

TAUBMAN CENTERS INC

FORM 10-K (Annual Report)

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

(Mark one)

X

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE

ACT OF 1934 For the fiscal year ended December 31, 1998.

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____ Commission File Number 1-11530

TAUBMAN CENTERS, INC.

(Exact Name of Registrant as Specified in Its Charter)

Michigan
(State or other jurisdiction of
incorporation or organization)

38-2033632
(I.R.S. Employer
Identification No.)

200 East Long Lake Road
Suite 300, P.O. Box 200
Bloomfield Hills, Michigan
(Address of principal executive office)

48303-0200
(Zip Code)

Registrant's telephone number, including area code: (248) 258-6800

Securities registered pursuant to Section 12(b) of the Act:

Title of each class Common Stock, \$0.01 Par Value	Name of each exchange on which registered New York Stock Exchange
8.3% Series A Cumulative Redeemable Preferred Stock, \$0.01 Par Value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

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 periods that the registrant was required to file such report(s)) and (2) has been subject to such filing requirements for the past 90 days. Yes X No .

Indicate by a check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

As of March 23, 1999, the aggregate market value of the 52,691,181 shares of Common Stock held by non-affiliates of the registrant was \$613 million, based upon the closing price (\$11 5/8) on the New York Stock Exchange composite tape on such date. (For this computation, the registrant has excluded the market value of all shares of its Common Stock reported as beneficially owned by executive officers and directors of the registrant and certain other shareholders; such exclusion shall not be deemed to constitute an admission that any such person is an "affiliate" of the registrant.) As of March 23, 1999, there were outstanding 53,045,285 shares of Common Stock.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the proxy statement for the annual shareholders meeting to be held in 1999 are incorporated by reference into Part III.

PART I

Item 1. BUSINESS

The Company

Taubman Centers, Inc. (the "Company" or "TCO") was incorporated in Michigan in 1973 and had its initial public offering ("IPO") in 1992. Upon completion of the IPO, the Company became the managing general partner of The Taubman Realty Group Limited Partnership (the "Operating Partnership" or "TRG"). The Company has a 62.8% partnership interest in the Operating Partnership, through which the Company conducts all its operations. The Company owns, develops, acquires, and operates regional shopping centers ("Centers") and interests therein. The Company's portfolio, as of December 31, 1998, includes 16 urban and suburban Centers located in seven states. One additional Center opened in March 1999. Three additional Centers are presently or will soon be under construction and are expected to open in 2001. Thirteen of the Centers are "super-regional" centers because they have more than 800,000 square feet of gross leasable area. The Operating Partnership also owns certain regional retail shopping center development projects and more than 99% of The Taubman Company Limited Partnership (the "Manager"), which manages the shopping centers, and provides other services to the Operating Partnership and the Company. See the table on pages 12 and 13 of this report for information regarding the Centers.

The Company is a real estate investment trust, or REIT, under the Internal Revenue Code of 1986, as amended (the "Code"). In order to satisfy the provisions of the Code applicable to REITs, the Company must distribute to its shareholders at least 95% of its REIT taxable income and meet certain other requirements. The Operating Partnership's agreement provides that the Operating Partnership will distribute, at a minimum, sufficient amounts to its partners such that the Company's pro rata share will enable the Company to pay shareholder dividends (including capital gains dividends that may be required upon the Operating Partnership's sale of an asset) that will satisfy the REIT provisions of the Code.

Recent Developments

On September 30, 1998, the Operating Partnership exchanged interests in 10 shopping centers (nine wholly owned (Briarwood, Columbus City Center, The Falls, Hilltop, Lakeforest, Marley Station, Meadowood Mall, Stoneridge, and The Mall at Tuttle Crossing) and one joint venture (Woodfield)) and a share of the Operating Partnership's debt for all of the partnership units owned by two pension trusts of General Motors Corporation (GMPT) (the GMPT Exchange). Performance statistics for periods presented below include these ten centers (the GMPT Centers) through the completion of the GMPT Exchange, except as noted.

For a discussion of the GMPT Exchange and other business developments that occurred in 1998, see the response to Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" (MD&A).

The Shopping Center Business

There are several types of retail shopping centers, varying primarily by size and marketing strategy. Retail shopping centers range from neighborhood centers of less than 100,000 square feet of GLA to regional and super-regional shopping centers. Retail shopping centers in excess of 400,000 square feet of GLA are generally referred to as "regional" shopping centers, while those centers having in excess of 800,000 square feet of GLA are generally referred to as "super-regional" shopping centers. In this annual report on Form 10-K, the term "regional shopping centers" refers to both regional and super-regional shopping centers. The term "GLA" refers to gross retail space, including anchors and mall tenant areas, and the term "Mall GLA" refers to gross retail space, excluding anchors. The term "anchor" refers to a department store or other large retail store. The term "mall tenants" refers to stores (other than anchors) that are typically specialty retailers and lease space in shopping centers.

Business of the Company

The Company, as managing general partner of the Operating Partnership, is engaged in the ownership, management, leasing, acquisition, development and expansion of regional shopping centers.

The Centers:

o are strategically located in major metropolitan areas, many in communities that are among the most affluent in the country, including New York City, Los Angeles, Denver, Detroit, Phoenix, and Washington, D.C.;

o range in size between 437,000 and 1.5 million square feet of GLA and between 132,000 and 598,000 square feet of Mall GLA. The smallest Center has approximately 50 stores, and the largest has approximately 200 stores. Of the 16 Centers, 13 are super-regional shopping centers;

o have approximately 2,160 stores operated by its mall tenants under approximately 790 trade names;

o have 50 anchors, operating under 15 trade names;

o lease approximately 77% of Mall GLA to national chains, including subsidiaries or divisions of The Limited (The Limited, Limited Express, Victoria's Secret, and others), The Gap (The Gap, Banana Republic, and others), and Venator Group, Inc. (Foot Locker, Kinney Shoes, and others); and

o are among the most productive (measured by mall tenants' average per square foot sales) in the United States. In 1998, mall tenants had average per square foot sales of \$426, which is substantially greater than the average for all regional shopping centers owned by public companies.

The most important factor affecting the revenues generated by the Centers is leasing to mall tenants (primarily specialty retailers), which represents approximately 90% of revenues. Anchors account for approximately 5% of revenues because many own their stores and, in general, those that lease their stores do so at rates substantially lower than those in effect for mall tenants.

The Company's portfolio is concentrated in highly productive super-regional shopping centers. Of the 16 Centers, 13 had annual rent rolls at December 31, 1998 of over \$10 million and had annualized sales per square foot in excess of \$350. The Company believes that this level of productivity is indicative of the Centers' strong competitive position and is, in significant part, attributable to the Company's business strategy and philosophy. The Company believes that large shopping centers (including regional and especially super-regional shopping centers) are the least susceptible to direct competition because (among other reasons) anchors and large specialty retail stores do not find it economically attractive to open additional stores in the immediate vicinity of an existing location for fear of competing with themselves. In addition to the advantage of size, the Company believes that the Centers' success can be attributed in part to their other physical characteristics, such as design, layout, and amenities.

Business Strategy And Philosophy

The Company believes that the regional shopping center business is not simply a real estate development business, but rather an operating business in which a retailing approach to the on-going management and leasing of the Centers is essential. Thus the Company:

o offers a large, diverse selection of retail stores in each Center to give customers a broad selection of consumer goods and variety of price ranges;

o endeavors to increase overall mall tenants' sales, and thereby increase achievable rents, by leasing space to a constantly changing mix of tenants; and

o seeks to anticipate trends in the retailing industry and emphasizes ongoing introductions of new retail concepts into the Centers. Due in part to this strategy, a number of successful retail trade names have opened their first mall stores in the Centers. The Company believes that its execution of this leasing strategy is unique in the industry and is an important element in building and maintaining customer loyalty and increasing mall productivity.

The Centers compete for retail consumer spending through diverse, in-depth presentations of predominantly fashion merchandise in an environment intended to facilitate customer shopping. While some Centers include stores that target high-end, upscale customers, each Center is individually merchandised in light of the demographics of its potential customers within convenient driving distance.

The Company's leasing strategy involves assembling a diverse mix of mall tenants in each of the Centers in order to attract customers, thereby generating higher sales by mall tenants. High sales by mall tenants make the Centers attractive to prospective tenants, thereby increasing the rental rates that prospective tenants are willing to pay. The Company implements an active leasing strategy to increase the Centers' productivity and to set minimum rents at higher levels. Elements of this strategy include terminating leases of under-performing tenants, renegotiating existing leases, and not leasing space to prospective tenants that (though viable or attractive in certain ways) would not enhance a Center's retail mix.

Potential For Growth

The Company's principal objective is to enhance shareholder value. The Company seeks to maximize the financial results of its assets, while pursuing a growth strategy that concentrates primarily on an active new center development program.

Development of New Centers

The Company is pursuing an active program of regional shopping center development. The Company believes that it has the expertise to develop economically attractive regional shopping centers through intensive analysis of local retail opportunities. The Company believes that the development of new centers is the best use of its capital and an area in which the Company excels. At any time, the Company has numerous potential development projects in various stages.

During November 1998, the Company opened Great Lakes Crossing, an enclosed value super-regional mall in Auburn Hills, Michigan. In addition, MacArthur Center, located in Norfolk, Virginia, opened in March 1999.

Additionally, three new centers are currently under construction: Tampa International, an enclosed 1.3 million square foot super-regional mall in Tampa, Florida; The Shops at Willow Bend, a 1.5 million square foot regional shopping center in the metropolitan Dallas area; and The Mall at Wellington Green, a 1.3 million square foot regional shopping center located in West Palm Beach County, Florida. All three of these Centers are expected to open in 2001.

The Company's policies with respect to development activities are designed to reduce the risks associated with development. For instance, the Company entered into an agreement to lease Memorial City Mall, a center adjacent to one of the most affluent residential areas in Houston, Texas, while the Company investigates the redevelopment opportunities of the center. Also, the Company generally does not intend to acquire land early in the development process, but will instead generally acquire options on land or form partnerships with landholders holding potentially attractive development sites, typically exercising options only once it is prepared to begin construction. In addition, the Company does not intend to begin construction until a sufficient number of anchor stores have agreed to operate in the shopping center, such that the Company is confident that the projected sales and rents from Mall GLA are sufficient to earn a return on invested capital in excess of the Company's cost of capital. Having historically followed these two principles, the Company's experience indicates that less than 20% of the costs of the development of a regional shopping center will be incurred prior to the construction period; however, no assurance can be given that the Company will continue to be able to so limit pre-construction costs.

While the Company will continue to evaluate development projects using criteria, including financial criteria for rates of return, similar to those employed in the past, no assurances can be given that the adherence to these policies will produce comparable results in the future. In addition, the costs of shopping center development opportunities that are explored but ultimately abandoned will, to some extent, diminish the overall return on development projects (see "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources -- Capital Spending" for further discussion of the Company's development activities).

Strategic Acquisitions

The Company's objective is to acquire existing centers only when these are compatible with the quality of the Company's portfolio (or can be redeveloped to that level) and that satisfy the Company's strategic plans and pricing requirements.

The Company believes it will have additional opportunities to acquire regional shopping centers, or interests therein, and will have certain advantages in doing so.

o First, the management expertise of the Manager will enhance the leasing and operation of newly acquired regional shopping centers. If opportunities exist to expand, remodel, or re-merchandise the center through new leasing, the Company's expertise will assist in making an informed and timely evaluation of the economic consequences of such activities prior to acquisition, as well as facilitate implementation of such activities.

o Second, a center can be acquired for any combination of cash or equity interests in the Operating Partnership or (subject to certain limitations) the Company, possibly creating the opportunity for tax-advantaged transactions for the seller, thereby reducing the price that might otherwise have to be paid in an all cash transaction or making an opportunity available that would not otherwise exist. The Operating Partnership is able to offer partnership interests in itself in exchange for shopping center interests, allowing sellers to diversify their interests, attain liquidity not otherwise available, possibly defer taxes that might otherwise be due if the interests were instead sold for cash, maintain an investment in the regional shopping center business, and resolve concerns sellers otherwise may have regarding future management of their properties.

Expansions of the Centers

Another potential element of growth is the strategic expansion of existing properties to update and enhance their market positions, by replacing or adding new anchor stores or increasing mall tenant space. Most of the Centers have been designed to accommodate expansions. Expansion projects can be as significant as new shopping center construction in terms of scope and cost, requiring governmental and existing anchor store approvals, design and engineering activities, including rerouting utilities, providing additional parking areas or decking, acquiring additional land, and relocating anchors and mall tenants (all of which must take place with a minimum of disruption to existing tenants and customers). In 1998, for example, the Company opened a 132,000 square foot expansion of the Mall GLA at Cherry Creek and completed a major renovation at Woodland. In addition, a new Macy's will begin construction in 1999 at Fair Oaks and is expected to open in 2000.

The following table includes information regarding recent development, acquisition, and expansion activities.

Developments:

Completion Date -----	Center -----	Location -----
July 1997	Tuttle Crossing (1)	Columbus, Ohio
November 1997	Arizona Mills	Tempe, Arizona
November 1998	Great Lakes Crossing	Auburn Hills, Michigan
March 1999	MacArthur Center	Norfolk, Virginia

Acquisitions:

Completion Date -----	Center -----	Location -----
September 1997	Regency Square	Richmond, Virginia
December 1997	Tuttle Leasehold (1)	Columbus, Ohio

December 1997 The Falls (1) (2) Miami, Florida

Expansions, Renovations and Anchor Conversions:

Completion Date -----	Center -----	Location -----
March 1997	Beverly Center (3)	Los Angeles, California
August 1997	Westfarms (4)	West Hartford, Connecticut
November 1997-August 1998	Cherry Creek (5)	Denver, Colorado
December 1997	Biltmore (6)	Phoenix, Arizona
November 1998	Woodland	Grand Rapids, Michigan

(1) Centers transferred to GMPT in connection with the GMPT Exchange.

(2) Completely redeveloped and expanded in 1996 before the acquisition of The Falls.

(3) Broadway converted to Bloomingdale's.

(4) 135,000 square foot expansion followed by the opening of a new Nordstrom in September.

(5) Lord & Taylor opened a new and expanded store in 1997. Additional 132,000 square foot expansion of mall tenant space opened in August of 1998.

(6) 50,000 square foot expansion of mall tenant space completed.

Internal Growth

The Centers are among the most productive in the nation, when measured by mall tenant's average sales per square foot. Higher sales per square foot enable mall tenants to remain profitable while paying occupancy costs that are a greater percentage of total sales. As leases expire at the Centers, the Company has consistently been able, on a portfolio basis, to lease the available space to an existing or new tenant at higher rates.

Augmenting this growth, the Company is pursuing a number of new sources of revenue from the Centers. For example, the Company expects increased revenue from its specialty leasing efforts. In recent years a new industry -- beyond traditional carts and kiosks -- has evolved, with more and better quality specialty tenants. The Company has put in place a company-wide program to maximize this opportunity.

Rental Rates

As leases have expired in the Centers, the Company has generally been able to rent the available space, either to the existing tenant or a new tenant, at rental rates that are higher than those of the expired leases. In a period of increasing sales, rents on new leases will tend to rise as tenants' expectations of future growth become more optimistic. In periods of slower growth or declining sales, rents on new leases will grow more slowly or will decline for the opposite reason. However, Center revenues nevertheless increase as older leases roll over or are terminated early and replaced with new leases negotiated at current rental rates that are usually higher than the average rates for existing leases. The following table contains certain information regarding per square foot base rent at Centers that have been owned and open for five years.

	Year Ended December 31				
	1998 (1)	1997	1996	1995	1994
Average base rent per square foot:					
All mall tenants	\$41.93	\$38.79	\$37.90	\$36.33	\$34.72
Stores closing during year	\$44.27	\$37.62	\$33.39	\$32.96	\$30.46
Stores opening during year	\$47.92	\$41.67	\$42.39	\$41.27	\$41.02

(1) Excludes transferred centers.

Lease Expirations

The following table shows lease expirations based on information available as of December 31, 1998 for the next ten years for the Centers in operation at that date:

Lease Expiration Year -----	Number of Leases Expiring -----	Leased Area in Square Footage -----	Annualized Base Rent Under Expiring Leases (in thousands) -----	Annualized Base Rent Under Expiring Leases Per Square Foot -----	Percent of Total Leased Square Footage Represented by Expiring Leases -----
1999 (1)	68	188,527	\$7,277	\$38.60	2.4%
2000	197	456,882	18,310	40.08	5.8%
2001	200	517,671	21,570	41.67	6.5%
2002	260	742,597	26,010	35.03	9.4%
2003	287	905,024	32,533	35.95	11.4%
2004	231	664,076	29,117	43.85	8.4%
2005	226	652,125	29,202	44.78	8.2%
2006	150	447,482	20,081	44.88	5.6%
2007	159	632,667	23,179	36.64	8.0%
2008	188	929,937	29,925	32.18	11.7%

(1)Excludes leases that expire in 1999 for which renewal leases or leases with replacement tenants have been executed as of December 31, 1998.

The Company believes that the information in the table is not necessarily indicative of what will occur in the future because of several factors, but principally because its leasing policies and practices create a significant level of early lease terminations at the Centers. For example, the average remaining term of the leases that were terminated during the period 1993 to 1998 was approximately 1.8 years. The average term of leases signed during 1998 and 1997 was approximately 7.4 years.

In addition, mall tenants at the Centers may seek the protection of the bankruptcy laws, which could result in the termination of such tenants' leases and thus cause a reduction in cash flow. Prior to 1992, such bankruptcies had not affected more than 3% of leases in the shopping centers in any one calendar year. In 1998, approximately 1.2% of leases were so affected compared to 1.5% in 1997, 2.8% in 1996, 3.2% in 1995, and 3.1% in 1994. Since 1991, the annual provision for losses on accounts receivable has been less than 2% of annual revenues.

Occupancy

Mall tenant average occupancy , ending occupancy, and leased space rates of the Centers are as follows:

	Year Ended December 31 -----				
	1998 (1)	1997	1996	1995	1994
	----	----	----	----	----
Average Occupancy	89.4%	87.6%	87.4%	88.0%	86.6%
Ending Occupancy	90.2%	90.3%	88.0%	89.4%	89.3%
Leased Space	92.3%	92.3%	89.0%	90.6%	90.9%

(1) Excludes transferred centers.

Major Tenants

No single retail company represents 10% or more of the Company's revenues. The combined operations of The Limited, Inc. accounted for approximately 9.4% of leased Mall GLA as of December 31, 1998 and for approximately 9.1% of the 1998 base rent. The largest of these, in terms of square footage and rent, is The Limited, which accounted for approximately 1.8% of leased Mall GLA and 1.7% of 1998 base rent. No other single retail company accounted for more than 4% of leased Mall GLA or 1998 base rent.

Environmental Matters

All of the Centers presently owned by the Company (not including option interests in the Development Projects or any of the real estate managed but not included in the Company's portfolio) have been subject to environmental assessments. The Company is not aware of any environmental liability relating to the Centers or any other property in which they have or had an interest (whether as an owner or operator) that the Company believes would have a material adverse effect on the Company's business, assets, or results of operations. No assurances can be given, however, that all environmental liabilities have been identified or that no prior owner, operator, or current occupant has created an environmental condition not known to the Company. Moreover, no assurances can be given that (i) future laws, ordinances, or regulations will not impose any material environmental liability or that (ii) the current environmental condition of the Centers will not be affected by tenants and occupants of the Centers, by the condition of properties in the vicinity of the Centers (such as the presence of underground storage tanks), or by third parties unrelated to the Company.

With respect to the matters described below, while there can be no assurances, the Company believes that such matters will not have a material adverse effect on the Company's business, assets, or results of operations.

Beverly Center is located over an oil field and several abandoned oil wells, and is adjacent to an active oil production facility that operates numerous oil and gas wells. In the Los Angeles basin, where Beverly Center is located, pockets of methane gas may be found in oil fields; however, elevated levels of methane have not been detected at Beverly Center.

Cherry Creek is situated on land that was used as a landfill prior to 1950. Because of the past use of the site as a landfill, the site is listed on the United States Environmental Protection Agency's Comprehensive Environmental Response, Compensation and Liability Information System list.

In the summer of 1997, geotechnical drilling activities were undertaken in the former gasoline station area as part of a parking lot expansion at the southeastern corner of the Cherry Creek site. The geotechnical soil samples were observed to have petroleum odors and staining. A subsurface environmental investigation subsequently revealed a limited zone of hydrocarbon contaminated soils, with no significant impacts to groundwater. Discussions with the Colorado Department of Labor and Employment, Oil Inspection Section, held in September 1997, resulted in a "passive retardation" remedial approach that relies on natural processes to degrade the hydrocarbon contamination. A Corrective Action Plan was submitted and accepted in 1998 that provided for monitoring the soil and groundwater. The monitoring procedures required under this plan have been completed.

