



Retail REITs and Performance Contracting

*Presented at the NAESCO Fall Conference
October 24, 2007*

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Managing Energy for a Retail REIT in 2007



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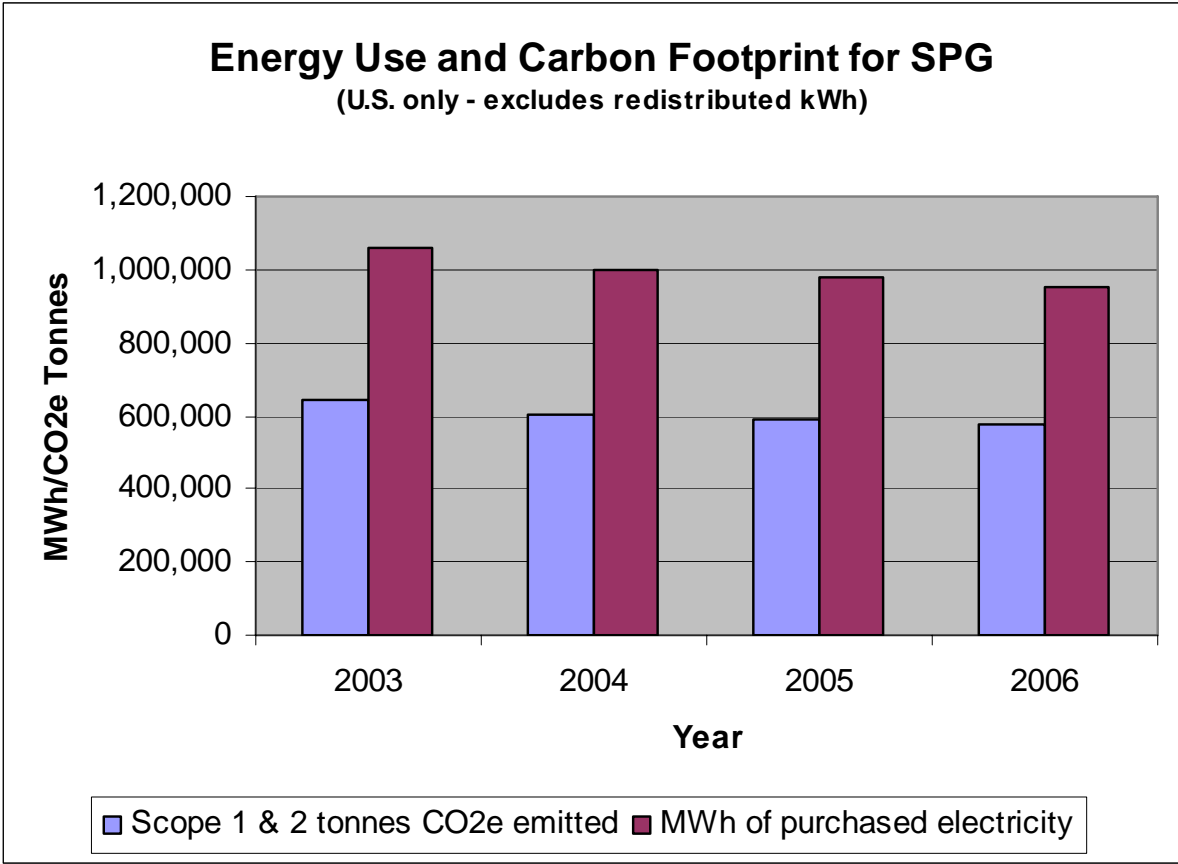


Simon Property Group

- Simon Property Group is an S&P 500 company and the largest public U.S. retail real estate company.
- Operates from five major platforms – regional malls, Premium Outlet Centers®, The Mills®, community/lifestyle centers, and international properties.
- Owns or has an interest in 323 properties in the U.S. and Puerto Rico comprising approximately 244 million square feet of GLA
- Spends around \$200 million in the U.S. for energy
- 2006 NAREIT Leader in the Light Gold award winner for excellence in energy management.



Sustainability at Simon Property Group



Annual energy costs under SPG's control are down \$11 million and the company's indirect GHG emissions have decreased nearly 10% from 2003 to 2006.



