Sun Home Services, Inc. are excluded from this amount.

SUN COMMUNITIES

PROPERTY SUMMARY

	Quarter Ended				
	March 31, 2006	December 31, 2005	September 30, 2005	June 30, 2005	March 31, 2005
STABILIZED COMMUNITIES					
MICHIGAN					
Communities	44	43	43	43	43
Sites for Development	293	293	332	332	332
Developed Sites	13,720	13,493	13,454	13,454	13,454
Occupied	11,790	11,563	11,675	11,780	11,816
Occupancy %	85.9%	85.7%	86.8%	87.6%	87.8%
FLORIDA					
Communities	15	15	15	15	16
Sites for Development	346	329	358	372	515
Developed Sites	5,692	5,707	5,672	5,651	5,727
Occupied	5,630	5,614	5,599	5,563	5,620
Occupancy %	98.9%	98.4%	98.7%	98.4%	98.1%
INDIANA					
Communities	17	17	17	17	17
Sites for Development	422	422	422	422	422
Developed Sites	6,360	6,360	6,360	6,360	6,360
Occupied	4,751	4,741	4,776	4,858	4,927
Occupancy %	74.7%	74.5%	75.1%	76.4%	77.5%
OHIO					
Communities	10	10	10	10	10
Sites for Development	-	-	-	-	-
Developed Sites	2,917	2,917	2,917	2,917	2,917
Occupied	2,584	2,589	2,608	2,599	2,585
Occupancy %	88.6%	88.8%	89.4%	89.1%	88.6%
TEXAS					
Communities	6	6	6	6	6
Sites for Development	-	-	-	-	-
Developed Sites	1,501	1,501	1,500	1,500	1,499
Occupied	1,326	1,328	1,284	1,313	1,312
Occupancy %	88.3%	88.5%	85.6%	87.5%	87.5%
OTHER STATES					
Communities	17	17	17	17	17
Sites for Development	69	69	69	69	69
Developed Sites	6,687	6,687	6,687	6,687	6,687
Occupied	5,926	5,908	5,943	5,974	5,940
Occupancy %	88.6%	88.4%	88.9%	89.3%	88.8%

SUN COMMUNITIES

PROPERTY SUMMARY (continued)

	Quarter Ended				
	March 31, 2006	December 31, 2005	September 30, 2005	June 30, 2005	March 31, 2005
TOTAL--MH STABILIZED PORTFOLIO					
Communities	109	108	108	108	109
Sites for development	1,130	1,113	1,181	1,195	1,338
Developed sites	36,877	36,665	36,590	36,569	36,644
Occupied	32,007	31,743	31,885	32,087	32,200
Occupancy %	86.8%	86.6%	87.1%	87.7%	87.9%
NEW COMMUNITY DEVELOPMENT					
Communities	24	24	24	24	24
Sites for development	5,727	5,829	5,899	5,899	5,899
Developed sites	5,308	5,311	5,311	5,311	5,311
Occupied	3,494	3,406	3,391	3,357	3,212
Occupancy %	65.8%	64.1%	63.8%	63.2%	60.5%
RV PORTFOLIO SUMMARY					
Communities	12	12	12	12	13
Sites	5,399	5,409	5,425	5,438	5,662
Permanent	3,059	3,062	3,069	3,063	3,111
Seasonal	2,340	2,347	2,356	2,375	2,551
States					
Florida	4,404	4,414	4,429	4,442	4,657
Texas	838	838	839	839	848
Delaware	157	157	157	157	157

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

Communities total to more than 136 because certain communities have manufactured home and recreational vehicle components and are counted in each category and certain communities have both stabilized and development components.

SUN COMMUNITIES

**OPERATING STATISTICS
YEAR TO DATE**

<u>MARKETS</u>	<i>RESIDENT MOVE OUTS</i>	<i>NET LEASED SITES</i>	<i>NEW HOME SALES</i>	<i>PRE-OWNED HOME SALES</i>	<i>BROKERED RESALES</i>
Michigan	102	14	-	11	23
Florida	3	16	20	1	97
Indiana	57	14	-	7	10
Ohio	14	2	-	6	2
Texas	19	51	1	4	4
Other States	45	39	2	15	11
RV Communities	n/m	n/m	3	1	23
Through March 31, 2006	<u>240</u>	<u>136</u>	<u>26</u>	<u>45</u>	<u>170</u>

For the Year

2005	1,171	99	179	246	593
2004	1,118	(709)	180	357	683
2003	1,328	(849)	257	283	626
2002	1,256	(172)	286	174	592
2001	1,108	214	438	327	584
2000	720	366	416	182	863
1999	974	756	648	152	766
1998	883	998	682	188	642
1997	702	798	584	118	555

	<u>MOVE OUTS</u>	<u>RESALES</u>
Thru 3/31/2006	2.7%	8.1%
2005	3.3%	8.4%
2004	3.3%	8.0%
2003	3.9%	7.4%
2002	3.8%	7.1%
2001	3.2%	7.4%
2000	2.4%	8.6%
1999	3.1%	8.5%
1998	3.0%	8.6%
1997	2.8%	8.5%
1996	2.8%	8.9%

Note: 2004-2006 move outs exclude move outs by finance companies.

SUN COMMUNITIES, INC.
FOOTNOTES TO SUPPLEMENTAL DATA

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

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

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

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

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

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