Paseo Nuevo is located in an area of known groundwater contamination by tetrachloroethylene ("PCE"). The groundwater under and around the site was monitored for six years before, during, and after construction of the center. No on-site sources of PCE were identified during construction. The Regional Water Quality Control Board has given approval to discontinue the monitoring program because the PCE levels remained relatively constant over the six-year period and do not exceed the state standard for PCE in drinking water.

There are asbestos containing materials ("ACMs") at most of the Centers, primarily in the form of floor tiles, roof coatings and mastics. The floor tiles, roof coatings and mastics are generally in good condition. The Manager has developed and is implementing an operations and maintenance program that details operating procedures with respect to ACMs prior to any renovation and that requires periodic inspection for any change in condition of existing ACMs.

Personnel

The Company has engaged the Manager to provide real estate management, acquisition, development, and administrative services required by the Company and its properties.

As of December 31, 1998, the Manager had 432 full-time employees. The following table provides a breakdown of employees by operational areas as of December 31, 1998:

	Number Of Employees

Property Management.....	194
Leasing.....	70
Development.....	53
Financial Services.....	63
Other	52

Total.....	432
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The Manager considers its relations with its employees to be good.

Item 2. PROPERTIES

Ownership

The following table sets forth certain information about each of the Centers. The table includes only Centers in operation at December 31, 1998. Excluded from this table are MacArthur Center, which opened in March 1999, and Tampa International, The Shops at Willow Bend, and the Mall at Wellington Green, all of which will open in 2001. Also excluded is Memorial City Mall, a development project. Centers are owned in fee other than Beverly Center, Cherry Creek, La Cumbre Plaza and Paseo Nuevo, which are held under ground leases expiring between 2028 and 2083.

Certain of the Centers are partially owned through joint ventures. Generally, the Operating Partnership's joint venture partners have ongoing rights with regard to the disposition of the Operating Partnership's interest in the joint ventures, as well as the approval of certain major matters.

Owned Centers -----	Anchors -----	Sq. Ft of GLA/ Mall GLA as of 12/31/98 -----	Year Opened/ Expanded -----	Year Acquired -----	Ownership % as of 12/31/98 -----	Percent of Mall GLA Occupied as of 12/31/98 -----	1998 Rent (1) (in Thousands) -----
Beverly Center Los Angeles, CA	Bloomingdale's, Macy's	906,000/ 598,000	1982		70%(2)	98%	\$ 26,001
Biltmore Fashion Park Phoenix, AZ	Macy's, Saks Fifth Avenue	563,000/ 324,000	1963/1992/ 1997	1994	100%	97%	11,329
Cherry Creek Denver, CO	Foley's, Lord & Taylor, Neiman Marcus, Saks Fifth Avenue (3)	1,031,000/ 558,000 (4)	1990/1998		50%	88%	19,456
Fair Oaks Fairfax, VA (Washington, D.C. Metropolitan Area)	Hecht's, JCPenney, Lord & Taylor, Sears (5)	1,406,000/ 590,000	1980/1987/ 1988		50%	86%	19,504
Fairlane Town Center Dearborn, MI (Detroit Metropolitan Area)	Hudson's, JCPenney, Lord & Taylor, Saks Fifth Avenue, Sears	1,405,000/(6) 515,000	1976/1978/ 1980		100%	78%	13,751
La Cumbre Plaza Santa Barbara, CA	Robinsons-May, Sears	479,000/ 179,000	1967/1989	1996	100%	94%	4,098
Lakeside Sterling Heights, MI (Detroit Metropolitan Area)	Crowley's, Hudson's, JCPenney, Lord & Taylor, Sears	1,469,000/ 508,000	1976/1980		50%	87%	17,535
Paseo Nuevo Santa Barbara, CA	Macy's, Nordstrom	437,000/ 132,000	1990	1996	100%	89%	4,356
Regency Square Richmond, VA	Hecht's (two locations), JCPenney, Sears	826,000/ 239,000	1975/1987	1997	100%	96%	8,954
The Mall at Short Hills, Short Hills, NJ	Bloomingdale's, Macy's, Neiman Marcus, Nordstrom, Saks Fifth Avenue	1,350,000/ 528,000	1980/1994/ 1995		100%	97%	32,179
Stamford Town Center Stamford, CT	Filene's, Macy's, Saks Fifth Avenue	873,000/ 380,000	1982		50%	90%	16,367
Twelve Oaks Mall Novi, MI (Detroit Metropolitan Area)	Hudson's, JCPenney, Lord & Taylor, Sears	1,222,000/ 484,000	1977/1980		50%	92%	19,972

Owned Centers	Anchors	Sq. Ft of GLA/ Mall GLA as of 12/31/98	Year Opened/ Expanded	Year Acquired	Ownership % as of 12/31/98	Percent of Mall GLA Occupied as of 12/31/98	1998 Rent (1) (in Thousands)
Westfarms West Hartford, CT	Filene's, Filene's Men's Store/Furniture Gallery, JCPenney, Lord & Taylor, Nordstorm	1,298,000/ 528,000	1974/1997		79%	91%	\$21,920
Woodland Grand Rapids, MI	Hudson's, JCPenney, Sears	1,093,000/ 368,000	1968/1974/ 1984/1989		50%	97%	14,831
Value Centers: -----							
Arizona Mills Tempe, AZ (Phoenix Metropolitan Area)	GameWorks, Harkins Cinemas, JCPenney Outlet, Neiman Marcus - Last Call, Off 5th Saks, Rainforest Cafe	1,191,000/ 531,000	1997		37%	94%	21,044
Great Lakes Crossing Auburn Hills, MI (Detroit Metropolitan Area)	Bass Pro, GameWorks, JCPenney Outlet, Neiman Marcus-Last Call, Off 5th Saks, Rainforest Cafe, Star Theatres	1,385,000/(7) 576,000 -----	1998		80%	79%	3,544 (1)
Total GLA/Total Mall GLA:		16,934,000/ 7,038,000					
Average GLA/Average Mall GLA:		1,058,000/ 440,000					

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- (1) Includes minimum and percentage rent for the year ended December 31, 1998. Excludes rent from certain peripheral properties. For Great Lakes Crossing, which opened in November, the amounts reflect rents for the period subsequent to the opening date.
 - (2) The Company has an option to acquire the remaining 30%. The results of Beverly Center are consolidated in the Company's financial statements.
 - (3) Nordstrom will be added as a fifth anchor.
 - (4) GLA excludes approximately 166,000 square feet for the renovated buildings on adjacent peripheral land.
 - (5) A newly constructed Macy's store will open in the fall of 2000.
 - (6) A 30-screen theater will be added and is anticipated to open in the spring of 2000.
 - (7) Includes three additional anchors totaling approximately 296,000 square feet, which will open in the spring of 1999.

Anchors

The following table summarizes certain information regarding the anchors at the Centers (excluding the value centers) as of December 31, 1998.

Name ----	Number of Anchor Stores -----	12/31/98 GLA (in thousands) -----	% of GLA -----
May Company			
Lord & Taylor	6 (1)	760	
Hecht's	3	417	
Filene's	2	379	
Filene's Men's Store/ Furniture Gallery	1	80	
Foley's	1	178	
Robinsons-May	1	150	
	---	----	
Total	14	1,964	11.6%
Sears	7	1,582	9.3%
JCPenney	7	1,327	7.8%
Federated			
Macy's	5 (1)	881	
Bloomingdale's	2	379	
	--	----	
Total	7	1,260	7.5%
Dayton Hudson			
Hudson's	4	853	5.0%
Nordstrom	3 (2)	516	3.0%
Saks	5	450	2.7%
Neiman Marcus	2	216	1.3%
Crowley's	1	115	0.7%
Dillard's	0 (2)	0	
	---	----	----
Total	50	8,283	57.7%
	===	=====	=====

(1) A new Macy's store will open at Fair Oaks in 2000.

(2) An additional Nordstrom store was added along with Dillard's at MacArthur Center, which opened in March 1999.

Mortgage Debt

The following table sets forth certain information regarding the mortgages encumbering the Centers as of December 31, 1998. All mortgage debt in the table below is nonrecourse to the Operating Partnership, except for debt encumbering Arizona Mills and MacArthur Center. The Operating Partnership has guaranteed the payment of principal and interest on the mortgage debt of these Centers. The loan agreements provide for the reduction of the amounts guaranteed as certain center performance and valuation criteria are met, with the Operating Partnership's guaranty of the Arizona Mills' principal being \$13.1 million at December 31, 1998. The guarantee on the MacArthur Center mortgage is currently for 100% of the outstanding balance. Biltmore is also encumbered by assessment bonds totaling approximately \$2.8 million, which are not included in the table.

Centers Consolidated in TCO's Financial Statements -----	Interest Rate -----	Principal Balance as of 12/31/98 (000's) -----	Annual Debt Service (000's) -----	Maturity Date ----	Balance Due on Maturity (000's) -----	Earliest Prepayment Date ----
Beverly Center	8.36%	\$146,000	Interest Only	07/15/04	\$146,000	30 Days' Notice (1)
MacArthur Center (70%)	Floating	94,589(3)	Interest Only	10/27/00	94,589	4 Days' Notice (2)
Centers Owned by Unconsolidated Joint Ventures/TRG's % Ownership -----						
Arizona Mills (37%)	Floating(4)	140,984(4)	Interest Only	02/01/02	140,984	5 Days' Notice (2)
Cherry Creek (50%)	Floating(5)	130,000	Interest Only	08/01/99	130,000	4 Days' Notice (2)
Fair Oaks (50%)	6.60%	140,000	Interest Only	04/01/08	140,000	04/01/00 (1)
Lakeside (50%)	6.47%	88,000	Interest Only	12/15/00	88,000	30 Days' Notice (1)
Stamford Town Center (50%)	11.69% (6)	54,887	7,207	12/01/17	0	01/01/00 (7)
Twelve Oaks Mall (50%)	Floating(8)	49,955	Interest Only	10/15/01	50,000	30 Days' Notice (2)
Westfarms (79%)	7.85%	100,000	Interest Only	07/01/02	100,000	60 Days' Notice (1)
	Floating(9)	55,000(10)	Interest Only	07/01/02	55,000	4 Days' Notice (2)
Woodland (50%)	8.20%	66,000	Interest Only	05/15/04	66,000	30 Days' Notice (1)

-
- (1) Debt may be prepaid with a yield maintenance prepayment penalty. No prepayment penalty is due if prepaid within six months of maturity date.
 - (2) Prepayment can be made without penalty.
 - (3) The loan is a construction facility with a current maximum availability of \$150 million, which is expected to be lowered to \$120 million in 1999. The Company is in the process of finalizing an amendment to this loan agreement.
 - (4) The loan is a construction facility with a maximum availability of \$142 million. The rate is capped at 9.5% until maturity, plus credit spread, based on one month LIBOR.
 - (5) The rate is capped to maturity at 7%, plus credit spread, based on one month LIBOR.
 - (6) The lender is entitled to contingent interest equal to 20% of annual applicable receipts in excess of approximately \$9.0 million.
 - (7) The mortgage has a prepayment penalty of 6%, declining by one-half of 1% for each year after the earliest prepayment date, reducing to a minimum penalty of 1%, plus an amount equal to ten times the greater of (i) contingent interest payable for the year immediately preceding prepayment or (ii) the average amount of contingent interest for the three years immediately prior to prepayment.
 - (8) The rate is capped at 8.55% until maturity, plus credit spread, based on one month LIBOR.
 - (9) The loan is a construction facility with a maximum availability of \$55 million. The rate on the construction facility is capped until maturity at 6.5%, plus credit spread.

For additional information regarding the Centers and their operation, see the responses to Item 1 of this report. For a discussion of the Company's plans in 1999 to refinance certain debt obligations with secured financing, see MD&A.

Item 3. LEGAL PROCEEDINGS

Neither the Company, its subsidiaries, nor any of the joint ventures is presently involved in any material litigation nor, to the Company's knowledge, is any material litigation threatened against the Company, its subsidiaries or any of the properties. Except for routine litigation involving present or former tenants (generally eviction or collection proceedings), substantially all litigation is covered by liability insurance.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

PART II**Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS**

The common stock of Taubman Centers, Inc. is listed and traded on the New York Stock Exchange (Symbol:TCO). As of March 23, 1999, the 53,045,285 outstanding shares of Common Stock were held by 693 holders of record.

The following table presents the dividends declared and range of share prices for each quarter of 1998 and 1997.

1998 Quarter Ended -----	Market Quotations -----		
	High ----	Low ---	Dividends -----
March 31	\$13 11/16	\$12 1/8	\$0.235
June 30	14 3/8	12 3/4	0.235
September 30	14 3/4	12 1/4	0.235
December 31	14 3/16	12 5/16	0.24

1997 Quarter Ended -----	Market Quotations -----		
	High ----	Low ---	Dividends -----
March 31	\$15	\$12 3/8	\$ 0.23
June 30	13 5/8	12 5/8	0.23
September 30	13 11/16	12 1/2	0.23
December 31	13 7/16	11 5/8	0.235

During the fourth quarter of 1998, the Company offered and sold a total of 31,399,913 shares of Series B Non-Participating Convertible Preferred Stock (the "Series B Stock") to the partners (other than the Company) in TRG, which is the Company's subsidiary Operating Partnership, in an offering exempt from registration under the Securities Act of 1933 (the "Securities Act"). Under the Company's articles of incorporation, as amended on September 30, 1998, the Company was required to offer each partner in the Operating Partnership (other than the Company) the right to subscribe for Series B Stock on the basis of one share of Series B Stock for each Unit of Partnership Interest in the Operating Partnership owned by the subscribing partner. The aggregate offering price was \$38,400, which was equal to the Series B Stock's per share liquidation preference of \$0.001 multiplied by the number of shares sold. The Company sold all of the offered shares. The Company offered and sold all shares directly and did not pay any commissions or discounts.

Each share of Series B Stock is entitled to one vote. The Series B Stock and the Company's Common Stock vote as a single class on all matters submitted to a vote of the Company's shareholders. The Series B Stock is not entitled to dividends or other distributions, except upon liquidation as indicated above.

The Series B Stock is convertible under certain circumstances into Common Stock at the ratio of one share of Common Stock for each 14,000 shares of Series B Stock (with any resulting fractional shares of Common Stock being redeemed for cash). Generally, a partner desiring to sell (by exchange or otherwise) Units in the Operating Partnership to the Company must surrender for conversion shares of Series B Stock equal in number to the Units being sold. In addition, if a transfer of Series B Stock results in the transferee holding more shares of Series B Stock than is permitted under the Company's articles of incorporation, then the shares of Series B Stock in excess of the permitted number will automatically convert into Common Stock (or will be redeemed for cash, as indicated above).

The offering of Series B Stock described above was exempt from registration under the Securities Act pursuant to Section 4(2) of the Securities Act. Under the Company's articles of incorporation, the Company may issue shares of Series B Stock only to partners in the Operating Partnership. Offers were limited to partners in the Operating Partnership, who constitute a limited number of sophisticated investors (all of whom are "accredited investors," as defined in Rule 501 under the Securities Act) fully familiar with the business and operations of the Company, and did not involve any general solicitation or advertising. Under the Company's articles of incorporation, resales of the Series B Stock are permitted only if registered (or exempt from registration) under the Securities Act, and each certificate evidencing Series B Stock carries a restrictive legend.

Item 6. SELECTED FINANCIAL DATA

The following table sets forth selected financial data for the Company and should be read in conjunction with the financial statements and notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations included in this report.

	Year Ended December 31				
	1998	1997	1996	1995	1994
	----	----	----	----	----
	(In thousands of dollars, except as noted)				
STATEMENT OF OPERATIONS DATA:					
Income before extraordinary items from investment in TRG (1)		29,349	21,368	19,831	17,654
Rents, recoveries and other shopping center revenues (1)	333,953				
Income before extraordinary items	70,403	28,662	20,730	19,267	17,014
Extraordinary items (2)	(50,774)		(444)	5,836	(16,087)
Minority Interest (1)	(6,009)				
Net income	13,620	28,662	20,286	25,103	927
Series A preferred dividends (3)	(16,600)	(4,058)			
Net income (loss) available to common shareowners	(2,980)	24,604	20,286	25,103	927
Income before extraordinary items per common share - diluted (4)	0.32	0.48	0.47	0.44	0.38
Net income (loss) per common share - diluted (4)	(0.06)	0.48	0.46	0.57	0.02
Dividends per common share declared	0.945	0.925	0.89	0.88	0.88
Weighted average number of common shares outstanding	52,223,399	50,737,333	44,444,833	44,249,617	44,589,709
Number of common shares outstanding at end of period	52,995,904	50,759,657	50,720,358	44,134,913	44,570,913
Ownership percentage of TRG at end of period (1)	62.79%	36.70%	36.68%	35.10%	35.10%
BALANCE SHEET DATA (1):					
Investment in TRG		547,859	369,131	307,190	322,316
Real estate before accumulated depreciation	1,473,440				
Total assets	1,480,863	556,824	378,527	315,076	333,316
Total debt	775,298				
SUPPLEMENTAL INFORMATION (5):					
Funds from Operations allocable to TCO (6)	61,131	53,137	44,104	40,798	38,989
Mall tenant sales (7)	2,332,726	3,086,259	2,827,245	2,739,393	2,561,555
Sales per square foot (7)	426	384	377	364	348
Number of shopping centers at end of period	16	25	21	19	20
Ending Mall GLA in thousands of square feet	7,038	10,850	9,250	8,996	9,088
Average occupancy	89.4%	87.6%	87.4%	88.0%	86.6%
Ending occupancy	90.2%	90.3%	88.0%	89.4%	89.3%
Leased space (8)	92.3%	92.3%	89.0%	90.6%	90.9%
Average base rent per square foot (9):					
All mall tenants	\$41.93	\$38.79	\$ 37.90	\$ 36.33	\$34.72
Stores closing during year	\$44.27	\$37.62	\$ 33.39	\$ 32.96	\$30.46
Stores opening during year	\$47.92	\$41.67	\$ 42.39	\$ 41.27	\$41.02

- (1) On September 30, 1998 the Company obtained a majority and controlling interest in The Taubman Realty Group Limited Partnership (TRG or the Operating Partnership) as a result of the GMPT Exchange (see Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) - GMPT Exchange and Related Transactions). As a result of this transaction, the Company's ownership of the Operating Partnership increased to 62.8% and the Company began consolidating the Operating Partnership. For 1998, the interest of the noncontrolling partners of the Operating Partnership (the Minority Interest) is deducted to arrive at the results allocable to the Company's shareowners. For years prior to 1998, amounts reflect the Company's interest in the Operating Partnership under the equity method.
- (2) 1998 extraordinary charges include \$49.8 million related to debt extinguished in anticipation of the GMPT Exchange, primarily consisting of prepayment premiums. In 1995, the Company recognized its \$6.6 million share of an extraordinary gain related to the disposition of Bellevue Center and the related extinguishment of debt. Also, included as extraordinary items in 1994 through 1998 are charges related to the extinguishment of other debt, primarily consisting of prepayment premiums.
- (3) In October 1997, the Company issued 8.3% Series A Preferred Stock on which dividends are paid quarterly.
- (4) Basic and diluted earnings per share amounts are equal, except for 1998, for which basic income before extraordinary items per share was \$0.33.
- (5) Operating statistics for 1998 exclude centers transferred to GMPT as part of the GMPT Exchange. See MD&A for 1997 operating statistics restated

- (6) Funds from Operations is defined and discussed in MD&A - Liquidity and Capital Resources-Funds from Operations. Funds from Operations does not represent cash flow from operations, as defined by generally accepted accounting principles, and should not be considered to be an alternative to net income as a measure of operating performance or to cash flows as a measure of liquidity.
- (7) Based on reports of sales furnished by mall tenants.
- (8) Leased space comprises both occupied space and space that is leased but not yet occupied.
- (9) Amounts include centers owned and open for at least five years.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with Selected Financial Data and the Financial Statements of Taubman Centers, Inc. and the Notes thereto.

General Background and Performance Measurement

The Company owns a managing general partner's interest in The Taubman Realty Group Limited Partnership (Operating Partnership), through which the Company conducts all of its operations. The Operating Partnership owns, develops, acquires, and operates regional shopping centers nationally. The Consolidated Businesses consist of shopping centers that are controlled by ownership or contractual agreement, development projects for future regional shopping centers and The Taubman Company Limited Partnership (the Manager). Shopping centers that are not controlled and that are owned through joint ventures with third parties (Unconsolidated Joint Ventures) are accounted for under the equity method.

The operations of the shopping centers are best understood by measuring their performance as a whole, without regard to the Company's ownership interest. Consequently, in addition to the discussion of the operations of the Consolidated Businesses, the operations of the Unconsolidated Joint Ventures are presented and discussed as a whole.

