

GLOBAL GROWTH OPPORTUNITIES

Significantly expanded the Company's investment in Europe with a joint venture created to take advantage of significant growth opportunities in Italy

country's most successful retail complexes. Occupancy of the Kravco mall portfolio was 93.4% at year-end, and 2003 sales per square foot were \$424. These are solid-performing, well-located assets in excellent metropolitan markets. The portfolio also includes interests in four community shopping centers.

The Kravco management company manages a number of retail assets in addition to the Kravco portfolio and also operates a third-party development business. The management company will continue to be headquartered in King of Prussia, Pennsylvania.

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In 1998 we acquired an interest in a European development company with significant experience in European retail properties. Simon currently owns a 35.2% ownership interest in European Retail Enterprises, B.V., which operates through a wholly-owned subsidiary, Groupe BEG, S.A. (BEG).

Headquartered in Paris, BEG is an owner, developer and manager of retail shopping centers in France, Poland and Portugal. There are currently nine projects open and operating and two additional projects under construction which are scheduled to open in the fourth quarter of 2004 – Arkadia in Warsaw, Poland and Torcy North in Paris, France.

Our five years of experience in Europe has been positive and our European investments have generated attractive returns.

In December 2003 we entered into a joint venture with The Rinascente Group (RG) to create a separate entity – Gallerie Commerciali Italia S.p.A. (GCI) – to own, manage and develop shopping centers in Italy. RG contributed its existing 38 shopping centers, development opportunities and entitlements to GCI and then sold a 49% interest in GCI to one of our affiliates. The initial gross value of GCI was approximately 860 million euros (approximately \$1.1 billion), which included our initial equity investment of approximately 187 million euros (approximately \$232 million). GCI also has a number of projects under construction and in pre-development.

Our participation in GCI was a logical step in our growing international presence. We are not just contributing capital and financial strength, but are a true joint venture partner. The partnership structure gives Rinascente and Simon joint decision-making power over matters affecting the operation and management of GCI, including new development opportunities and the acquisition and disposition of assets.

Advantages to the Company in this venture are the development pipeline, the quality of our international partners and access to an under-retailed market. Auchan, the hypermarket anchor in all of the assets and one of the owners of The Rinascente Group, is one of the largest and best retailers in Europe and combined with Rinascente, provides local market expertise and meaningful relationships with international retailers. We believe that Italy is significantly under-retailed with slightly more than one square foot of retail space per capita, as compared to over 20 square feet of retail space per capita in the U.S. By another measure, Italy's GDP (gross domestic product) per square foot of retail space is approximately \$22,000, compared to approximately \$1,700 in the U.S.

The existing GCI properties are 99% occupied and represent more than 20% of the total shopping center space in Italy. This number will likely increase as GCI has several projects under construction and in predevelopment that could add up to six million square feet of space to its portfolio over the next five years. ■

WHY SIMON IN EUROPE?

Europe is significantly under-retailed when compared to the U.S. and the demand exists for new retail space. Occupancy for our existing European portfolio is already at 99%.

Simon has global brand name recognition among retail real estate developers and retailers and the ability to influence international retail developments. We can do this several different ways. First, our tenant relationships in the U.S. should reach overseas to new developments as U.S. retailers look for global expansion opportunities. We also expect to bring exciting, new international retailers to our North American assets. This cross-fertilization of retailers should prove advantageous to our retail properties on both sides of the Atlantic.

Another way we can impact international projects is to introduce Simon's proven management and development techniques. Sharing our expertise on SBN programs designed to increase operating efficiencies and SBV initiatives to maximize the marketing value of the mall shopper will provide additional revenue enhancements. Our European development projects have consistently generated double digit returns, and we have been able to create significant shareholder value with our international investments.