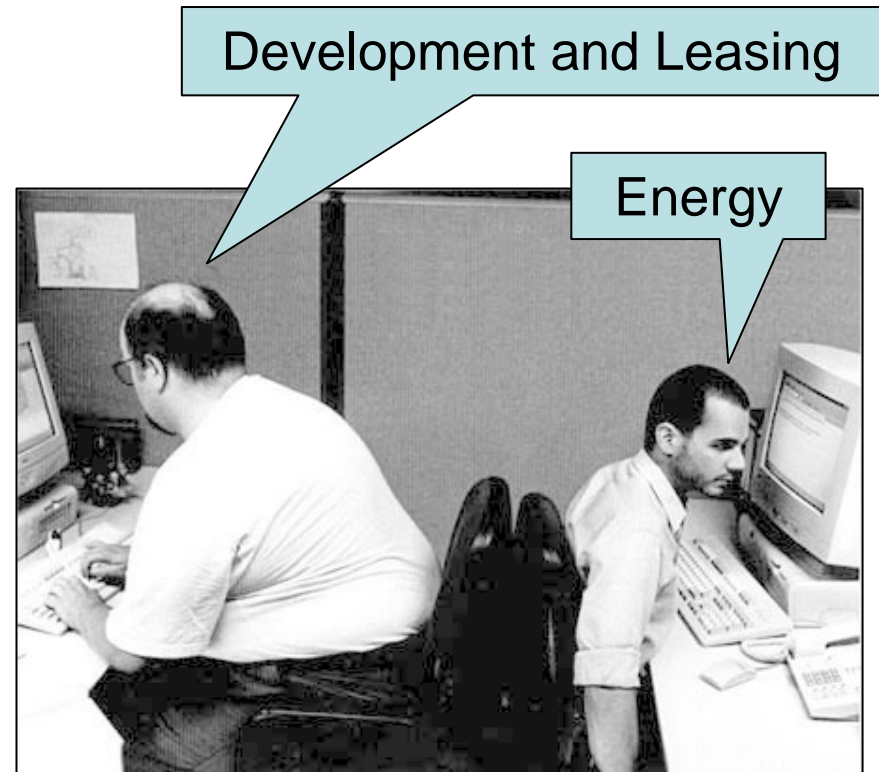
Energy Management at Simon Property Group

- Best Practices.
- Monitoring, Benchmarking and Reporting
- Investments in Energy Efficiency and Performance Contracting.
 - Chiller plants, roof top HVAC units, and boilers
 - Lighting systems
 - Energy management control systems
 - Power factor correction systems
 - Variable speed/frequency drives and high efficiency motors
- Critical Infrastructure, such as AMR.
- Demand Response and Peak Shaving.
- Access to Wholesale Supply Markets.

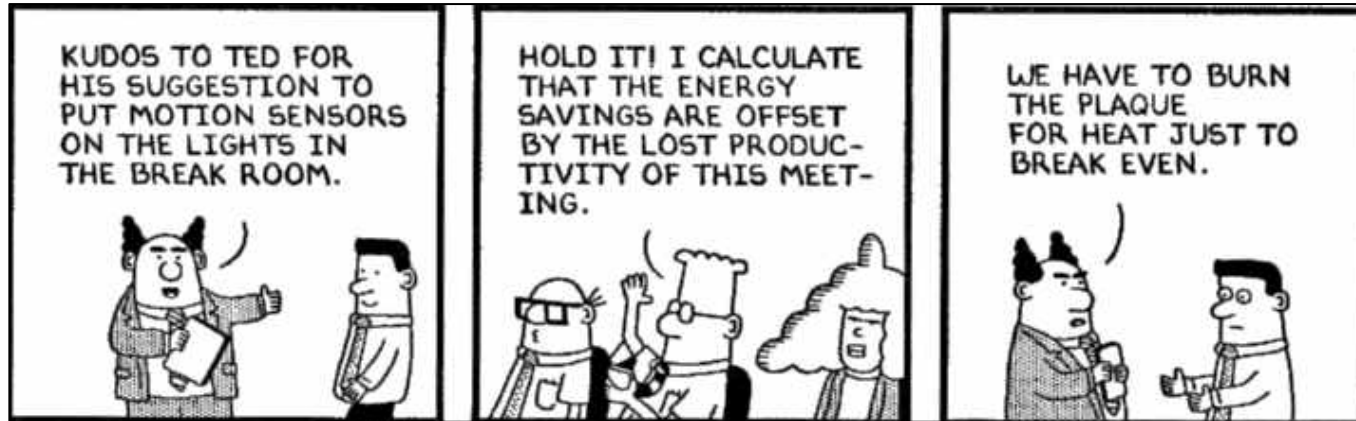


What ESCOs need to know

- For Landlord, the focus is on keeping the tenant and shopper experience comfortable and enjoyable.
- Energy represents less than 10% of operating costs...
- But...Energy represents between 25% and 35% of controllable operating costs.
- This means that eco-efficiency can have a material effect on EBITDA.



What ESCOs need to know (cont'd)



Provide clear and relevant (and true....) messages:

- EBITDA
- FFO per share
- Capitalization rate
- Life Cycle Cost avoidance
- IRR
- Tons of CO₂e reduction
- Other tangible benefits



What ESCOs need to know (cont'd)

- Make it easy to do business with you:
 - Standard ESCO contract
 - Third party M&V
 - Clear and simple guarantees
 - Understand the customer's technical criteria
 - Provide a program manager
 - Standardize reports
 - Standardize processes
 - Be agile
 - Provide flexible pricing options



Keep your eye on the big picture



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Questions?