On September 30, 1998, the Operating Partnership exchanged interests in 10 shopping centers (nine Consolidated Businesses (Briarwood, Columbus City Center, The Falls, Hilltop, Lakeforest, Marley Station, Meadowood Mall, Stoneridge, and The Mall at Tuttle Crossing) and one Unconsolidated Joint Venture (Woodfield)) and a share of the Operating Partnership's debt for all of the partnership units owned by General Motors Pension Trusts (GMPT) (the GMPT Exchange - see Results of Operations -- GMPT Exchange and Related Transactions). Performance statistics presented below include these ten centers (transferred centers) through the completion of the GMPT Exchange, except as noted. Because the Company's portfolio changed significantly as a result of the GMPT Exchange, the results of operations of the transferred centers have been separately classified within the Consolidated Businesses and Unconsolidated Joint Ventures for purposes of analyzing and understanding the historical results of the current portfolio.

Since the Company's interest in the Operating Partnership has been its sole material asset throughout all periods presented, references in the following discussion to "the Company" include the Operating Partnership, except where intercompany transactions are discussed or as otherwise noted, even though the Operating Partnership did not become a consolidated subsidiary until September 30, 1998.

Mall Tenant Sales and Center Revenues

Over the long term, the level of mall tenant sales is the single most important determinant of revenues of the shopping centers because mall tenants provide approximately 90% of these revenues and because mall tenant sales determine the amount of rent, percentage rent, and recoverable expenses (together, total occupancy costs) that mall tenants can afford to pay. However, levels of mall tenant sales can be considerably more volatile in the short run than total occupancy costs.

The Company believes that the ability of tenants to pay occupancy costs and earn profits over long periods of time increases as sales per square foot increase, whether through inflation or real growth in customer spending. Because most mall tenants have certain fixed expenses, the occupancy costs that they can afford to pay and still be profitable are a higher percentage of sales at higher sales per square foot.

The following table summarizes occupancy costs, excluding utilities, for mall tenants as a percentage of mall tenant sales.

	Current Portfolio		Historical Portfolio (1)	
	1998	1997	1998	1997
Mall tenant sales(in thousands)	\$2,332,726	\$1,965,905	\$3,198,966	\$3,086,259
Sales per square foot	426	410	408	384
Minimum rents	9.7%	10.0%	10.3%	10.1%
Percentage rents	0.3	0.3	0.3	0.3
Expense recoveries	4.1	4.2	4.5	4.4
Mall tenant occupancy costs	14.1%	14.5%	15.1%	14.8%

(1) Includes transferred centers through the date of the GMPT Exchange.

Occupancy

Historically, average annual occupancy has been within a narrow band. In the last ten years, average annual occupancy has ranged between 86.5% and 89.4%. Mall tenant average occupancy, ending occupancy and leased space rates are as follows:

	Current Portfolio		Historical Portfolio (1)	
	1998	1997	1998	1997
Mall Tenant Average Occupancy				
1998	89.4%		89.0%	
1997	88.0		87.6	
Ending Occupancy				
1998	90.2%			
1997	90.7			
Leased Space				
1998	92.3%			
1997	92.7			

(1) Includes transferred centers through the date of the GMPT Exchange.

Rental Rates

As leases have expired in the shopping centers, the Company has generally been able to rent the available space, either to the existing tenant or a new tenant, at rental rates that are higher than those of the expired leases. In a period of increasing sales, rents on new leases will tend to rise as tenants' expectations of future growth become more optimistic. In periods of slower growth or declining sales, rents on new leases will grow more slowly or will decline for the opposite reason. However, Center revenues nevertheless increase as older leases roll over or are terminated early and replaced with new leases negotiated at current rental rates that are usually higher than the average rates for existing leases. The following table contains certain information regarding per square foot base rent at the shopping centers that have been owned and open for five years.

	Current Portfolio	
	1998	1997
Average Base Rent per square foot:		
All mall tenants	\$41.93	\$41.37
Stores closing during the year	\$44.27	\$39.07
Stores opening during the year	\$47.92	\$41.08

Seasonality

The regional shopping center industry is seasonal in nature, with mall tenant sales highest in the fourth quarter due to the Christmas season, and with lesser, though still significant, sales fluctuations associated with the Easter holiday and back-to-school events. While minimum rents and recoveries are generally not subject to seasonal factors, most leases are scheduled to expire in the first quarter, and the majority of new stores open in the second half of the year in anticipation of the Christmas selling season. Accordingly, revenues and occupancy levels are generally highest in the fourth quarter. Because the seasonality of sales contrasts with the generally fixed nature of minimum rents and recoveries, mall tenant occupancy costs (the sum of minimum rents, percentage rents and expense recoveries) relative to sales are considerably higher in the first three quarters than they are in the fourth quarter.

Results of Operations

The following represent significant debt and equity transactions, new center openings, acquisitions and expansions which affect the operating results described under Comparison of Fiscal Year 1998 to Fiscal Year 1997.

GMPT Exchange and Related Transactions

On September 30, 1998, the Operating Partnership exchanged interests in 10 shopping centers (nine wholly owned and one Unconsolidated Joint Venture), together with \$990 million of debt, for all of GMPT's partnership units (approximately 50 million units with a fair value of \$675 million, based on the average stock price of the Company's common shares of \$13.50 for the two week period prior to the closing), providing the Company with a majority and controlling interest in the Operating Partnership. As a result of the GMPT Exchange, the Company's general partnership interest in the Operating Partnership increased to 62.8% of the approximately 84.3 million units of partnership interest outstanding. The Operating Partnership will continue to manage the centers exchanged under management agreements with GMPT that expire December 31, 1999. The management agreements are cancelable with 90 days notice.

In anticipation of the GMPT Exchange, the Operating Partnership used the \$1.2 billion proceeds from two bridge loans bearing interest at one month LIBOR plus 1.30% to extinguish \$1.1 billion of debt, including substantially all of the Operating Partnership's public unsecured debt, its outstanding commercial paper, and borrowings on its existing line of credit. The remaining proceeds were used primarily to pay prepayment premiums and transaction costs. An extraordinary charge of approximately \$49.8 million, consisting primarily of prepayment premiums, was incurred in connection with the extinguishment of the debt. GMPT's share of debt received in the exchange included the \$902 million balance on the first bridge loan, \$86 million representing 50% of the debt on the Joint Venture owned shopping center, and \$1.6 million of assessment bond obligations. (See Liquidity and Capital Resources below regarding the Operating Partnership's beneficial interest in debt and its plans to refinance its bridge loan.)

Concurrently with the GMPT Exchange, the Operating Partnership committed to a restructuring of its operations. A restructuring charge of approximately \$10.7 million was incurred, consisting primarily of costs related to involuntary termination of personnel. The Company expects to reduce its annual consolidated general and administrative expense to approximately \$19 million in 1999. This is a forward-looking statement, and certain significant factors could cause the actual reductions in general and administrative expense to differ materially, including but not limited to: 1) actual payroll reductions achieved; 2) actual results of negotiations; 3) use of outside consultants; and 4) changes in the Company's owned or managed portfolio.

Other Debt and Equity Transactions

In January 1998, the Operating Partnership redeemed a partner's 6.1 million units of partnership interest for approximately \$77.7 million (including costs). The redemption was funded through the use of an existing revolving credit facility.

In October 1997, the Company used the \$200 million public offering of eight million shares of 8.3% Series A Cumulative Redeemable Preferred Stock to acquire a preferred equity interest in the Operating Partnership. The Operating Partnership used the net proceeds to pay down debt under existing revolving credit and commercial paper facilities, which were used to fund the acquisition of Regency Square in September 1997.

Openings, Expansions and Acquisitions

In November 1998, Great Lakes Crossing, an 80% owned enclosed value super-regional mall, opened in Auburn Hills, Michigan. The center opened 95% leased. In November 1997, Arizona Mills, a 37% owned enclosed value super-regional shopping center located in Tempe, Arizona, opened 90% leased.

At Cherry Creek, a 132,000 square foot expansion opened in stages throughout the fall of 1998. A 135,000 square foot expansion opened at Westfarms in August 1997. In addition, approximately 50,000 square feet of new mall stores opened at Biltmore in 1997.

In September 1997, the Operating Partnership acquired Regency Square (Regency) shopping center, located in Richmond, Virginia, for \$123.9 million in cash. The operating results of Regency have been reflected in the Company's results from the acquisition date.

In December 1997, the Operating Partnership acquired The Falls shopping center and the leasehold interest in The Mall at Tuttle Crossing, which opened in July 1997. These two centers were transferred to GMPT.

Memorial City Mall Lease

In November 1996, the Operating Partnership entered into an agreement to lease Memorial City Mall (Memorial City), a 1.4 million square foot shopping center located in Houston, Texas. The lease of this unencumbered property grants the Operating Partnership the exclusive right to manage, lease and operate the property. The Operating Partnership has the option to terminate the lease after the third full lease year by paying \$2 million to the lessor. The Operating Partnership is using this option period to evaluate the redevelopment opportunities of the center. As a development project, Memorial City has been excluded from all operating statistics in this report, and Memorial City's results of operations have been presented as a net line item in the following tabular comparisons of results of operations. Memorial City is expected to have an immaterial effect on EBITDA and net income during the option period.

Presentation of Operating Results

In order to facilitate the analysis of the ongoing business for periods prior to the GMPT Exchange, the following tables contain the combined operating results of the Company and the Operating Partnership and also present separately the revenues and expenses, other than interest, depreciation and amortization, of the transferred centers. The following discussions include analysis of the Consolidated Businesses and the Unconsolidated Joint Ventures, with the interest of the noncontrolling partners of the Operating Partnership (the Minority Interest) deducted to arrive at the results allocable to the Company's shareowners. Because the Operating Partnership's net equity is less than zero, for periods subsequent to the GMPT Exchange the income allocated to the Minority Interest is equal to the Minority Interest's share of distributions. The Operating Partnership's net equity is less than zero due to accumulated distributions in excess of net income and not as a result of operating losses. Distributions to partners are usually greater than net income because net income includes non-cash charges for depreciation and amortization. The Company's average ownership percentage of the Operating Partnership was 43.2% for 1998 (including averages of 38.96% for the period through the GMPT Exchange, and 62.77% thereafter) and 36.7% for 1997.

Comparison of Fiscal Year 1998 to Fiscal Year 1997

The following table sets forth operating results for 1998 and 1997, showing the results of the Consolidated Businesses and Unconsolidated Joint Ventures:

	1998			1997		
	UNCONSOLIDATED			UNCONSOLIDATED		
	CONSOLIDATED	JOINT		CONSOLIDATED	JOINT	
	BUSINESSES(1)	VENTURES (2)	TOTAL	BUSINESSES(1)	VENTURES (2)	TOTAL
	(in millions of dollars)					
REVENUES:						
Minimum rents	99.8	149.3	249.1	86.4	121.1	207.5
Percentage rents	5.2	3.7	8.9	5.0	2.6	7.5
Expense recoveries	57.9	79.2	137.1	51.6	64.4	115.9
Management, leasing and development	12.3		12.3	8.5		8.5
Other	17.4	6.8	24.2	11.4	8.0	19.4
Revenues - transferred centers	129.7	47.2	177.0	138.9	62.7	201.6
Total revenues	322.3	286.3	608.6	301.6	258.8	560.4
OPERATING COSTS:						
Recoverable expenses	51.4	66.0	117.4	45.6	53.7	99.2
Other operating	25.7	11.7	37.4	16.8	10.7	27.5
Management, leasing and development	8.0		8.0	4.4		4.4
Expenses other than interest, depreciation and amortization - transferred centers	44.3	17.7	62.0	47.7	23.9	71.5
General and administrative	24.6		24.6	26.7		26.7
Interest expense	75.8	69.7	145.5	73.6	54.5	128.2
Depreciation and amortization	57.0	31.5	88.5	49.2	23.7	72.8
Total operating costs	286.8	196.7	483.5	264.0	166.4	430.4
Net results of Memorial City (1)	(0.8)		(0.8)	0.0		0.0
	34.7	89.7	124.4	37.6	92.4	130.0
		=====	=====		=====	=====
Equity in income before extraordinary item of Unconsolidated Joint Ventures	46.4			48.8		
Restructuring loss	(10.7)					
Income before extraordinary items and minority interest	70.4			86.4		
Extraordinary items	(50.8)					
Minority interest	(6.0)			(57.8)		
Net income	13.6			28.7		
Series A preferred dividends	(16.6)			(4.1)		
Net income (loss) available to common shareowners	(3.0)			24.6		
	=====			=====		
SUPPLEMENTAL INFORMATION (3):						
EBITDA contribution	168.3	104.3	272.6	161.4	94.4	255.7
Beneficial Interest Expense	(75.8)	(37.1)	(112.9)	(73.6)	(29.3)	(102.9)
Non-real estate depreciation	(2.3)		(2.3)	(2.1)		(2.1)
Preferred dividends	(16.6)		(16.6)	(4.1)		(4.1)
Funds from Operations contribution	73.7	67.1	140.8	81.6	65.1	146.7
	=====	=====	=====	=====	=====	=====

- (1) The results of operations of Memorial City are presented net in this table. The Company expects that Memorial City's net operating income will approximate the ground rent payable under the lease for the immediate future.
- (2) With the exception of the Supplemental Information, amounts represent 100% of the Unconsolidated Joint Ventures. Amounts are net of intercompany profits.
- (3) EBITDA represents earnings before interest and depreciation and amortization. Funds from Operations is defined and discussed in Liquidity and Capital Resources.
- (4) Amounts in this table may not add due to rounding.
- (5) Certain 1997 amounts have been reclassified to conform to 1998 classifications.

Consolidated Businesses

Total revenues for 1998 were \$322.3 million, a \$20.7 million, or 6.9%, increase over 1997. Minimum rents increased \$13.4 million, of which \$8.9 million was due to the opening of Great Lakes Crossing and the acquisition of Regency. Minimum rents also increased because of the expansion at Biltmore and tenant rollovers. Expense recoveries increased primarily due to Great Lakes Crossing and Regency. Revenues from management, leasing and development services increased primarily due to the new management agreements with GMPT. Other revenue increased primarily due to an increase in gains on sales of peripheral land and lease cancellation revenue.

Total operating costs increased \$22.8 million, or 8.6%, to \$286.8 million. Recoverable and other operating expenses increased due to Great Lakes Crossing and Regency. Other operating expense also increased due to professional fees, management expense and an increase in the charge to operations for costs of potentially unsuccessful pre-development activities. General and administrative expense decreased \$2.1 million between periods due to decreases in payroll and reduced employee relocation and recruiter costs, partially offset by increases attributable to the phase-in of the long term compensation plan.

Interest expense increased due to an increase in debt used to finance Tuttle Crossing, the acquisition of The Falls and the redemption of a partner's interest in the Operating Partnership, partially offset by a decrease in debt paid down with the proceeds of the October 1997 and April 1998 equity offerings and the assumption of debt by GMPT as part of the GMPT Exchange. Depreciation and amortization expense increased due to Great Lakes Crossing, Tuttle Crossing, Regency and The Falls, partially offset by the decrease in expense due to the transferred centers only being included in 1998 through the date of the GMPT Exchange.

Revenues and expenses other than interest and depreciation for the transferred centers for 1998 represent operations through the date of the GMPT Exchange. The resulting decreases from 1997 were partially offset by increases in revenues and expenses due to the acquisition of The Falls and the opening of Tuttle Crossing.

During 1998, a \$10.7 million loss on the restructuring was recognized, which primarily represented the cost of certain involuntary terminations of personnel.

Unconsolidated Joint Ventures

Total revenues for 1998 were \$286.3 million, a \$27.5 million, or 10.6%, increase from 1997. The increase in minimum rents and expense recoveries was primarily due to Arizona Mills and the expansions at Westfarms and Cherry Creek. Minimum rents also increased due to tenant rollovers. Other revenue decreased by \$1.2 million primarily due to a decrease in gains on peripheral land sales.

Total operating costs increased by \$30.3 million, or 18.2%, to \$196.7 million for 1998. Recoverable and depreciation and amortization expenses increased primarily due to Arizona Mills and the expansions. Other operating expense increased primarily due to Arizona Mills. Interest expense increased primarily due to an increase in debt used to finance Arizona Mills and the Westfarms expansion, and a decrease in capitalized interest related to these two projects.

Revenues and expenses other than interest and depreciation for the transferred centers for 1998 represent the operations of Woodfield through the date of the GMPT Exchange, resulting in decreases from the prior year.

As a result of the foregoing, income before extraordinary item of the Unconsolidated Joint Ventures decreased by \$2.7 million, or 2.9%, to \$89.7 million. The Company's equity in income before extraordinary item of the Unconsolidated Joint Ventures was \$46.4 million, a 4.9% decrease from the comparable period in 1997.

Net Income

As a result of the foregoing, the Company's income before extraordinary items and Minority Interest decreased to \$70.4 million for 1998. The Minority Interest in the Company's results decreased to \$6.0 million, from \$57.8 million, reflecting the Company's increased ownership in the Operating Partnership due to the GMPT Exchange and other equity transactions, as well as the Minority Interest's \$30.7 million share of the 1998 extraordinary items.

Also, the Company recognized its \$20.1 million share of \$50.8 million in extraordinary charges related to the extinguishment of debt, including debt extinguished in anticipation of the GMPT Exchange, primarily consisting of prepayment premiums. After payment of \$16.6 million in Series A preferred dividends, net income (loss) available to common shareowners for 1998 was \$(3.0) million compared to \$24.6 million for 1997.

Comparison of Fiscal Year 1997 to Fiscal Year 1996

Discussion of significant debt and equity transactions, acquisitions, and openings occurring in 1997 is included in the Comparison of Fiscal Year 1998 to Fiscal Year 1997. Significant 1996 items are described below.

In December 1996, the Company acquired an additional interest in the Operating Partnership with the proceeds from the Company's December 1996 offering of common stock. The Operating Partnership used the net proceeds to pay down short term floating rate debt and to acquire La Cumbre Plaza. Additionally in 1996, the Operating Partnership issued units of partnership interest in connection with the acquisition of the 75% remaining interest in Fairlane Town Center. These units were redeemed by the Operating Partnership in January 1998. Prior to the acquisition date, the Company's interest in Fairlane (through the Operating Partnership) was accounted for under the equity method as an Unconsolidated Joint Venture. Additionally, in June 1996, the Operating Partnership acquired a 100% leasehold interest in Paseo Nuevo, located in Santa Barbara, California, for \$37 million in cash.

The Company's average ownership percentage of the Operating Partnership was 36.7% for 1997 and 34.5% for 1996.

Comparison of Fiscal Year 1997 to Fiscal Year 1996

The following table sets forth operating results showing the results of the Consolidated Businesses and Unconsolidated Joint Ventures:

	1997			1996		
	UNCONSOLIDATED			UNCONSOLIDATED		
	CONSOLIDATED	JOINT	TOTAL	CONSOLIDATED	JOINT	TOTAL
	BUSINESSES (1)	VENTURES (2)		BUSINESSES (1)	VENTURES (2)	
	(in millions of dollars)					
REVENUES:						
Minimum rents	86.4	121.1	207.5	69.4	123.4	192.8
Percentage rents	5.0	2.6	7.5	3.5	3.5	6.9
Expense recoveries	51.6	64.4	115.9	41.4	69.0	110.4
Management, leasing and development	8.5		8.5	8.5		8.5
Other	11.4	8.0	19.4	9.2	7.6	16.8
Revenues - transferred centers	138.9	62.7	201.6	130.1	61.8	191.9
	-----	-----	-----	-----	-----	-----
Total revenues	301.6	258.8	560.4	262.2	265.3	527.5
OPERATING COSTS:						
Recoverable expenses	45.6	53.7	99.2	36.0	58.3	94.3
Other operating	16.8	10.7	27.5	14.8	11.3	26.1
Management, leasing and development	4.4		4.4	4.7		4.7
Expenses other than interest, depreciation and amortization - transferred centers	47.7	23.9	71.5	46.2	25.1	71.2
General and administrative	26.7		26.7	22.7		22.7
Interest expense	73.6	54.5	128.2	70.5	53.5	124.0
Depreciation and amortization	49.2	23.7	72.8	40.1	22.9	63.0
	-----	-----	-----	-----	-----	-----
Total operating costs	264.0	166.4	430.4	235.0	171.1	406.0
Net results of Memorial City (1)	0.0		0.0	0.2		0.2
	-----	-----	-----	-----	-----	-----
	37.6	92.4	130.0	27.3	94.3	121.6
	=====	=====	=====	=====	=====	=====
Equity in income before extraordinary item of Unconsolidated Joint Ventures	48.8			48.6		
	----			----		
Income before extraordinary item and minority interest	86.4			76.0		
Extraordinary item				(1.3)		
Minority Interest	(57.8)			(54.3)		
	-----			-----		
Net income	28.7			20.3		
Series A preferred dividends	(4.1)					
	-----			-----		
Net income available to common shareowners	24.6			20.3		
	=====			=====		
SUPPLEMENTAL INFORMATION (3):						
EBITDA contribution	161.4	94.4	255.7	138.6	91.2	229.8
Beneficial Interest Expense	(73.6)	(29.3)	(102.9)	(70.5)	(27.7)	(98.2)
Non-real estate depreciation	(2.1)		(2.1)	(1.9)		(1.9)
Preferred dividends	(4.1)		(4.1)			
	-----	-----	-----	-----	-----	-----
Funds from Operations contribution	81.6	65.1	146.7	66.2	63.5	129.7
	=====	=====	=====	=====	=====	=====

- (1) The results of operations of Memorial City are presented net in this table. The Company expects that Memorial City's net operating income will approximate the ground rent payable under the lease for the immediate future.
- (2) With the exception of the Supplemental Information, amounts represent 100% of the Unconsolidated Joint Ventures. Amounts are net of intercompany profits.
- (3) EBITDA represents earnings before interest and depreciation and amortization. Funds from Operations is defined and discussed in Liquidity and Capital Resources.
- (4) Amounts in this table may not add due to rounding.
- (5) Certain 1997 and 1996 amounts have been reclassified to conform to 1998 classifications.

Consolidated Businesses

Total revenues for 1997 were \$301.6 million, a \$39.4 million or 15.0% increase over 1996. Minimum rents increased \$17.0 million, of which \$15.1 million was caused by the 1997 and 1996 acquisitions. The results of Fairlane have been consolidated in the Operating Partnership's results subsequent to the acquisition date in July 1996 (prior to that date Fairlane was accounted for under the equity method as an Unconsolidated Joint Venture). Minimum rents also increased due to the expansion at Biltmore and tenant rollovers. Percentage rent and expense recoveries increased primarily due to the acquisitions. Other revenue increased \$2.2 million primarily due to an insurance recovery, a litigation settlement, and an increase in lease cancellation revenue. The transferred centers' total revenues increased primarily due to the opening of Tuttle Crossing.

Total operating costs increased \$29.0 million, or 12.3%. Recoverable and depreciation and amortization expenses increased primarily due to the acquisitions. Other operating expenses increased primarily due to the acquisitions, offset by a decrease in the charge to operations for costs of potentially unsuccessful pre-development activities. General and administrative expense increased by \$4.0 million primarily due to increases in compensation (including the continuing phase-in of the long-term compensation plan), recruiter fees and relocation charges, travel, and training. Interest expense increased due to an increase in debt used to finance Tuttle Crossing and capital expenditures at other Consolidated Businesses, partially offset by an increase in capitalized interest. The acquisitions were initially funded with debt which was subsequently paid down with the proceeds from the December 1996 and the October 1997 equity issuances.

Unconsolidated Joint Ventures

Total revenues for 1997 were \$258.8 million, a \$6.5 million, or 2.5%, decrease from 1996, representing a \$15.0 million decrease caused by the change of Fairlane from an Unconsolidated Joint Venture to a Consolidated Business, offset by increases due to the openings of Arizona Mills and the expansion at Westfarms, in addition to increases at other centers. The decrease in minimum rents was primarily due to Fairlane, offset by Arizona Mills, Westfarms and increases due to tenant rollovers at other centers. The decrease in expense recoveries was primarily due to Fairlane, offset by Arizona Mills. Other revenue increased by \$0.4 million primarily due to gains on peripheral land sales, offset by a decrease in lease cancellation revenue and interest income.

Total operating costs decreased by \$4.7 million, or 2.7%, to \$166.4 million for 1997 including a \$10.1 million decrease due to Fairlane. Recoverable expenses decreased \$4.6 million primarily due to Fairlane, offset by increases due to Arizona Mills. Other operating costs decreased primarily due to Fairlane and a decrease in bad debt expense. Additionally, included in 1996 other operating expense was a nonrecurring \$0.5 million payment to an anchor at one of the centers. Interest expense increased \$1.0 million primarily due to an increase in debt used to finance Arizona Mills and the Westfarms expansion, partially offset by a decrease in debt related to Fairlane. Operating costs as presented in the preceding table differ from the amounts shown in the combined, summarized financial statements of the Unconsolidated Joint Ventures by the amount of intercompany profit.

As a result of the foregoing, net income of the Unconsolidated Joint Ventures decreased by \$1.9 million, or 2.0%, to \$92.4 million. The Company's equity in net income of the Unconsolidated Joint Ventures was \$48.8 million, a 0.4% increase from 1996.

Net Income

As a result of the foregoing, the Company's income before extraordinary item and minority interest increased by \$10.4 million, or 13.7%, to \$86.4 million for 1997. In 1996, the Company recognized a \$1.3 million extraordinary charge related to the prepayment of Fairlane's debt. After payment of \$4.1 million in Series A preferred dividends, net income available to common shareowners for 1997 was \$24.6 million, compared to \$20.3 million in 1996.

Liquidity and Capital Resources

On September 30, 1998, the Company obtained a majority and controlling interest in the Operating Partnership as a result of the GMPT Exchange (see Results of Operations -- GMPT Exchange and Related Transactions above). Consequently, the Company has consolidated the accounts of the Operating Partnership in the Company's financial statements for the year ended December 31, 1998. For prior periods, the Company accounted for its investment in the Operating Partnership under the equity method. In the following discussion, references to beneficial interest represent the Operating Partnership's share of the results of its consolidated and unconsolidated businesses. The Company does not have, and has not had, any parent company indebtedness; all debt discussed represents obligations of the Operating Partnership.

The Company believes that its net cash provided by operating activities, distributions from the Joint Ventures, the unutilized portion of its credit facilities, and its ability to access the credit markets, assure adequate liquidity to conduct its operations in accordance with its dividend and financing policies.

As of December 31, 1998, the Company had a consolidated cash balance of \$19.0 million. Additionally, the Company has a \$200 million line of credit. The line had no borrowings as of December 31, 1998 and expires in September 2001. The Company also has available an unsecured bank line of credit of up to \$40 million. The line had \$15.5 million of borrowings as of December 31, 1998 and expires in August 1999.

Equity Transactions

In April 1998, the Company sold approximately two million shares of its common stock at \$13.1875 per share, before deducting the underwriting commission and expenses of the offering, under the Company's shelf registration statement. The Company used the proceeds to acquire an additional equity interest in the Operating Partnership. The Operating Partnership paid all costs of the offering. The Operating Partnership used the net proceeds of approximately \$25 million for general partnership purposes.

In October 1997, the Company issued eight million shares of 8.3% Series A Preferred Stock under its equity shelf registration statement. Dividends are payable in arrears on or before the last day of each calendar quarter. The Company used the \$200 million proceeds to acquire a Series A Preferred Equity interest in the Operating Partnership that entitles the Company to distributions (in the form of guaranteed payments) in amounts equal to the dividends payable on the Company's Series A Preferred Stock. The Operating Partnership used the net proceeds to pay down floating rate debt.

Debt

In anticipation of the GMPT Exchange, the Operating Partnership used the \$1.2 billion proceeds from two bridge loans bearing interest at one-month LIBOR plus 1.30% to extinguish approximately \$1.1 billion of debt, including substantially all of the Operating Partnership's public unsecured debt, its outstanding commercial paper, and borrowings on its existing lines of credit. The remaining proceeds were used primarily to pay prepayment premiums and transaction costs.

The balance of the first bridge loan of \$902 million was assumed by GMPT at the time of the GMPT Exchange. The second loan had a balance of \$340 million at December 31, 1998 and expires in June 1999. The Company expects to refinance the balance on the bridge loan prior to the expiration date (see below).

Proceeds from other borrowings in 1998 were used for the \$77.7 million redemption of 6.1 million units of partnership interest in January 1998, and to fund capital expenditures for the Consolidated Businesses and contributions to Unconsolidated Joint Ventures for construction costs.

At December 31, 1998, the Operating Partnership's debt and its beneficial interest in the debt of its Consolidated and Unconsolidated Joint Ventures totaled \$1,186.2 million. As shown in the following table, \$190.8 million of this debt was floating rate debt that remained unhedged at December 31, 1998. Interest rates shown do not include amortization of debt issuance costs and interest rate hedging costs. These items are reported as interest expense in the results of operations. In the aggregate, these costs added 0.47% to the effective rate of interest on beneficial interest in debt at December 31, 1998. Included in beneficial interest in debt is debt used to fund development and expansion costs. Beneficial interest in assets on which interest is being capitalized totaled \$223.8 million as of December 31, 1998. Beneficial interest in capitalized interest was \$17.6 million for the year ended December 31, 1998.

Beneficial Interest in Debt					
	Amount (In millions of dollars)	Interest Rate at 12/31/98	LIBOR Cap Rate	Frequency of Rate Resets	LIBOR at 12/31/98
Total beneficial interest in fixed rate debt	408.6	8.01%(1)			
Floating rate debt hedged via interest rate caps:					
Through May 1999	200.0	6.71 (1)	6.00	Monthly	5.06
Through July 1999	65.0	6.37	7.00	Monthly	5.06
Through December 1999	200.0	6.71 (1)	7.00	Monthly	5.06
Through October 2001	25.0	5.99	8.55	Monthly	5.06
Through January 2002	53.4	6.86 (1)	9.50	Monthly	5.06
Through July 2002	43.4	6.95	6.50	Monthly	5.06
Other floating rate debt	190.8	6.71 (1)			

Total beneficial interest in debt	1,186.2	7.14 (1)			
	=====				

(1) Denotes weighted average interest rate.

Certain loan agreements contain various restrictive covenants including limitations on net worth, minimum debt service and fixed charges coverage ratios, a maximum payout ratio on distributions, and a minimum debt yield ratio, the latter being the most restrictive. The Company is in compliance with all of such covenants.

In February 1999, an application was completed for a secured, ten-year \$270 million financing with an all-in rate of approximately 6.9% on The Mall at Short Hills. The financing is expected to close by the end of the first quarter of 1999 and the proceeds will be used to pay down the bridge loan, which matures on June 21, 1999. The bridge loan has a balance of \$340 million and the Company is working on refinancing the remaining balance. The Company expects to obtain a secured financing on an additional center. In addition, there will be availability under existing lines of credit to repay the remaining balance if the additional financing is delayed past the end of the second quarter.

Sensitivity Analysis

The Company has exposure to interest rate risk on its debt obligations and interest rate instruments. Based on the Operating Partnership's beneficial interest in debt and interest rates in effect at December 31, 1998, a one percent increase in interest rates would decrease earnings and cash flows by approximately \$5.2 million. A one percent decrease in interest rates would increase earnings and cash flows by approximately \$6.0 million. Based on the Company's consolidated debt and interest rates in effect at December 31, 1998, a one percent increase or decrease in interest rates would decrease or increase the fair value of debt by approximately \$7 million.

Funds from Operations

A principal factor that the Company considers in determining dividends to shareowners is Funds from Operations, which is defined as income before extraordinary and unusual items, real estate depreciation and amortization, and the allocation to the minority interest in the Operating Partnership, less preferred dividends.

Funds from Operations does not represent cash flows from operations, as defined by generally accepted accounting principles, and should not be considered to be an alternative to net income as an indicator of operating performance or to cash flows from operations as a measure of liquidity. However, the National Association of Real Estate Investment Trusts suggests that Funds from Operations is a useful supplemental measure of operating performance for REITs.

Reconciliation of Net Income to Funds from Operations

	Year Ended December 31, 1998

	(in millions of dollars)
Income before extraordinary items and minority interest (1)	70.4
Restructuring charge	10.7
Depreciation and Amortization (2)	57.4
Share of Unconsolidated Joint Ventures' depreciation and amortization (3)	20.7
Other income/expenses, net	0.5
Non-real estate depreciation	(2.3)
Preferred dividends	(16.6)

Funds from Operations	140.8
	=====
Funds from Operations allocable to the Company	61.1
	=====

(1) Includes gains on peripheral land sales of \$6.0 million for the year ended December 31, 1998.

(2) Includes \$2.7 million of mall tenant allowance amortization.

(3) Includes \$1.3 million of mall tenant allowance amortization.

Dividends

The Company pays regular quarterly dividends to its common and Series A preferred shareowners. Dividends to its common shareowners are at the discretion of the Board of Directors and depend on the cash available to the Company, its financial condition, capital and other requirements, and such other factors as the Board of Directors deems relevant. Preferred dividends on the Series A Stock accrue regardless of whether earnings, cash availability, or contractual obligations were to prohibit the current payment of dividends.

On December 10, 1998, the Company declared a quarterly dividend of \$0.24 per common share payable January 20, 1999 to shareowners of record on December 31, 1998. The Board of Directors also declared a quarterly dividend of \$0.51875 per share on the Company's 8.3% Series A Preferred Stock, paid December 31, 1998 to shareowners of record on December 21, 1998.

Common dividends declared totaled \$0.945 per common share in 1998, of which \$0.854 represented return of capital and \$0.091 represented ordinary income, compared to dividends declared in 1997 of \$0.925 per common share, of which \$0.324 represented return of capital and \$0.601 represented ordinary income. The tax status of total 1999 common dividends declared and to be declared, assuming continuation of a \$0.24 per common share quarterly dividend, is estimated to be approximately 50% return of capital, and approximately 50% of ordinary income. Series A preferred dividends declared were \$2.075 and \$0.50722 per preferred share in 1998 and 1997, respectively, all of which represented ordinary income. The tax status of total 1999 dividends to be paid on Series A Preferred Stock is estimated to be 100% ordinary income. These are forward-looking statements and certain significant factors could cause the actual results to differ materially, including: 1) the amount of dividends declared; 2) changes in the Company's share of anticipated taxable income of the Operating Partnership due to the actual results of the Operating Partnership; 3) changes in the number of the Company's outstanding shares; 4) property acquisitions or dispositions; 5) financing transactions, including refinancing of existing debt; and 6) changes in the Internal Revenue Code or its application.

The annual determination of the Company's common dividends is based on anticipated Funds from Operations available after preferred dividends, as well as financing considerations and other appropriate factors. Further, the Company has decided that the growth in common dividends will be less than the growth in Funds from Operations for the immediate future.

Any inability of the Operating Partnership or its Joint Ventures to secure financing as required to fund maturing debts, capital expenditures and changes in working capital, including development activities and expansions, may require the utilization of cash to satisfy such obligations, thereby possibly reducing distributions to partners of the Operating Partnership and funds available to the Company for the payment of dividends.

Capital Spending

Capital spending for routine maintenance of the shopping centers is generally recovered from tenants. Capital spending not recovered from tenants is summarized in the following tables:

	1998		
	Consolidated Businesses	Unconsolidated Joint Ventures (1)	Beneficial Interest in Consolidated Businesses and Unconsolidated Joint Ventures (1)(2)
	(in millions of dollars)		
Development, renovation, and expansion:			
Existing centers	27.0	34.5	43.9
New centers	279.3	4.5	214.6
Pre-construction development activities, net of charge to operations	33.1		33.1
Mall tenant allowances	8.2	7.4	12.3
Corporate office improvements and equipment	3.4		3.4
Other	0.3	2.2	1.3
	-----	-----	-----
Total	351.3	48.6	308.6
	=====	=====	=====

(1) Costs are net of intercompany profits.

(2) Includes the Operating Partnership's share of construction costs for Great Lakes Crossing (an 80% owned consolidated joint venture), MacArthur Center (a 70% owned consolidated joint venture), The Mall at Wellington Green (a 90% owned consolidated joint venture), and International Plaza (a 50.1% owned consolidated joint venture).

	1997		
	Consolidated Businesses	Unconsolidated Joint Ventures (1)	Beneficial Interest in Consolidated Businesses and Unconsolidated Joint Ventures (1)(2)
	(in millions of dollars)		
Development, renovation, and expansion:			
Existing centers	12.1	52.8	46.5
New centers	110.8	134.3	140.7
Pre-construction development activities, net of charge to operations	11.5		11.5
Mall tenant allowances	5.3	4.0	7.5
Corporate office improvements and equipment	2.9		2.9
Other	0.8	0.5	1.1
	-----	-----	-----
Total	143.4	191.6	210.2
	=====	=====	=====

(1) Costs are net of intercompany profits.

(2) Includes the Operating Partnership's share of construction costs for Great Lakes Crossing (an 80% owned consolidated joint venture) and MacArthur Center (a 70% owned consolidated joint venture).

The Operating Partnership's share of mall tenant allowances per square foot leased during the year, excluding expansion space and new developments, was \$10.86 (\$11.80 excluding the transferred centers) in 1998, and \$8.34 in 1997. In addition, the Operating Partnership's share of capitalized leasing costs in 1998, excluding new developments, was \$11.4 million, or \$8.96 per square foot leased (\$7.0 million, or \$7.95 per square foot, excluding the transferred centers), and \$10.9 million or \$10.72 per square foot leased during the year in 1997.

MacArthur Center, a new center under construction in Norfolk, Virginia, opened in March 1999. The 930,000 thousand square foot center is anchored by Nordstrom and Dillard's. This Center is owned by a joint venture in which the Operating Partnership has a 70% controlling interest and is projected to cost approximately \$157 million.

International Plaza, a new 1.3 million square foot center under construction in Tampa, Florida, will be anchored by Nordstrom, Lord & Taylor, Dillard's and Neiman Marcus. This center will be owned by a joint venture in which the Operating Partnership will have a controlling 50.1% interest. In 1999, the Company held ground-breaking ceremonies for The Shops at Willow Bend, a new 1.5 million square foot center in Plano, Texas. Anchors will be Neiman Marcus, Saks Fifth Avenue, Lord & Taylor, Foley's and Dillard's. The Mall at Wellington Green, a 1.3 million square foot center under construction in West Palm Beach County, Florida, will be anchored by Lord & Taylor, Burdine's, Dillard's and JCPenney. The center will be owned by a joint venture in which the Operating Partnership has a 90% controlling interest. All three of these centers are expected to open in 2001 and will have an aggregate cost to the Operating Partnership of over \$500 million.

In 1996, the Operating Partnership entered into an agreement to lease Memorial City Mall, a 1.4 million square foot shopping center located in Houston, Texas. Memorial City is anchored by Sears, Foley's, Montgomery Ward and Mervyn's. In November 1999, the Operating Partnership has the option to terminate the lease by paying \$2 million to the lessor. The Operating Partnership is using this option period to evaluate the redevelopment opportunities of the center. Under the terms of the lease, the Operating Partnership has agreed to invest a minimum of \$3 million during the three year option period. If the redevelopment proceeds, the Operating Partnership is required to invest an additional \$22 million in property expenditures not recoverable from tenants during the first 10 years of the lease term.

The Operating Partnership and The Mills Corporation have formed an alliance to develop value super-regional projects in major metropolitan markets. The ten-year agreement calls for the two companies to jointly develop and own at least seven of these centers, each representing approximately \$200 million of capital investment. A number of locations across the nation are targeted for future initiatives.

The following table summarizes planned capital spending, which is not recovered from tenants and assumes no acquisitions during 1999:

	1999		
	Consolidated Businesses	Unconsolidated Joint Ventures (1)	Beneficial Interest in Consolidated Businesses and Unconsolidated Joint Ventures (1)(2)
	(in millions of dollars)		
Development, renovation, and expansion	223.4(3)	25.4	190.0
Mall tenant allowances	6.1	9.8	11.1
Pre-construction development and other	21.5	4.0	23.5
Total	251.0	39.2	224.6
	=====	=====	=====

(1) Costs are net of intercompany profits.

(2) Includes the Operating Partnership's share of construction costs for Great Lakes Crossing (an 80% owned consolidated joint venture), MacArthur Center (a 70% owned consolidated joint venture), The Mall at Wellington Green (a 90% owned consolidated joint venture), and International Plaza (a 50.1% owned consolidated joint venture).

(3) Includes costs related to MacArthur Center, Great Lakes Crossing, The Shops at Willow Bend, The Mall at Wellington Green and International Plaza.

The Operating Partnership's share of costs for development projects scheduled to be completed in 2001 is anticipated to be as much as \$185 million and \$165 million in 2000 and 2001, respectively. Estimates of future capital spending include only projects approved by the Company's Board of Directors and, consequently, estimates will change as new projects are approved. Estimates regarding capital expenditures presented above are forward-looking statements and certain significant factors could cause the actual results to differ materially, including but not limited to: 1) actual results of negotiations with anchors, tenants and contractors; 2) changes in the scope and number of projects; 3) cost overruns; 4) timing of expenditures; 5) financing considerations; and 6) actual time to complete projects.

The Company expects to fund the development of new centers primarily with proceeds from construction facilities. Other potential sources of capital include equity offerings, joint venture partner contributions and borrowings under other credit facilities.

Year 2000 Matters

The approach of the calendar year 2000 (Year 2000) presents issues for many financial, information, and operational systems that may not properly recognize the Year 2000. The Company has developed a detailed plan to address the risks posed by the Year 2000 issue, covering affected application and infrastructure systems. Affected systems include both informational (such as accounting and payroll) and operational (such as elevators, security and lighting). The Company's plan also addresses the effect of third parties with which it conducts business, including tenants, vendors, contractors, creditors, and others. The Company has completed the assessment, inventory and planning phases of its plan and has determined that the majority of the Company's internal systems and all of its mission critical systems are already Year 2000 compliant. The Company has requested information and has obtained commitments from its national tenants and the majority of its critical vendors and suppliers, and is continuing to develop alternative solutions to minimize the impact on the Company in the event they do not meet their Year 2000 commitments.

The Company expects to remediate any remaining issues encountered with application and infrastructure systems through repair and/or replacement, and plans to perform a full system test by the end of the first quarter. The estimated costs of addressing the Year 2000 issue were not material to 1998 and are not expected to be material to 1999 operations. The Company will also continue monitoring the progress of material third parties' responses to the Year 2000 issue. The Company believes that its most likely exposure will be the failure of third parties in comprehensively addressing the issue. For example, failure of utility companies to meet their commitments might result in temporary business interruption at centers. The Company is continuing to develop contingency plans in response to such exposure, as appropriate. Failure of third parties with which the Company conducts business to respond successfully to the Year 2000 issue may have a material adverse effect on the Company.

Cash Tender Agreement

A. Alfred Taubman has the annual right to tender to the Company units of partnership interest in the Operating Partnership (provided that the aggregate value is at least \$50 million) and cause the Company to purchase the tendered interests at a purchase price based on a market valuation of the Company on the trading date immediately preceding the date of the tender (the Cash Tender Agreement). At A. Alfred Taubman's election, his family, and Robert C. Larson and his family may participate in tenders. The Company will have the option to pay for these interests from available cash, borrowed funds, or from the proceeds of an offering of the Company's common stock. Generally, the Company expects to finance these purchases through the sale of new shares of its stock. The tendering partner will bear all market risk if the market price at closing is less than the purchase price and will bear the costs of sale. Any proceeds of the offering in excess of the purchase price will be for the sole benefit of the Company.

Based on a market value at December 31, 1998 of \$13.75 per common share, the aggregate value of interests in the Operating Partnership that may be tendered under the Cash Tender Agreement was approximately \$332 million. The purchase of these interests at December 31, 1998 would have resulted in the Company owning an additional 29% interest in the Operating Partnership.

New Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." This Statement requires companies to record derivatives on the balance sheet as assets and liabilities, measured at fair value. Gains or losses resulting from changes in the values of those derivatives would be accounted for depending on the use of the derivatives and whether it qualifies for hedge accounting. This Statement is not expected to have a material impact on the Company's consolidated financial statements. This Statement is effective for fiscal years beginning after June 15, 1999.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information required by this Item is included in this report at Item 7 under the caption "Liquidity and Capital Resources".

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Financial Statements of Taubman Centers, Inc. and the Independent Auditors' Report thereon are filed pursuant to this Item 8 and are included in this report at Item 14.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

PART III***Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT**

The information required by this item is hereby incorporated by reference to the material appearing in the Company's definitive proxy statement for the annual meeting of shareholders to be held in 1999 (the "Proxy Statement") under the captions "Management--Directors and Executive Officers" and "Security Ownership of Certain Beneficial Owners and Management -- Section 16(a) Beneficial Ownership Reporting Compliance."

Item 11. EXECUTIVE COMPENSATION

The information required by this item is hereby incorporated by reference to the material appearing in the Proxy Statement under the captions "Executive Compensation" and "Management -- Compensation of Directors."

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this item is hereby incorporated by reference to the table and related footnotes appearing in the Proxy Statement under the caption "Security Ownership of Certain Beneficial Owners and Management."

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this item is hereby incorporated by reference to the material appearing in the Proxy Statement under the caption "Management--Certain Transactions." and "Executive Compensation--Certain Employment Arrangements."

* The Compensation Committee Report on Executive Compensation and the Shareholder Return Performance Graph appearing in the Proxy Statement are not incorporated by reference in this Annual Report on Form 10-K or in any other report, registration statement, or prospectus of the Registrant.

PART IV

Item 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

14(a)(1) The following financial statements of Taubman Centers, Inc. and

the Independent Auditors' Report thereon are filed with this report:

TAUBMAN CENTERS, INC.	Page
Independent Auditors' Report.....	F-2
Balance Sheet as of December 31, 1998 and 1997	F-3
Statement of Operations for the years ended	
December 31, 1998, 1997 and 1996.....	F-4
Statement of Shareowners' Equity for the years ended	
December 31, 1998, 1997 and 1996.....	F-5
Statement of Cash Flows for the years ended	
December 31, 1998, 1997 and 1996.....	F-6
Notes to Financial Statements.....	F-7

14(a)(2) The following is a list of the financial statement schedules required by Item 14(d).

TAUBMAN CENTERS, INC.

Schedule II - Valuation and Qualifying Accounts.....F-23 Schedule III - Real Estate and Accumulated Depreciation.....F-24

UNCONSOLIDATED JOINT VENTURES OF THE TAUBMAN REALTY GROUP LIMITED PARTNERSHIP (a consolidated subsidiary of Taubman Centers, Inc.)

Independent Auditors' Report.....	F-26
Combined Balance Sheet as of December 31, 1998 and 1997.....	F-27
Combined Statement of Operations for the years ended	
December 31, 1998, 1997 and 1996.....	F-28

Combined Statement of Accumulated Deficiency in Assets for the three years ended December 31, 1998, 1997 and 1996.....F-29
Combined Statement of Cash Flows for the years ended December 31, 1998, 1997 and 1996.....F-30 Notes to Combined
Financial Statements.....F-31

UNCONSOLIDATED JOINT VENTURES OF THE TAUBMAN REALTY GROUP LIMITED PARTNERSHIP (a consolidated subsidiary of Taubman Centers, Inc.) Schedule II - Valuation and Qualifying Accounts.....F-39 Schedule III - Real Estate and Accumulated Depreciation.....F-40

14(a)(3)

2 -- Separation and Relative Value Adjustment Agreement between The Taubman Realty Group Limited Partnership and GMPTS Limited Partnership (without exhibits or schedules, which will be supplementally provided to the Securities and Exchange Commission upon its request)(incorporated herein by reference to Exhibit 2 filed with the Registrant's Current Report on Form 8-K dated September 30, 1998).

3(a)-- Restated By-Laws of Taubman Centers, Inc., (incorporated herein by reference to Exhibit 3 (b) filed with the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998 ("1998 Third Quarter Form 10-Q")).

3(b)-- Restated Articles of Incorporation of Taubman Centers, Inc.(incorporated by reference to Exhibit 3(a) filed with the Registrant's 1998 Third Quarter Form 10-Q).

- 4(a)-- Indenture dated as of July 22, 1994 among Beverly Finance Corp., La Cienega Associates, the Borrower, and Morgan Guaranty Trust Company of New York, as Trustee (incorporated herein by reference to Exhibit 4(h) filed with the 1994 Second Quarter Form 10-Q).
- 4(b)-- Deed of Trust, with assignment of Rents, Security Agreement and Fixture Filing, dated as of July 22, 1994, from La Cienega Associates, Grantor, to Commonwealth Land Title Company, Trustee, for the benefit of Morgan Guaranty Trust Company of New York, as Trustee, Beneficiary (incorporated herein by reference to Exhibit 4(i) filed with the 1994 Second Quarter Form 10-Q).
- 4(c)-- Construction Loan Agreement among Taubman MacArthur Associates Limited Partnership, as Borrower, and Bayerische Hypotheken-Und Wechsel-Bank, Aktiengesellschaft, New York Branch and The Other Banks and Financial Institutions from time to time Parties hereto, as Lenders and Bayerische Hypotheken-Und Wechsel-Bank Aktiengesellschaft, New York Branch, as Agent, dated as of October 28, 1997 (incorporated herein by reference to Exhibit 4(i) filed with Registrant's Annual Report on Form 10-K for the year ended December 31, 1997 ("1997 Form 10-K")).
- 4(d)-- Loan Agreement dated as of November 25, 1997 among The Taubman Realty Group Limited Partnership, as Borrower, Fleet National Bank, as a Bank, PNC Bank, National Association, as a Bank, the other Banks signatory hereto, each as a Bank, and PNC Bank, National Association, as Administrative Agent (incorporated herein by reference to Exhibit 4(j) filed with the 1997 Form 10-K).
- 4(e)-- Revolving Credit Agreement dated as of September 21, 1998 among The Taubman Realty Group Limited Partnership, as Borrower, UBS AG, New York Branch, as a Bank and UBS AG, New York Branch, as Administrative Agent (incorporated herein by reference to Exhibit (4) filed with the 1998 Third Quarter Form 10-Q).

10(a)-- The Second Amendment and Restatement of Agreement of Limited Partnership of the Taubman Realty Group Limited Partnership dated September 30, 1998 (incorporated by reference to Exhibit 10 filed with the 1998 Third Quarter Form 10-Q).

*10(b)-- The Taubman Realty Group Limited Partnership 1992 Incentive Option Plan, as Amended and Restated Effective as of September 30, 1997 (incorporated herein by reference to Exhibit 10(b) filed with the 1997 Form 10-K).

10(c)-- Registration Rights Agreement among Taubman Centers, Inc., General Motors Hourly-Rate Employees Pension Trust, General Motors Retirement Program for Salaried Employees Trust, and State Street Bank & Trust Company, as trustee of the AT&T Master Pension Trust (incorporated herein by reference to Exhibit 10(e) filed with the 1992 Form 10-K).

10(d)-- Master Services Agreement between The Taubman Realty Group Limited Partnership and the Manager (incorporated herein by reference to Exhibit 10(f) filed with the 1992 Form 10-K).

10(e)-- Cash Tender Agreement among Taubman Centers, Inc., A. Alfred Taubman, acting not individually but as Trustee of The A. Alfred Taubman Restated Revocable Trust, as amended and restated in its entirety by Instrument dated January 10, 1989(as the same has been and may hereafter be amended from time to time), TRA Partners, and GMPTS Limited Partnership (incorporated herein by reference to Exhibit 10 (g) filed with the 1992 Form 10-K).

*10(f)-- Supplemental Retirement Savings Plan (incorporated herein by reference to Exhibit 10(i) filed with the Registrant's Annual Report on Form 10-K for the year ended December 31, 1994).

*10(g)-- First Amendment to The Taubman Company Long-Term Compensation Plan (incorporated herein by reference to Exhibit 10 filed with the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1998).

*10(h) -- Employment agreement between The Taubman Company Limited Partnership and Lisa A. Payne (incorporated herein by reference to Exhibit 10 filed with the 1997 First Quarter Form 10-Q).

*10(i)-- Amended and Restated Continuing Offer, dated as of September 30, 1997 (incorporated herein by reference to Exhibit 10 filed with the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1997).

12 -- Statement Re:Computation of Taubman Centers, Inc. Ratio of Earnings to Combined Fixed Charges and Preferred Dividends.

21 -- Subsidiaries of Taubman Centers, Inc.

23 -- Consent of Deloitte & Touche LLP.

24 -- Powers of Attorney.

27 -- Financial Data Schedule

99(a) -- Purchase and Sale Agreement By and Between One Federal Street Joint Venture and The Taubman Realty Group Limited Partnership, dated July 16, 1997 (Purchase and Sale Agreement) (without exhibits or schedules, which will be supplementally provided to the Securities and Exchange Commission upon its request)(incorporated herein by reference to Exhibit 99(a) filed with the Registrant's Current Report on Form 8-K dated September 4, 1997).

99(b) -- First Amendment to Purchase and Sale Agreement, dated August 15, 1997 (without exhibits or schedules, which will be supplementally provided to the Securities and Exchange Commission upon its request) (incorporated herein by reference to Exhibit 99(b) filed with the Registrant's Current Report on Form 8-K dated September 4, 1997).

* A management contract or compensatory plan or arrangement required to be filed pursuant to Item 14(c) of Form 10-K.

14(b) Current Reports on Form 8-K.

On October 15, 1998 the Company filed a Current Report on Form 8-K dated September 30, 1998 to announce the completion of the redemption of General Motors Pension Trusts' holdings in TRG. This Current Report contained the following pro forma financial statements:

Taubman Centers, Inc. Pro Forma Condensed Consolidated Balance Sheet as of June 30, 1998 (unaudited)

Taubman Centers, Inc. Pro Forma Condensed Consolidated Statement of Operations, Year Ended December 31, 1997 (unaudited)

Taubman Centers, Inc. Pro Forma Condensed Consolidated Statement of Operations, Six Months Ended June 30, 1998 (unaudited)

The Taubman Realty Group Limited Partnership Pro Forma Condensed Consolidated Balance Sheet as of June 30, 1998 (unaudited)

The Taubman Realty Group Limited Partnership Pro Forma Condensed Consolidated Statement of Operations, Year Ended December 31, 1997

(unaudited)

The Taubman Realty Group Limited Partnership Pro Forma Condensed Consolidated Statement of Operations, Six Months Ended June 30, 1998

(unaudited)

14(c) The list of exhibits filed with this report is set forth in response to Item 14(a)(3). The required exhibit index has been filed with the exhibits.

14(d) The financial statements and the financial statement schedules of the Unconsolidated Joint Ventures of The Taubman Realty Group Limited Partnership listed at Item 14(a)(2) are filed pursuant to this Item 14(d).

TAUBMAN CENTERS, INC.

**FINANCIAL STATEMENTS
AS OF DECEMBER 31, 1998 AND 1997
AND FOR EACH OF THE YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996**

INDEPENDENT AUDITORS' REPORT

Board of Directors and Shareowners
Taubman Centers, Inc.

We have audited the accompanying balance sheets of Taubman Centers, Inc. (the "Company") as of December 31, 1998 and 1997, and the related statements of operations, shareowners' equity, and cash flows for each of the three years in the period ended December 31, 1998. Our audits also included the financial statement schedules listed in the Index at Item 14. These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of Taubman Centers, Inc. as of December 31, 1998 and 1997, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1998 in conformity with generally accepted accounting principles. Also, in our opinion, such financial statement schedules, when considered in relation to the basic financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

DELOITTE & TOUCHE LLP

Detroit, Michigan
February 16, 1999

TAUBMAN CENTERS, INC.

BALANCE SHEET
(in thousands, except share data)

	December 31	
	1998	1997
	-----	-----
	(Consolidated)	
Assets:		
Investment in TRG (Notes 2 and 3):		
Partnership interest		\$347,859
Series A Preferred Equity interest		200,000

		547,859
Properties, net (Note 5)	\$1,308,642	
Investment in Unconsolidated Joint Ventures		
(Note 4)	98,350	
Cash and cash equivalents	19,045	8,965
Accounts and notes receivable, less allowance		
for doubtful accounts of \$333	20,595	
Accounts receivable from related parties		
(Note 9)	7,092	
Deferred charges and other assets (Note 6)	27,139	
	-----	-----
	\$1,480,863	\$556,824
	=====	=====
Liabilities:		
Unsecured notes payable (Note 7)	\$ 531,946	
Mortgage notes payable (Note 7)	243,352	
Accounts payable and accrued liabilities	171,669	\$ 277
Dividends payable	12,719	11,929
	-----	-----
	\$ 959,686	\$ 12,206
Commitments and Contingencies (Note 12)		
Minority Interests (Note 1)		
Shareowners' Equity (Notes 2 and 11):		
Series A Cumulative Redeemable Preferred Stock,		
\$0.01 par value, 50,000,000 shares authorized,		
\$200 million liquidation preference,		
8,000,000 shares issued and outstanding at		
December 31, 1998 and 1997	\$ 80	\$ 80
Series B Non-Participating Convertible		
Preferred Stock, \$0.001 par and liquidation		
value, 40,000,000 shares authorized and		
31,399,913 shares issued and outstanding		
at December 31, 1998	28	
Common Stock, \$0.01 par value, 250,000,000 shares		
authorized, 52,995,904 and 50,759,657 issued		
and outstanding at December 31, 1998		
and 1997	530	508
Additional paid-in capital	697,965	668,951
Dividends in excess of net income	(177,426)	(124,921)
	-----	-----
	\$ 521,177	\$544,618
	-----	-----
	\$1,480,863	\$556,824
	=====	=====

See notes to financial statements.

TAUBMAN CENTERS, INC.

STATEMENT OF OPERATIONS
(in thousands, except share data)

	Year Ended December 31		
	1998	1997	1996
	-----	-----	-----
	(Consolidated)		
Income:			
Income before extraordinary item from investment in TRG (Notes 2 and 3)		\$ 29,349	\$21,368
Minimum rents	\$107,657		
Percentage rents	5,881		
Expense recoveries	60,650		
Revenues from management, leasing and development services (Note 9)	12,282		
Interest and other	17,769	322	284
Revenues - transferred centers (Note 2)	129,714		
	-----	-----	-----
	\$333,953	\$ 29,671	\$21,652
	-----	-----	-----
Operating Expenses:			
Recoverable expenses	\$ 55,351		
Other operating	33,842		
Management, leasing and development services	8,025		
General and administrative	24,616	\$ 1,009	\$ 922
Restructuring (Note 2)	10,698		
Expenses other than interest, depreciation and amortization - transferred centers (Note 2)	44,260		
Interest expense	75,809		
Depreciation and amortization (including \$22.8 million relating to the transferred centers)	57,376		
	-----	-----	-----
	\$309,977	\$ 1,009	\$ 922
	-----	-----	-----
Income before equity in income before extraordinary item of Unconsolidated Joint Ventures, extraordinary items, and minority interest	\$ 23,976	\$28,662	\$20,730
Equity in income before extraordinary item of Unconsolidated Joint Ventures (Note 4)	46,427		
	-----	-----	-----
Income before extraordinary items and minority interest	\$70,403	\$28,662	\$20,730
Extraordinary items (Notes 2, 3 and 7)	(50,774)		(444)
Minority Interest:			
Minority share of income	(4,230)		
Distributions in excess of earnings	(1,779)		
	-----	-----	-----
Net income	\$13,620	\$28,662	\$ 20,286
Series A preferred dividends (Note 11)	(16,600)	(4,058)	
	-----	-----	-----
Net income (loss) available to common shareowners	\$ (2,980)	\$24,604	\$ 20,286
	=====	=====	=====
Basic earnings per common share (Note 13):			
Income before extraordinary items	\$.33	\$.48	\$.47
	=====	=====	=====
Net income (loss)	\$ (.06)	\$.48	\$.46
	=====	=====	=====
Diluted earnings per common share (Note 13):			
Income before extraordinary items	\$.32	\$.48	\$.47
	=====	=====	=====
Net income (loss)	\$ (.06)	\$.48	\$.46
	=====	=====	=====
Cash dividends declared per common share	\$.945	\$.925	\$.89
	=====	=====	=====

Weighted average number of common shares outstanding 52,223,399 50,737,333 44,444,833

See notes to financial statements.

TAUBMAN CENTERS, INC.

STATEMENT OF SHAREOWNERS' EQUITY
YEARS ENDED DECEMBER 31, 1998, 1997, AND 1996
(in thousands, except share data)

	Preferred Stock ----- Shares Amount -----		Common Stock ----- Shares Amount -----		Additional Paid-in Capital -----	Dividends in excess of Net Income -----	Total -----
Balance, January 1, 1996			44,134,913	\$441	\$386,680	\$(82,103)	\$305,018
Proceeds from common stock offering (Note 3)			5,970,000	60	74,938		74,998
Issuance of stock pursuant to Continuing Offer (Note 12)			652,245	7	7,319		7,326
Purchases of stock			(36,800)	(1)	(347)		(348)
Cash dividends declared						(40,770)	(40,770)
Net income						20,286	20,286
			-----	----	-----	-----	-----
Balance, December 31, 1996			50,720,358	\$507	\$468,590	\$(102,587)	\$366,510
Proceeds from preferred stock offering (Note 3)	8,000,000	\$ 80			199,920		200,000
Issuance of stock pursuant to Continuing Offer (Note 12)			39,299	1	441		442
Cash dividends declared						(50,996)	(50,996)
Net income						28,662	28,662
	-----	----	-----	----	-----	-----	-----
Balance, December 31, 1997	8,000,000	\$ 80	50,759,657	\$508	\$668,951	\$(124,921)	\$544,618
Proceeds from common stock offering (Note 3)			2,021,611	20	26,640		26,660
Proceeds from preferred stock offering (Note 11)	31,399,913	28					28
Issuance of stock pursuant to Continuing Offer (Note 12)			214,636	2	2,374		2,376
Cash dividends declared						(66,125)	(66,125)
Net income						13,620	13,620
	-----	----	-----	----	-----	-----	-----
Balance, December 31, 1998	39,399,913	108	52,995,904	\$530	\$697,965	\$(177,426)	\$521,177
	=====	=====	=====	=====	=====	=====	=====

See notes to financial statements.

TAUBMAN CENTERS, INC.

STATEMENT OF CASH FLOWS
(in thousands)

	Year Ended December 31		
	1998	1997	1996
	-----	-----	-----
(Consolidated)			
Cash Flows From Operating Activities:			
Income before extraordinary items and minority interest	\$ 70,403	\$28,662	20,730
Adjustments to reconcile income before extraordinary items and minority interest to net cash provided by operating activities:			
Depreciation and amortization	57,376		
Provision for losses on accounts receivable	1,207		
Amortization of deferred financing costs	3,318		
Other	2,264		
Gains on sales of land	(5,637)		
Increase (decrease) in cash attributable to changes in assets and liabilities:			
Receivables, deferred charges and other assets	(14,632)		
Accounts payable and other liabilities	31,121	(66)	(5)
	-----	-----	-----
Net Cash Provided By Operating Activities	\$145,420	\$28,596	\$20,725
	-----	-----	-----
Cash Flows From Investing Activities:			
Purchase of additional interests in TRG		\$(200,000)	\$(74,998)
Additions to properties	\$(294,336)		
Proceeds from sales of land	6,750		
Contributions to Unconsolidated Joint Ventures	(33,322)		
Distributions from Unconsolidated Joint Ventures in excess of income before extraordinary items	50,970	21,714	19,939
	-----	-----	-----
Net Cash Used In Investing Activities	\$(269,938)	\$(178,286)	\$(55,059)
	-----	-----	-----
Cash Flows From Financing Activities:			
Debt proceeds	\$1,695,235		
Debt payments	(175,599)		
Early extinguishment of debt	(1,169,769)		
Debt issuance costs	(4,458)		
Redemption of partnership units	(77,698)		
GMPT Exchange	(32,651)		
Distributions to minority interest	(65,914)		
Issuance of stock pursuant to Continuing Offer	2,377		
Cash dividends to common shareowners	(48,735)	\$(46,675)	\$(38,814)
Cash dividends to Series A preferred shareowners	(16,600)	(4,058)	
Proceeds from stock issuances	26,660	200,000	74,998
Other	(1,500)		(348)
	-----	-----	-----
Net Cash Provided By Financing Activities	\$131,348	\$149,267	\$35,836
	-----	-----	-----
Net Increase (Decrease) In Cash	\$ 6,830	\$ (423)	\$ 1,502
Cash and Cash Equivalents at Beginning of Year	8,965	9,388	7,886
Effect of consolidating TRG in connection with the GMPT Exchange (TRG's cash balance at Beginning of Year)(Note 2)	3,250		
	-----	-----	-----
Cash and Cash Equivalents at End of Year	\$ 19,045	\$8,965	\$ 9,388
	=====	=====	=====

See notes to financial statements.

TAUBMAN CENTERS, INC.

NOTES TO FINANCIAL STATEMENTS Three Years Ended December 31, 1998

Note 1 - Summary of Significant Accounting Policies

Organization and Basis of Presentation

Taubman Centers, Inc. (the Company or TCO), a real estate investment trust, or REIT, is the managing general partner of The Taubman Realty Group Limited Partnership (the Operating Partnership or TRG). The Operating Partnership is an operating subsidiary that engages in the ownership, management, leasing, acquisition, development, and expansion of regional retail shopping centers and interests therein. The Operating Partnership's portfolio as of December 31, 1998, includes 16 urban and suburban shopping centers in seven states. One additional center opened in March 1999. Three additional centers are under construction in Florida and Texas. The Company's investment in the Operating Partnership consists of a general partnership interest and a preferred equity interest (Note 3).

On September 30, 1998, the Company obtained a majority and controlling interest in the Operating Partnership as a result of a transaction in which the Operating Partnership exchanged interests in 10 shopping centers, together with \$990 million of its debt, for all of the partnership units owned by the General Motors Pension Trusts (GMPT), representing approximately 37% of the Operating Partnership's equity (the GMPT Exchange) (Note 2). As a result of the GMPT Exchange, the Company's general partnership interest in the Operating Partnership increased to 62.8%.

The consolidated balance sheet of the Company as of December 31, 1998 includes all accounts of the Company, the Operating Partnership and its consolidated subsidiaries; all intercompany balances have been eliminated. Investments in entities not unilaterally controlled by ownership or contractual obligation (Unconsolidated Joint Ventures) are accounted for under the equity method. The statements of operations and cash flows for the year ended December 31, 1998 include the Operating Partnership as a consolidated subsidiary for the entire year. The balance sheet as of December 31, 1997 and the statements of operations and cash flows for periods prior to 1998 reflect the financial position and results of operations of the Operating Partnership under the equity method.

Since the Company's interest in the Operating Partnership has been its sole material asset throughout all periods presented, references in the following notes to "the Company" include the Operating Partnership, except where intercompany transactions are discussed or as otherwise noted, even though the Operating Partnership did not become a consolidated subsidiary until September 30, 1998.

Because the net equity of the Operating Partnership is less than zero, the ownership interest of the Operating Partnership's noncontrolling partners (the Minority Interest) is presented as a zero balance in the consolidated balance sheet as of December 31, 1998, and subsequent to the GMPT Exchange, the income allocated to the Minority Interest is equal to the Minority Interest's share of distributions. The Operating Partnership's net equity is less than zero due to accumulated distributions in excess of net income and not as a result of operating losses. Distributions to partners are usually greater than net income because net income includes non-cash charges for depreciation and amortization.

Dollar amounts presented in tables within the notes to the financial statements are stated in thousands of dollars, except share data or as otherwise noted.

Income Taxes

Federal income taxes are not provided because the Company operates in such a manner as to qualify as a REIT under the provisions of the Internal Revenue Code; therefore, applicable taxable income is included in the taxable income of its shareowners, to the extent distributed by the Company. As a REIT, the Company must distribute at least 95% of its REIT taxable income to its shareowners and meet certain other requirements. Additionally, no provision for income taxes for consolidated partnerships has been made, as such taxes are the responsibility of the individual partners.

TAUBMAN CENTERS, INC.
NOTES TO FINANCIAL STATEMENTS - (Continued)

Dividends per common share declared in 1998 were \$0.945, of which \$0.854 represented return of capital and \$0.091 represented ordinary income. Dividends per common share declared in 1997 were \$0.925, of which \$0.324 represented return of capital and \$0.601 represented ordinary income. Dividends per common share declared in 1996 were \$0.89, of which \$0.41 represented return of capital and \$0.48 represented ordinary income. The tax status of the Company's common dividends in 1998, 1997 and 1996 may not be indicative of future periods. Dividends per preferred share declared in 1998 and 1997 were \$2.075 and \$0.50722, respectively, all of which represented ordinary income. The difference between net income for financial reporting purposes and taxable income results primarily from differences in depreciation expense.

Revenue Recognition

Shopping center space is generally leased to specialty retail tenants under short and intermediate term leases which are accounted for as operating leases. Minimum rents are generally recognized on an accrual basis as earned, the result of which does not differ materially from a straight-line method. Percentage rent is accrued when lessees' specified sales targets have been met or achievement of the sales targets is probable. The effect on 1998 income of recognizing percentage rent only after specified sales targets have been achieved rather than the Company's method of recognition is immaterial. Expense recoveries, which include an administrative fee, are recognized as revenue in the period applicable costs are chargeable to tenants.

Depreciation and Amortization

Buildings, improvements and equipment are depreciated on straight-line or double-declining balance bases over the estimated useful lives of the assets, which range from 3 to 50 years. Tenant allowances and deferred leasing costs are amortized on a straight-line basis over the lives of the related leases.

Capitalization

Costs related to the acquisition, development, construction and improvement of properties are capitalized. Interest costs are capitalized until construction is substantially complete. Properties are reviewed for impairment if events or changes in circumstances indicate that the carrying amounts of the properties may not be recoverable.

Cash and Cash Equivalents

Cash equivalents consist of highly liquid investments with a maturity of 90 days or less at the date of purchase.

Deferred Charges

Direct financing and interest rate hedging costs are deferred and amortized over the terms of the related agreements as a component of interest expense. Direct costs related to leasing activities are capitalized and amortized on a straight-line basis over the lives of the related leases. All other deferred charges are amortized on a straight-line basis over the terms of the agreements to which they relate.

Stock-Based Compensation Plans

Stock-based compensation plans are accounted for under APB Opinion 25, "Accounting for Stock Issued to Employees" and related interpretations, as permitted under FAS 123, "Accounting for Stock-Based Compensation."

TAUBMAN CENTERS, INC.
NOTES TO FINANCIAL STATEMENTS - (Continued)

Interest Rate Hedging Agreements

Premiums paid for interest rate caps are amortized to interest expense over the terms of the cap agreements. Amounts received under the cap agreements are accounted for on an accrual basis, and recognized as a reduction of interest expense. Amounts paid or received under treasury lock agreements are amortized to interest expense over the term of the related debt agreement.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of financial instruments:

The carrying value of cash and cash equivalents, accounts and notes receivable, and accounts payable approximates fair value due to the short maturity of these instruments.

The fair value of debt is estimated based on quoted market prices if available, or on the current rates available to the Company for debt of similar terms and maturity and the assumption that debt will be prepaid at the earliest possible date.

The fair value of interest rate hedging instruments is the amount that the Company would receive or pay to terminate the agreement at the reporting date, taking into account current interest rates.

Operating Segment

The Company has one reportable operating segment; it owns, develops and manages regional shopping centers. The shopping centers are located in major metropolitan areas, have similar tenants (most of which are national chains), and share common economic characteristics. No single retail company represents 10% or more of the Company's revenues.

Note 2 - The GMPT Exchange and Related Transactions

On September 30, 1998, the Company obtained a controlling interest in the Operating Partnership due to the following transaction. The Operating Partnership transferred interests in 10 shopping centers (nine wholly owned (Briarwood, Columbus City Center, The Falls, Hilltop, Lakeforest, Marley Station, Meadowood Mall, Stoneridge, and The Mall at Tuttle Crossing) and one Unconsolidated Joint Venture (Woodfield)), together with \$990 million of debt, for all of the partnership units of GMPT (approximately 50 million units with a fair value of \$675 million, based on the average stock price of the Company's common shares of \$13.50 for the two week period prior to the closing) (the GMPT Exchange). The Operating Partnership continues to manage the transferred centers under agreements with GMPT (Note 10).

As of the date of the GMPT Exchange, the excess of the Company's cost of its investment in the Operating Partnership over the Company's share of the Operating Partnership's accumulated deficit was \$390.4 million, of which \$176.6 million and \$213.8 million was allocated to the Company's bases in the Operating Partnership's properties and investment in Unconsolidated Joint Ventures, respectively.

In anticipation of the GMPT Exchange, the Operating Partnership used the \$1.2 billion proceeds from two bridge loans bearing interest at one-month LIBOR plus 1.30% to extinguish approximately \$1.1 billion of debt, including substantially all of the Operating Partnership's public unsecured debt, its outstanding commercial paper, and borrowings on its existing lines of credit. The remaining proceeds were used primarily to pay prepayment premiums and transaction costs. An extraordinary charge of approximately \$49.8 million, consisting primarily of prepayment premiums, was incurred in connection with the extinguishment of the debt.

TAUBMAN CENTERS, INC.
NOTES TO FINANCIAL STATEMENTS - (Continued)

The balance on the first bridge loan of \$902 million was assumed by GMPT in connection with the GMPT Exchange. The second loan had a balance of \$340 million as of December 31, 1998, and expires in June 1999. The Operating Partnership expects to refinance the balance on the bridge loan during the first half of 1999 (Note 15 - Subsequent Event).

Concurrently with the GMPT Exchange, the Operating Partnership committed to a restructuring of its operations. A restructuring charge of approximately \$10.7 million was incurred, primarily representing the cost of certain involuntary terminations of personnel. Pursuant to the restructuring plan, approximately 40 employees were terminated across various administrative functions. During 1998, termination benefits of \$6.1 million were paid. Substantially all benefits were paid by the end of the first quarter of 1999.

Note 3 - Investment in the Operating Partnership

The Company's ownership in the Operating Partnership at December 31, 1998 and 1997 consisted of a 62.8% and 36.70% managing general partnership interest, as well as a preferred equity interest. Net income and distributions are allocable first to the preferred equity interest, and the remaining amounts to the general and limited Operating Partnership partners in accordance with their percentage ownership. The Company's average ownership percentage in the Operating Partnership was 43.2% for 1998 (including averages of 38.96% for the period through the GMPT Exchange (Note 2), and 62.77% thereafter), 36.7% for 1997, and 34.5% for 1996.

During the three years in the period ended December 31, 1998, the Company's ownership of the Operating Partnership also increased due to the following transactions.

In April 1998, the Company sold approximately two million shares of its common stock at \$13.1875 per share, before deducting the underwriting commission and expenses of the offering, under the Company's shelf registration statement. The Company used the proceeds to acquire an additional equity interest in the Operating Partnership. The Operating Partnership paid all costs of the offering. In January 1998, the Operating Partnership redeemed 6.1 million units of partnership interest from a partner.

In October 1997, the Company used the proceeds from a \$200 million public offering of eight million shares of 8.3% Series A Cumulative Redeemable Preferred Stock (Series A Preferred Stock) to acquire a Series A Preferred Equity interest in the Operating Partnership that entitles the Company to income and distributions (in the form of guaranteed payments) in amounts equal to the dividends payable on the Company's Series A Preferred Stock. The Operating Partnership bore all expenses of the offering. The Operating Partnership used the net proceeds to pay down short term debt.

In December 1996, the Company purchased newly issued Operating Partnership units with the \$75 million proceeds from the Company's December 1996 offering of 5.97 million shares of common stock. The Operating Partnership bore all expenses of the Company's offering. The Operating Partnership used the net proceeds to pay down short term floating rate debt and to acquire La Cumbre Plaza. Additionally in 1996, the Operating Partnership issued units of partnership interest in connection with its acquisition of the 75% interest in Fairlane Town Center held by a joint venture partner.

Also in 1998, 1997 and 1996, the Operating Partnership issued units of partnership interest in connection with the exercise of incentive options. The Company exchanged shares of common stock for these newly issued units pursuant to the Company's Continuing Offer (Note 12).

TAUBMAN CENTERS, INC.
NOTES TO FINANCIAL STATEMENTS - (Continued)

The Company's income from its investment in the Operating Partnership included \$4.1 million for the year ended December 31, 1997 from its Series A Preferred Equity interest in the Operating Partnership. Additionally, the Company's share of the Operating Partnership's income before extraordinary items available to partnership unitholders under the equity method for the years ended December 31, 1997 and 1996, was \$33.5 million and \$29.0 million, respectively, reduced by \$8.2 million and \$7.6 million, respectively, representing adjustments arising from the Company's additional basis in the Operating Partnership's net assets.

The Company's share of the Operating Partnership's extraordinary charge recorded under the equity method in 1996 was approximately \$0.4 million, which related to prepayment premiums incurred in connection with the extinguishment of debt.

The Operating Partnership's summarized balance sheet and results of operations information are presented below for periods in which the Company accounted for the Operating Partnership under the equity method.

	December 31 ----- 1997 ----		Year Ended December 31 ----- 1997 ----- 1996 -----	
Assets:		Revenues	\$313,426	\$263,696
Properties	\$ 1,593,350	Operating costs other than		
Accumulated depreciation and amortization	268,658	interest and depreciation and amortization	152,044	125,128
	-----	Interest expense	73,639	70,454
Other assets	\$ 1,324,692	Depreciation and amortization	44,719	35,773
	72,134		-----	-----
	-----		\$270,402	\$231,355
	\$ 1,396,826		-----	-----
	=====	Equity in income before extraordinary item of Unconsolidated Joint Ventures	52,270	51,753
Liabilities:			-----	-----
Unsecured notes payable	\$ 1,008,459	Income before extraordinary item	\$95,294	\$ 84,094
Mortgage notes payable	275,868			
Accounts payable and other liabilities	106,404	Extraordinary item		(1,328)
Distributions in excess of net income of Unconsolidated Joint Ventures	141,815		-----	-----
	-----	Net income	\$95,294	\$ 82,766
	\$ 1,532,546	Preferred distributions	(4,058)	-----
	-----		-----	-----
Partnership Equity:		Net income available to unitholders	\$91,236	\$ 82,766
Series A Preferred Equity	192,840		=====	=====
Partners' Accumulated Deficit	(328,560)	Net income allocable to TCO	\$37,532	\$ 28,564
	-----	Extraordinary item allocable to TCO		444
	\$ 1,396,826			
	=====	Depreciation of TCO's additional basis	(8,183)	(7,640)
			-----	-----
Partners' Accumulated Deficit allocable to TCO	\$ (120,589)	Income before extraordinary item from investment in TRG	\$29,349	\$ 21,368
			=====	=====
TCO's additional basis	468,448			

Investment in TRG - partnership interest	\$ 347,859			
	=====			

TAUBMAN CENTERS, INC.
NOTES TO FINANCIAL STATEMENTS - (Continued)

Note 4 - Investments in Unconsolidated Joint Ventures

Following are the Company's investments in various real estate Unconsolidated Joint Ventures which own regional retail shopping centers. The Operating Partnership is generally the managing general partner of these Unconsolidated Joint Ventures. The Operating Partnership's interest in each Unconsolidated Joint Venture is as follows:

Unconsolidated Joint Venture -----	Shopping Center -----	TRG's % Ownership as of December 31, 1998 -----
Arizona Mills, L.L.C.	Arizona Mills	37%
Fairfax Company of Virginia L.L.C.	Fair Oaks	50
Lakeside Mall Limited Partnership	Lakeside	50
Rich-Taubman Associates	Stamford Town Center	50
Taubman-Cherry Creek Limited Partnership	Cherry Creek	50
Twelve Oaks Mall Limited Partnership	Twelve Oaks Mall	50
West Farms Associates	Westfarms	79
Woodland	Woodland	50

Arizona Mills, L.L.C. has a construction facility with a maximum availability of \$142 million, under which \$141 million was outstanding as of December 31, 1998. The rate on the facility is capped at 9.5% until maturity, plus credit spread. The payment of principal and interest is guaranteed by each of the owners of Arizona Mills to the extent of its ownership, with reductions in amounts guaranteed being provided as certain center performance and valuation criteria are met. The Operating Partnership's guaranty of principal was \$13.1 million at December 31, 1998.

The Company's carrying value of its Investment in Unconsolidated Joint Ventures exceeds its share of the deficiency in assets reported in the combined balance sheet of the Unconsolidated Joint Ventures due to (i) intercompany profits on sales of services that are capitalized by the Unconsolidated Joint Ventures and (ii) the Company's cost of its investment in excess of the historical net book values of the Unconsolidated Joint Ventures. The Company reduces its investment in Unconsolidated Joint Ventures to eliminate the intercompany profits and amortizes such amounts over the useful lives of the related assets. The Company's additional basis allocated to depreciable assets is recognized on a straight-line basis over 40 years.

Combined balance sheet and results of operations information are presented below (in thousands) for all Unconsolidated Joint Ventures, followed by the Operating Partnership's beneficial interest in the combined information. Beneficial interest is calculated based on the Operating Partnership's ownership interest in each of the Unconsolidated Joint Ventures. The accounts of Woodfield Associates, formerly a 50% Unconsolidated Joint Venture transferred to GMPT (Note 2), are included in these results through September 30, 1998, the date of the GMPT Exchange.

TAUBMAN CENTERS, INC.
NOTES TO FINANCIAL STATEMENTS - (Continued)

	December 31

	1998

Assets:	
Properties, net	\$ 572,149
Other assets	73,046

	\$ 645,195
	=====
Liabilities and partners' accumulated	
deficiency in assets:	
Debt	\$ 825,927
Capital lease obligations	5,187
Other liabilities	47,622
TRG's accumulated deficiency in assets	(103,545)
Unconsolidated Joint Venture Partners'	
accumulated deficiency in assets	(129,996)

	\$ 645,195
	=====
TRG's accumulated deficiency in assets (above)	\$(103,545)
Elimination of intercompany profit	(4,846)
TCO's additional basis	206,741

Investment in Unconsolidated Joint Ventures	\$ 98,350
	=====
	Year Ended

	December 31, 1998

Revenues	\$ 286,287

Recoverable and other operating expenses	\$ 101,277
Interest expense	69,389
Depreciation and amortization	32,466

Total operating costs	\$ 203,132

Income before extraordinary item	\$ 83,155
Extraordinary item	(1,913)

Net income	\$ 81,242
	=====
Net income allocable to TRG	\$ 42,322
Extraordinary item allocable to TRG	957
Realized intercompany profit	7,205
Depreciation of TCO's additional basis	(4,057)

Equity in income before extraordinary item	
of Unconsolidated Joint Ventures	\$ 46,427
	=====
Beneficial interest in Unconsolidated	
Joint Ventures' operations:	
Revenues less recoverable and other	
operating expenses	\$ 104,257
Interest expense	(37,118)
Depreciation and amortization	(20,712)

Income before extraordinary item	\$ 46,427
	=====

TAUBMAN CENTERS, INC.
NOTES TO FINANCIAL STATEMENTS - (Continued)

Note 5 - Properties

Properties at December 31, 1998 are summarized as follows:

Land	\$ 102,901
Buildings, improvements and equipment	1,142,466
Construction in process	199,561
Development pre-construction costs	28,512

	\$1,473,440
Accumulated depreciation and amortization	(164,798)

	\$1,308,642
	=====

Depreciation expense for 1998 was \$50.8 million. Construction in process includes costs related to the construction of new centers, and expansions and other improvements at various existing centers. The charge to operations in 1998 for costs of potentially unsuccessful pre-development activities was \$7.3 million. During 1998, non-cash additions to properties of \$54.9 million were recorded, representing accrued costs of new centers and development projects.

Note 6 - Deferred Charges and Other Assets

Deferred charges and other assets at December 31, 1998 are summarized as follows:

Leasing	\$ 21,164
Accumulated amortization	(10,349)

	\$ 10,815
Deferred financing costs, net	10,248
Other, net	6,076

	\$ 27,139
	=====

Note 7 - Debt

Unsecured Notes Payable

Unsecured notes payable at December 31, 1998 consist of the following:

Notes payable to banks:	
Bridge loan, interest at LIBOR plus 1.30%, maturing June 1999 (Note 15)	\$340,000
Construction facility, maximum borrowing available of \$210 million, interest at LIBOR plus 0.90%, maturing December 2001 (Note 15)	170,100
Line of credit, maximum borrowing available of \$40 million, interest based on a variable bank borrowing rate, 6.25% at December 31, 1998, maturing August 1999	15,450
Other	6,396

Total Unsecured Notes Payable	\$531,946
	=====

Proceeds from the \$210 million construction facility were used to make contributions to Taubman Auburn Hills Associates Limited Partnership, a consolidated 80% owned venture, to finance the construction of Great Lakes Crossing. The Company is entitled to preferred distributions on these contributions at a rate of prime plus 1.5%. The preferred distributions will be paid from available cash as defined in the partnership agreement.

TAUBMAN CENTERS, INC.
NOTES TO FINANCIAL STATEMENTS - (Continued)

A \$200 million unsecured line of credit facility with interest at LIBOR plus 1.15% maturing in September 2001 is available for general purposes. The facility will convert to secured debt in June 1999 upon repayment of the bridge loan. There was no balance outstanding on this line at December 31, 1998.

Certain loan and facility agreements contain various restrictive covenants including limitations on net worth, minimum debt service and fixed charges coverage ratios, a maximum payout ratio on distributions, and a minimum debt yield ratio, the latter being the most restrictive. The Company is in compliance with all covenants.

Mortgage Notes Payable

Mortgage notes payable at December 31, 1998 consist of the following:

Center -----	Balance -----	Interest Rate -----	Maturity Date -----	Balance Due on Maturity -----
Beverly Center	\$146,000	8.36%	07/15/04	\$146,000
MacArthur Center	94,589	Floating	10/27/00	94,589
Assessment bonds payable	2,763	Various	Various	0

	\$243,352			
	=====			

Mortgage debt is collateralized by properties with a net book value of \$289.5 million as of December 31, 1998. The assessment bonds payable are due in monthly installments with maturities at various dates through 2008, and fixed interest rates between 5.4% and 6.5%.

In October 1997, the Operating Partnership closed on a three-year, \$150 million construction facility for MacArthur Center, which is owned by a consolidated 70% owned venture. The loan bears interest at one month LIBOR plus 1.2%. Under the facility agreement the maturity date may be extended for two years (Note 15). The payment of principal and interest is guaranteed by the Operating Partnership. The loan agreement provides for the reduction of the amount guaranteed as certain center performance and valuation criteria are met.

The following table presents scheduled principal payments on mortgage debt, as of December 31, 1998.

1999	\$ 233
2000	94,834
2001	262
2002	280
2003	296
Thereafter	147,447

TAUBMAN CENTERS, INC.
NOTES TO FINANCIAL STATEMENTS - (Continued)

Interest Expense

Interest paid in 1998, net of amounts capitalized of \$18.2 million, approximated \$76.1 million.

Extraordinary Items

During 1998, the Company recognized extraordinary charges of \$50.8 million relating to the extinguishment of debt, including debt extinguished in connection with the GMPT Exchange (Note 2). The charges consisted primarily of prepayment premiums. During 1996, the Company recognized an extraordinary charge of \$0.4 million relating to the extinguishment of debt at an Unconsolidated Joint Venture.

Interest Rate Hedging Instruments

The Company enters into interest rate agreements to reduce its exposure to changes in the cost of its floating rate debt. The derivative agreements generally match the notional amounts, reset dates and rate bases of the hedged debt to assure the effectiveness of the derivatives in reducing interest rate risk. As of December 31, 1998, the following interest rate cap agreements were outstanding:

Notional Amount -----	LIBOR Cap Rate -----	Frequency of Rate Resets -----	Term -----
\$200,000	7.0%	Monthly	December 1997 through December 1999
200,000	6.0%	Monthly	December 1998 through May 1999

In September 1998, the Company entered into treasury lock agreements with a notional amount of \$200 million at approximately 5%, plus credit spread. In October 1998, the Company effectively closed out its position in the treasury locks at a cost of approximately \$4 million, which will be amortized over the term of the anticipated loan (Note 15).

The Company is exposed to credit risk in the event of nonperformance by the counterparties to its interest rate cap agreements, but has no off-balance sheet risk of loss. The Company anticipates that its counterparties will fully perform their obligations under the agreements.

Fair Value of Financial Instruments Related to Debt

The estimated fair values of financial instruments at December 31, 1998 are as follows:

	Carrying Value -----	Fair Value -----
Unsecured notes payable	\$531,946	\$532,043
Mortgage notes payable	243,352	254,156
Interest rate instruments - in a receivable position	319	5

Beneficial Interest in Debt and Interest Expense

The Operating Partnership's beneficial interest in the debt, capital lease obligations, capitalized interest, and interest expense of its consolidated subsidiaries and its Unconsolidated Joint Ventures is summarized in the following table. The Operating Partnership's beneficial interest excludes the 30% minority interest in the debt outstanding on the MacArthur Center construction facility.

TAUBMAN CENTERS, INC.
NOTES TO FINANCIAL STATEMENTS - (Continued)

	Unconsolidated Joint Ventures -----	Share of Unconsolidated Joint Ventures -----	Consolidated Subsidiaries -----	Beneficial Interest -----
As of December 31, 1998:				
Debt	\$825,927	\$439,271	\$775,298	\$1,186,192
Capital lease obligations	5,187	2,858		2,858
For Year Ended December 31, 1998:				
Capitalized interest	\$ 2,466	\$ 1,062	\$ 18,192	\$ 17,610
Interest expense	69,389	37,118	75,809	112,927

Note 8 - Leases

Operating Leases

Shopping center space is leased to tenants and certain anchors pursuant to lease agreements. Tenant leases typically provide for guaranteed minimum rent, percentage rent and other charges to cover certain operating costs. Future minimum rent under operating leases in effect at December 31, 1998 for operating centers, assuming no new or renegotiated leases or option extensions on anchor agreements, is summarized as follows:

1999	\$ 125,488
2000	117,145
2001	110,613
2002	103,009
2003	91,875
Thereafter	321,481

Certain shopping centers, as lessees, have ground leases expiring at various dates through the year 2065. In addition, the Company leases its office facilities. Rental payments under ground and office leases were \$8.9 million in 1998. Included in this amount is related party office rental payments of \$2.8 million.

The following is a schedule of future minimum rental payments required under operating leases.

1999	\$ 6,467
2000	6,270
2001	5,974
2002	5,805
2003	5,698
Thereafter	139,847

The table above includes \$2.6 million, \$2.6 million, \$2.7 million, \$2.8 million, \$2.8 million and \$3.7 million of related party amounts in 1999, 2000, 2001, 2002, 2003, and thereafter.

Memorial City Mall Lease

In November 1996, the Operating Partnership entered into an agreement to lease Memorial City Mall, located in Houston, Texas. The lease of this unencumbered property grants the Operating Partnership the exclusive right to manage, lease and operate the property. The annual rent is initially \$7 million. The Operating Partnership has the option to terminate the lease after the third full lease year by paying \$2 million to the lessor. Accordingly, the lease will be accounted for as an operating lease during the option period. The Operating Partnership is using this option period to evaluate the redevelopment opportunities of the center.

TAUBMAN CENTERS, INC.
NOTES TO FINANCIAL STATEMENTS - (Continued)

If the Operating Partnership does not exercise its option to terminate the lease at the end of the third full lease year, the lease continues for another 52 years and provides for increases in rent every ten years based on 75% of the increase in the Consumer Price Index between 1996 and the then current year. Under the terms of the lease, the Operating Partnership has agreed to invest a minimum of \$3 million during the three year option period. If the redevelopment proceeds, the Operating Partnership is required to invest an additional \$22 million in property expenditures not recoverable from tenants during the first 10 years of the lease term.

Note 9 - Transactions with Affiliates

The revenue from management, leasing and development services includes \$3.2 million from transactions with affiliates. Accounts receivable from related parties includes amounts related to reimbursement of third-party (non-affiliated) costs.

During 1997, the Operating Partnership acquired an option from a related party to purchase certain real estate on which the Operating Partnership may develop a shopping center. The option agreement requires option payments of \$150,000 during each of the first five years, \$400,000 in the sixth year, and \$500,000 in the seventh year. If the Operating Partnership exercises the option, the purchase price for the property will be between \$5 million and \$10 million, depending upon the year of purchase. While the optionor will have no interest in the shopping center itself, the optionor may, under certain circumstances, participate in the proceeds from the Operating Partnership's future sales, if any, of the peripheral land contiguous to the shopping center.

Other related party transactions are described in Notes 8 and 10.

Note 10 - The Manager

The Taubman Company Limited Partnership (the Manager), which is 99% beneficially owned by the Operating Partnership, provides property management, leasing, development and other administrative services to the Company, the shopping centers, and Taubman affiliates. In addition, the Manager provides services to centers transferred to GMPT under management agreements that expire December 31, 1999. The management agreements are cancelable with 90 days notice.

The Manager has a voluntary retirement savings plan established in 1983 and amended and restated effective January 1, 1994 (the Plan). The Plan is qualified in accordance with Section 401(k) of the Internal Revenue Code (the Code). The Manager contributes an amount equal to 2% of the qualified wages of all qualified employees and matches employee contributions in excess of 2% up to 7% of qualified wages. In addition, the Manager may make discretionary contributions within the limits prescribed by the Plan and imposed in the Code. Costs relating to the Plan were \$1.7 million in 1998.

The Operating Partnership has an incentive option plan for employees of the Manager. Currently, options for 8.0 million Operating Partnership units may be issued under the plan, including options outstanding for 6.8 million units. Incentive options generally become exercisable to the extent of one-third of the units on each of the third, fourth, and fifth anniversaries of the date of grant. Options expire ten years from the date of grant. The Operating Partnership's units issued in connection with the incentive option plan are exchangeable for shares of the Company's common stock under the Continuing Offer (Note 12).

TAUBMAN CENTERS, INC.
NOTES TO FINANCIAL STATEMENTS - (Continued)

A summary of the status of the plan as of December 31, 1998 and changes during 1998 is presented below:

Options -----	Units -----	Weighted-Average Exercise Price Per Unit -----
Outstanding at beginning of year	7,023,605	\$11.22
Exercised	(214,636)	11.07
Canceled	(3,951)	10.52

Outstanding at end of year	6,805,018	11.22
	=====	
Options vested at year end	6,022,730	11.28
	=====	

Options outstanding at December 31, 1998 have a remaining weighted-average contractual life of 4.4 years and range in exercise price from \$9.39 to \$13.89. There were no grants in 1998.

The Company applies APB Opinion 25 and related Interpretations in accounting for the plan. The exercise price of all options outstanding granted under the plan was equal to market value on the date of grant. Accordingly, no compensation expense has been recognized for the plan. Had compensation cost for the plan been determined based on the fair value of the options at the grant dates consistent with the method of FAS Statement 123, the pro forma effect on the Company's earnings and earnings per share would not have been material.

Effective January 1, 1996, the Manager adopted The Taubman Company Long-Term Performance Compensation Plan. Annually, eligible employees will be granted contingent notional Operating Partnership units, the ultimate number of which will be based on the employee's performance. These awards, which will vest on the third anniversary of the date of grant, will also accrue distribution equivalents in the form of additional notional units each time the Operating Partnership makes a distribution to its partners. Upon vesting, additional notional units may be granted based on the performance of the employee and the Manager and/or the Operating Partnership. The awards will be paid to the employee in cash upon vesting, based on the value of the Operating Partnership's units of partnership interest, unless the employee elects to defer payment as provided in the plan. The cost of this plan was approximately \$6.6 million for 1998.

Note 11 - Preferred Stock

The 8.3% Series A Preferred Stock has no stated maturity, sinking fund or mandatory redemption and is not convertible into any other securities of the Company. The Series A Preferred Stock has a liquidation preference of \$200 million (\$25 per share). Dividends are cumulative and accrue at an annual rate of 8.3% from the date of the original issuance, October 3, 1997, and are payable in arrears on or before the last day of each calendar quarter. The 1998 accrued dividends were paid in 1998. The Series A Preferred Stock can be redeemed by the Company beginning in October 2002 at \$25 per share plus any accrued dividends. The redemption price can be paid solely out of the sale of capital stock of the Company.

In connection with the GMPT Exchange, the Company became obligated to issue to the Minority Interest, upon subscription, one share of Series B Non-Participating Convertible Preferred Stock (Series B Preferred Stock) for each of the Operating Partnership units held by the Minority Interest. Each share of Series B Preferred Stock entitles the holder to one vote on all matters submitted to the Company's shareholders. The holders of Series B Preferred Stock, voting as a class, have the right to designate up to four nominees for election as directors of the Company. On all other matters, including the election of directors, the holders of Series B Preferred Stock will vote with the holders of common stock. The holders of Series B Preferred Stock are not entitled to dividends or earnings. Under certain circumstances, the Series B Preferred Stock is convertible into common stock at a ratio of 14,000 shares of Series B Preferred Stock for one share of common stock.

TAUBMAN CENTERS, INC.
NOTES TO FINANCIAL STATEMENTS - (Continued)

Note 12 - Commitments and Contingencies

At the time of the Company's initial public offering (IPO) and acquisition of its partnership interest in the Operating Partnership, the Company entered into an agreement with A. Alfred Taubman, who owns an interest in the Operating Partnership, whereby he has the annual right to tender to the Company Operating Partnership units (provided that the aggregate value is at least \$50 million) and cause the Company to purchase the tendered interests at a purchase price based on a market valuation of the Company on the trading date immediately preceding the date of the tender (the Cash Tender Agreement). The Company will have the option to pay for these interests from available cash, borrowed funds or from the proceeds of an offering of the Company's common stock. Generally, the Company expects to finance these purchases through the sale of new shares of its stock. The tendering partner will bear all market risk if the market price at closing is less than the purchase price and will bear the costs of sale. Any proceeds of the offering in excess of the purchase price will be for the sole benefit of the Company. At A. Alfred Taubman's election, his family and Robert C. Larson and his family may participate in tenders.

Based on a market value at December 31, 1998 of \$13.75 per common share, the aggregate value of partnership interests in the Operating Partnership which may be tendered under the Cash Tender Agreement was approximately \$332 million at December 31, 1998. The purchase of these interests at December 31, 1998 would have resulted in the Company owning an additional 29% interest in the Operating Partnership.

The Company has made a continuing, irrevocable offer to all present holders (other than certain excluded holders, including A. Alfred Taubman), assignees of all present holders, those future holders of partnership interests in the Operating Partnership as the Company may, in its sole discretion, agree to include in the continuing offer, and all existing and future optionees under the Operating Partnership's incentive option plan (Note 10) to exchange shares of common stock for partnership interests in the Operating Partnership (the Continuing Offer). Under the Continuing Offer agreement, one unit of the Operating Partnership interest is exchangeable for one share of the Company's common stock.

Shares of common stock that were acquired by GMPT and the AT&T Master Pension Trust in connection with the IPO may be sold through a registered offering. Pursuant to a registration rights agreement with the Company, the owners of each of these shares have the annual right to cause the Company to register and publicly sell their shares of common stock (provided that the shares have an aggregate value of at least \$50 million and subject to certain other restrictions). All expenses of such a registration are to be borne by the Company, other than the underwriting discounts or selling commissions, which will be borne by the exercising party.

The Company is currently involved in certain litigation arising in the ordinary course of business. Management believes that this litigation will not have a material adverse effect on the Company's financial statements.

Note 13 - Earnings Per Share

Basic earnings per common share are calculated by dividing earnings available to common shareowners by the average number of common shares outstanding during each period. For diluted earnings per common share, the Company's ownership interest in the Operating Partnership (and therefore earnings) are adjusted assuming the exercise of all options for units of partnership interest under the Operating Partnership's incentive option plan having exercise prices less than the average market value of the units using the treasury stock method. For the years ended December 31, 1998, 1997 and 1996, options for 0.3 million, 0.4 million and 1.0 million units of partnership interest with average exercise prices of \$13.81, \$13.58 and \$12.64, respectively, were excluded from the computation of diluted earnings per share because the options' exercise prices were greater than the average market price for the period calculated.

TAUBMAN CENTERS, INC.
NOTES TO FINANCIAL STATEMENTS - (Continued)

	Year Ended December 31		
	1998	1997	1996
	(in thousands, except share data)		
Income before extraordinary items allocable to common shareowners (Numerator):			
Net income (loss) available to common shareowners	\$ (2,980)	\$24,604	\$20,286
Common shareowners' share of extraordinary items	20,066		444
Basic income before extraordinary items	\$17,086	\$24,604	\$20,730
Effect of dilutive options	(256)	(241)	(37)
Diluted income before extraordinary items	\$16,830	\$24,363	\$20,693
Shares (Denominator) - basic and diluted	52,223,399	50,737,333	44,444,833
Income before extraordinary items per common share:			
Basic	\$ 0.33	\$ 0.48	\$0.47
Diluted	\$ 0.32	\$ 0.48	\$0.47
Extraordinary items per common share - basic and diluted	\$ (0.38)		\$ (0.01)

Note 14 - Quarterly Financial Data (Unaudited)

The following is a summary of quarterly results of operations for 1998 and 1997.

	1998			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(in thousands, except share data)			
Revenues	\$87,202	\$92,103	\$90,968	\$63,680
Equity in income of Unconsolidated Joint Ventures	11,730	10,946	12,836	10,915
Income before extraordinary items and minority interest	21,087	20,514	11,494	17,308
Net income (loss)	8,900	9,046	(14,126)	9,800
Series A preferred dividends	(4,150)	(4,150)	(4,150)	(4,150)
Net income (loss) available to common shareowners	4,750	4,896	(18,276)	5,650
Basic earnings per common share:				
Income before extraordinary items	\$0.10	\$0.09	\$0.03	\$0.11
Net income (loss)	0.09	0.09	(0.35)	0.11
Diluted earnings per common share:				
Income before extraordinary items	\$0.10	\$0.09	\$0.03	\$0.10
Net income (loss)	0.09	0.09	(0.34)	0.10

TAUBMAN CENTERS, INC.
NOTES TO FINANCIAL STATEMENTS - (Continued)

	1997			
	First	Second	Third	Fourth
	Quarter	Quarter	Quarter	Quarter
	(in thousands, except share data)			
Income before extraordinary item from				
Investment in TRG	\$ 6,606	\$ 6,088	\$ 6,408	\$ 10,246
Income before extraordinary item	6,425	5,914	6,214	10,109
Net income	6,425	5,914	6,214	10,109
Series A preferred dividends				(4,058)
Net income available to common shareowners	6,425	5,914	6,214	6,051
Basic and diluted earnings per common share:				
Income before extraordinary item	\$ 0.13	\$ 0.12	\$ 0.12	\$ 0.12
Net income	0.13	0.12	0.12	0.12

Note 15 - Subsequent Events

In February 1999, an application was completed for a secured, ten-year financing of \$270 million with an all-in rate of approximately 6.9% on The Mall at Short Hills. The financing is expected to close by the end of the first quarter of 1999; the Company intends to use the proceeds to pay down its bridge loan, which matures on June 21, 1999.

The Company is in the process of finalizing a three-year \$170 million facility secured by Great Lakes Crossing. The loan agreement will provide for an option to extend the maturity date one year. The loan will bear interest at one month LIBOR plus 1.50%. Proceeds from the loan will be used to repay the balance of the existing construction facility. Payment of principal and interest will be guaranteed by the Operating Partnership. The loan agreement will provide for a reduction of the interest rate and the amount guaranteed as certain center performance and valuation criteria are met.

In addition, the Company is finalizing an amendment to the MacArthur construction facility. The total availability under the facility will be \$120 million with interest at one month LIBOR plus 1.35%.

TAUBMAN CENTERS, INC.
Valuation and Qualifying Accounts
For the year ended December 31, 1998
(in thousands)

Schedule II

		Additions				
	Balance at beginning of year -----	Charged to costs and expenses -----	Charged to other accounts -----	Write-offs -----	Transfers, net -----	Balance at end of year -----
Year ended December 31, 1998:						
Allowance for doubtful receivables	\$ 0	1,207	0	(1,221)	347	\$ 333 (1)
	=====	=====	=====	=====	=====	=====

(1) On September 30, 1998, the Company obtained a majority and controlling interest in TRG as a result of the GMPT Exchange. Upon obtaining this controlling interest, the Company consolidated the financial position of TRG. The Company previously accounted for its investment in TRG under the equity method.

TAUBMAN CENTERS, INC.
REAL ESTATE AND ACCUMULATED DEPRECIATION
December 31, 1998
(in thousands)

Schedule III

	Initial Cost to Company		Cost Capitalized Subsequent to Acquisition	Gross Amount at Which Carried at Close of Period			Accumulated Depreciation (A/D)	Total Cost Net of A/D
	Land	Buildings and Improvements		Land	BI&E	Total		
Shopping Centers:								
Beverly Center, Los Angeles, CA	\$ 0	\$210,902	\$22,539	\$ 0	\$233,441	\$233,441	\$57,049	\$176,392
Biltmore, Phoenix, AZ	19,120	103,657	10,642	19,120	114,299	133,419	13,491	119,928
Fairlane Town Center, Dearborn, MI	16,888	105,142	1,436	16,888	106,578	123,466	14,176	109,290
Great Lakes Crossing, Auburn Hills, MI	15,660	196,633	0	15,660	196,633	212,293	1,566	210,727
La Cumbre Plaza, Santa Barbara, CA	0	27,856	304	0	28,160	28,160	1,947	26,213
Paseo Nuevo, Santa Barbara, CA	0	39,163	775	0	39,938	39,938	3,343	36,595
Regency Square, Richmond, VA	18,635	103,062	(21)	18,635	103,041	121,676	5,275	116,401
The Mall at Short Hills, Short Hills, NJ	25,306	172,533	119,773	25,306	292,306	317,612	47,661	269,951
Other:								
Manager's Office Facilities	0	0	26,945	0	26,945	26,945	20,059	6,886
Peripheral Land	7,292	0	5	7,292	5	7,297	0	7,297
Construction in Process and Development Pre-construction Costs	0	218,250	9,823	0	228,073	228,073	0	228,073
Other	0	1,120	0	0	1,120	1,120	231	889
TOTAL	\$102,901	\$1,178,318	\$192,221	\$102,901	\$1,370,539	\$1,473,440	\$164,798	\$1,308,642

	Encumbrances	Date of Completion of Construction or Acquisition	Depreciable Life
Shopping Centers:			
Beverly Center, Los Angeles, CA	\$146,000	1982	40 Years
Biltmore, Phoenix, AZ	2,763	1994	40 Years
Fairlane Town Center, Dearborn, MI	0	1996	40 Years
Great Lakes Crossing, Auburn Hills, MI	0	1998	50 Years
La Cumbre Plaza, Santa Barbara, CA	0	1996	40 Years
Paseo Nuevo, Santa Barbara, CA	0	1996	40 Years
Regency Square, Richmond, VA	0	1997	40 Years
The Mall at Short Hills, Short Hills, NJ	0	1980	40 Years
Other:			
Manager's Office Facilities	0		
Peripheral Land	0		
Construction in Process and Development Pre-construction Costs	94,589		
Other	0		
TOTAL	\$243,352		

The changes in total real estate assets and accumulated depreciation for the year ended December 31, 1998 are as follows:

	Total Real Estate Assets		Accumulated Depreciation
Balance, beginning of year	\$ 0	Balance, beginning of year	\$ 0
New development and improvements	349,234	Depreciation for year	(57,376)
Disposals	(3,527)	Disposals	1,263
Transfers In, net	1,127,733	Transfers In	(108,685)
Balance, end of year	\$1,473,440 (1)	Balance, end of year	\$ (164,798) (1)

(1) On September 30, 1998, the Company obtained a majority and controlling interest in the Operating Partnership as a result of the GMPT Exchange. Upon obtaining this controlling interest, the Company consolidated the accounts of the Operating Partnership. The Company previously accounted for its investment in the Operating Partnership under the equity method.

**AS OF DECEMBER 31, 1998 AND 1997 AND
FOR EACH OF THE YEARS ENDED DECEMBER 31, 1998, 1997, AND 1996**

F-25

INDEPENDENT AUDITORS' REPORT

Board of Directors and Shareowners
Taubman Centers, Inc.

We have audited the accompanying combined balance sheets of Unconsolidated Joint Ventures of The Taubman Realty Group Limited Partnership (the "Partnership") (a consolidated subsidiary of Taubman Centers, Inc.) as of December 31, 1998 and 1997, and the related combined statements of operations, accumulated deficiency in assets, and cash flows for each of the three years in the period ended December 31, 1998. Our audits also included the financial statement schedules listed in the Index at Item 14. These financial statements and financial statement schedules are the responsibility of the Partnership's management. Our responsibility is to express an opinion on the financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such combined financial statements present fairly, in all material respects, the combined financial position of Unconsolidated Joint Ventures of The Taubman Realty Group Limited Partnership as of December 31, 1998 and 1997, and the combined results of their operations and their combined cash flows for each of the three years in the period ended December 31, 1998 in conformity with generally accepted accounting principles. Also, in our opinion, such financial statement schedules, when considered in relation to the basic combined financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

DELOITTE & TOUCHE LLP

Detroit, Michigan
February 16, 1999

**UNCONSOLIDATED JOINT VENTURES OF THE TAUBMAN REALTY GROUP
LIMITED PARTNERSHIP**

COMBINED BALANCE SHEET
(in thousands)

	December 31	
	1998	1997
	-----	-----
Assets:		
Properties (Notes 2, 4 and 6)	\$ 769,665	\$ 829,640
Accumulated depreciation and amortization	197,516	205,659
	-----	-----
	\$ 572,149	\$ 623,981
Cash and cash equivalents	29,828	36,875
Accounts and notes receivable, less allowance for doubtful accounts of \$255 and \$314 in 1998 and 1997	7,521	8,531
Note receivable from Joint Venture Partner (Note 6)	964	1,294
Deferred charges and other assets (Notes 3 and 6)	34,733	37,697
	-----	-----
	\$ 645,195	\$ 708,378
	=====	=====
Liabilities:		
Mortgage notes payable (Note 4)	\$ 824,826	\$ 874,472
Other notes payable (Note 4)	1,101	884
Capital lease obligations (Note 5)	5,187	6,509
Accounts payable and other liabilities	47,622	94,801
	-----	-----
	\$ 878,736	\$ 976,666
Commitments (Note 5)		
Accumulated deficiency in assets:		
TRG	\$(103,545)	\$(133,680)
Joint Venture Partners	(129,996)	(134,608)
	-----	-----
	\$(233,541)	\$(268,288)
	-----	-----
	\$ 645,195	\$ 708,378
	=====	=====

See notes to financial statements.

**UNCONSOLIDATED JOINT VENTURES OF THE TAUBMAN REALTY GROUP
LIMITED PARTNERSHIP**

COMBINED STATEMENT OF OPERATIONS
(in thousands)

	Year Ended December 31		
	1998	1997	1996
Revenues:			
Minimum rents	\$175,674	\$155,912	\$157,212
Percentage rents	4,171	3,057	3,951
Expense recoveries	97,994	89,653	95,244
Other	8,448	10,013	8,930
	\$286,287	\$258,635	\$265,337
Operating costs:			
Recoverable expenses (Note 6)	\$ 82,595	\$ 76,493	\$ 81,799
Other operating (Note 6)	18,682	17,638	18,365
Interest expense (Note 4)	69,389	54,018	52,994
Depreciation and amortization	32,466	24,180	23,837
	\$203,132	\$172,329	\$176,995
Income before extraordinary item	\$ 83,155	\$ 86,306	\$ 88,342
Extraordinary item (Note 4)	(1,913)		
Net income	\$ 81,242	\$ 86,306	\$ 88,342
Allocation of net income:			
Attributable to TRG	\$ 42,322	\$ 46,857	\$ 47,413
Attributable to Joint Venture Partners	38,920	39,449	40,929
	\$ 81,242	\$ 86,306	\$ 88,342

See notes to financial statements.

**UNCONSOLIDATED JOINT VENTURES OF THE TAUBMAN REALTY GROUP
LIMITED PARTNERSHIP**

COMBINED STATEMENT OF ACCUMULATED DEFICIENCY IN ASSETS
Years ended December 31, 1998, 1997 and 1996
(in thousands)

	TRG ---	Joint Venture Partners -----	Total -----
Balance, January 1, 1996	\$(150,117)	\$(157,760)	\$(307,877)
Cash contributions	14,457	24,958	39,415
Non-cash contributions (Note 1)	4,797	8,050	12,847
Cash distributions	(55,146)	(51,154)	(106,300)
TRG purchase of Fairlane interest (Note 1)	3,610	10,831	14,441
Net income	47,413	40,929	88,342
	-----	-----	-----
Balance, December 31, 1996	\$(134,986)	\$(124,146)	\$(259,132)
Cash contributions	18,822	9,800	28,622
Cash distributions	(64,373)	(59,711)	(124,084)
Net income	46,857	39,449	86,306
	-----	-----	-----
Balance, December 31, 1997	\$(133,680)	\$(134,608)	\$(268,288)
Cash contributions	33,322	4,900	38,222
Cash distributions	(90,263)	(83,934)	(174,197)
Transferred center (Note 1)	44,754	44,726	89,480
Net income	42,322	38,920	81,242
	-----	-----	-----
Balance, December 31, 1998	\$(103,545)	\$(129,996)	\$(233,541)
	=====	=====	=====

See notes to financial statements.

**UNCONSOLIDATED JOINT VENTURES OF THE TAUBMAN REALTY GROUP
LIMITED PARTNERSHIP**

COMBINED STATEMENT OF CASH FLOWS
(in thousands)

	Year Ended December 31		
	1998	1997	1996
Cash Flows From Operating Activities:			
Income before extraordinary item	\$83,155	\$ 86,306	\$ 88,342
Adjustments to reconcile income before extraordinary item to net cash provided by operating activities:			
Depreciation and amortization	32,466	24,180	23,837
Provision for losses on accounts receivable	1,119	697	1,303
Gains on sales of land	(1,090)	(2,748)	
Other	3,908	3,806	2,922
Increase(decrease)in cash attributable to changes in assets and liabilities:			
Receivables, deferred charges and other assets	(7,109)	(7,760)	(1,821)
Accounts payable and other liabilities	(22,042)	43,110	4,841
Net Cash Provided By Operating Activities	\$90,407	\$147,591	\$119,424
Cash Flows From Investing Activities:			
Additions to properties	\$(64,455)	\$(190,188)	\$(97,137)
Restricted cash for expansion	(224)		1,309
Proceeds from sales of land	1,590	3,452	
Net Cash Used In Investing Activities	\$(63,089)	\$(186,736)	\$(95,828)
Cash Flows From Financing Activities:			
Debt proceeds	\$164,710	\$ 158,255	\$ 20,529
Debt payments	(4,489)	(8,267)	(2,670)
Extinguishment of debt	(40,741)		
Debt issuance costs	(7,619)	(4,420)	
Cash contributions from partners	38,222	28,622	39,415
Cash distributions to partners	(174,197)	(124,084)	(106,300)
Net Cash Provided By (Used In) Financing Activities	\$(24,114)	\$ 50,106	\$(49,026)
Net Increase (Decrease) In Cash	\$ 3,204	\$ 10,961	\$(25,430)
Cash and Cash Equivalents at Beginning of Year	36,875	25,914	51,344
Effect of transferred center in connection with the GMPT Exchange (Note 1)	(10,251)		
Cash and Cash Equivalents at End of Year	\$ 29,828	\$ 36,875	\$ 25,914

See notes to financial statements.

**UNCONSOLIDATED JOINT VENTURES OF THE TAUBMAN REALTY GROUP
LIMITED PARTNERSHIP**

**NOTES TO COMBINED FINANCIAL STATEMENTS
Three Years Ended December 31, 1998**

Note 1 - Summary of Significant Accounting Policies

Basis of Presentation

The Taubman Realty Group Limited Partnership (TRG), a consolidated subsidiary of Taubman Centers, Inc., engages in the ownership, management, leasing, acquisition, development and expansion of regional retail shopping centers and interests therein. TRG has engaged the Manager (The Taubman Company Limited Partnership, which is approximately 99% beneficially owned by TRG) to provide property management and leasing services for the shopping centers and to provide corporate, development, and acquisition services. For financial statement reporting purposes, the accounts of shopping centers that are not controlled and that are owned through joint ventures with third parties (Unconsolidated Joint Ventures) have been combined in these financial statements. Generally, net profits and losses of the Unconsolidated Joint Ventures are allocated to TRG and the outside partners (Joint Venture Partners) in accordance with their ownership percentages.

Dollar amounts presented in tables within the notes to the combined financial statements are stated in thousands.

Investments in Unconsolidated Joint Ventures

TRG's interest in each of the Unconsolidated Joint Ventures at December 31, 1998, is as follows:

Unconsolidated Joint Venture -----	Shopping Center -----	TRG's % Ownership -----
Arizona Mills, L.L.C.	Arizona Mills	37%
Fairfax Company of Virginia L.L.C.	Fair Oaks	50
Lakeside Mall Limited Partnership	Lakeside	50
Rich-Taubman Associates	Stamford Town Center	50
Taubman-Cherry Creek Limited Partnership	Cherry Creek	50
Twelve Oaks Mall Limited Partnership	Twelve Oaks Mall	50
West Farms Associates	Westfarms	79
Woodland	Woodland	50

Arizona Mills, L.L.C. developed Arizona Mills, a value super-regional mall in Tempe, Arizona, which opened in November 1997. TRG's ownership interest in Arizona Mills, L.L.C. increased in January 1997 to 37% from 35% as a result of Arizona Mills, L.L.C.'s redemption of a former owner's 5% interest for \$2.8 million. The former owner is an affiliate of a partner in TRG. In 1996, Arizona Mills, L.L.C. purchased for \$24.8 million approximately 116 acres of land on which the Center was constructed from an affiliate of a partner in TRG and of a former owner in Arizona Mills. Also in 1996, TRG and the other owners of Arizona Mills contributed non-cash pre-construction costs related to this center totaling \$12.8 million.

**UNCONSOLIDATED JOINT VENTURES OF THE TAUBMAN REALTY GROUP
LIMITED PARTNERSHIP
NOTES TO COMBINED FINANCIAL STATEMENTS -- (Continued)**

On September 30, 1998, TRG completed a transaction which included the transfer of interests in nine consolidated shopping centers and one Unconsolidated Joint Venture (the GMPT Exchange). The accounts of Woodfield Associates (Woodfield), a 50% owned Unconsolidated Joint Venture that was transferred, are included in these combined financial statements through September 30, 1998. On the date of the GMPT Exchange, the book values of Woodfield's assets and liabilities were approximately \$107.4 million and \$196.9 million, respectively.

In July 1996, TRG completed transactions that resulted in it acquiring the 75% interest in Fairlane Town Center (Fairlane) previously held by a Joint Venture Partner. TRG also assumed mortgage debt of approximately \$26 million, representing the former Joint Venture Partner's beneficial interest in the \$34.6 million mortgage encumbering the property. The accounts of Fairlane are included in these combined financial statements until the acquisition date. On the acquisition date, the book values of Fairlane's assets and liabilities were approximately \$25 million and \$39 million, respectively.

Revenue Recognition

Shopping center space is generally leased to specialty retail tenants under short and intermediate term leases which are accounted for as operating leases. Minimum rents are generally recognized on an accrual basis as earned, the result of which does not differ materially from a straight-line method. Percentage rent is accrued when lessees' specified sales targets have been met or achievement of the sales targets is probable. The effect on 1998 income of recognizing percentage rent only after specified sales targets have been achieved rather than the Joint Ventures' method of recognition is immaterial. Expense recoveries, which include an administrative fee, are recognized as revenue in the period applicable costs are chargeable to tenants.

Depreciation and Amortization

Buildings, improvements and equipment, stated at cost, are depreciated on straight-line or double-declining balance bases over the estimated useful lives of the assets which range from 3 to 55 years. Tenant allowances and deferred leasing costs are amortized on a straight-line basis over the lives of the related leases.

Capitalization

Costs related to the acquisition, development, construction, and improvement of properties are capitalized. Interest costs are capitalized until construction is substantially complete. Properties are reviewed for impairment if events or changes in circumstances indicate that the carrying amounts of the properties may not be recoverable.

Cash and Cash Equivalents

Cash equivalents consist of highly liquid investments with a maturity of 90 days or less at the date of purchase.

Deferred Charges

Direct financing and interest rate hedging costs are deferred and amortized over the terms of the related agreements as a component of interest expense. Direct costs related to leasing activities are capitalized and amortized on a straight-line basis over the lives of the related leases. All other deferred charges are amortized on a straight-line basis over the terms of the agreements to which they relate.

**UNCONSOLIDATED JOINT VENTURES OF THE TAUBMAN REALTY GROUP
LIMITED PARTNERSHIP
NOTES TO COMBINED FINANCIAL STATEMENTS -- (Continued)**

Interest Rate Hedging Agreements

Premiums paid for interest rate caps are amortized to interest expense over the terms of the cap agreements. Amounts received under the cap agreements are accounted for on an accrual basis, and recognized as a reduction of interest expense. The differential to be paid or received on swap agreements is accounted for on an accrual basis and recognized as an adjustment to interest expense. Amounts paid or received under treasury lock agreements are amortized to interest expense over the term of the related debt agreement.

Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of financial instruments:

The carrying value of cash and cash equivalents, accounts and notes receivable, and accounts payable approximates fair value due to the short maturity of these instruments.

The fair value of mortgage notes and other notes payable is estimated based on quoted market prices if available, or on the current rates available to the Unconsolidated Joint Ventures for debt of similar terms and maturity and the assumption that debt will be prepaid at the earliest possible date.

The fair value of interest rate hedging instruments is the amount the Unconsolidated Joint Venture would pay or receive to terminate the agreement at the reporting date, taking into account current interest rates.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**UNCONSOLIDATED JOINT VENTURES OF THE TAUBMAN REALTY GROUP
LIMITED PARTNERSHIP
NOTES TO COMBINED FINANCIAL STATEMENTS -- (Continued)**

Note 2 - Properties

Properties at December 31, 1998 and 1997, are summarized as follows:

	1998	1997
	----	----
Land	\$ 42,444	\$ 48,338
Buildings, improvements and equipment	705,529	753,859
Construction in process	21,692	27,443
	-----	-----
	\$769,665	\$829,640
	=====	=====

Depreciation expense for 1998, 1997 and 1996 was \$26.7 million, \$18.7 million and \$18.0 million. Construction in process includes costs related to expansions and other improvements at various centers. Assets under capital lease of \$5.2 million and \$6.5 million at December 31, 1998 and 1997, respectively, are included in the table above in buildings, improvements and equipment.

Note 3 - Deferred Charges and Other Assets

Deferred charges and other assets at December 31, 1998 and 1997 are summarized as follows:

	1998	1997
	----	----
Leasing	\$ 30,248	\$ 41,568
Accumulated amortization	(12,814)	(20,562)
	-----	-----
Deferred financing, net	\$ 17,434	\$ 21,006
Other, net	15,734	12,442
	1,565	4,249
	-----	-----
	\$ 34,733	\$ 37,697
	=====	=====

**UNCONSOLIDATED JOINT VENTURES OF THE TAUBMAN REALTY GROUP
LIMITED PARTNERSHIP
NOTES TO COMBINED FINANCIAL STATEMENTS -- (Continued)**

Note 4 - Debt

Mortgage Notes Payable

Mortgage notes payable at December 31, 1998 and 1997 consists of the following:

Center	1998	1997	Interest Rate	Maturity Date	Balance Due on Maturity
-----	----	----	-----	-----	-----
Arizona Mills	\$140,984	\$121,991	Floating	02/01/02	\$140,984
Cherry Creek	130,000	130,000	Floating	08/01/99	130,000
Fair Oaks	140,000	0	6.60%	04/01/08	140,000
Fair Oaks	0	39,119	9.00%		
Lakeside	88,000	88,000	6.47%	12/15/00	88,000
Stamford Town Center	54,887	55,630	11.69%	12/01/17	0
Twelve Oaks Mall	49,955	49,940	Floating	10/15/01	50,000
Westfarms	100,000	100,000	7.85%	07/01/02	100,000
Westfarms	55,000	51,792	Floating	07/01/02	55,000
Woodfield	0	172,000	Floating		
Woodland	66,000	66,000	8.20%	05/15/04	66,000
	-----	-----			
	\$824,826	\$874,472			
	=====	=====			

The Arizona Mills loan is a construction facility with a maximum availability of \$142 million. The rate is capped at 9.5% until maturity, plus credit spread. The payment of principal and interest is guaranteed by each of the owners of Arizona Mills to the extent of its ownership percentage. The loan agreement provides for the reduction of the amount guaranteed as certain center performance and valuation criteria are met. TRG's guaranty of the principal was \$13.1 million at December 31, 1998.

The other Unconsolidated Joint Ventures with floating rate debt have entered into interest rate agreements to reduce their exposure to increases in interest rates. The rate on Cherry Creek's loan is capped to maturity at 7%, plus credit spread, based on one month LIBOR. The loan can be extended up to an additional two years. The rate on the Twelve Oaks loan is capped at 8.55% until maturity, plus credit spread, based on one month LIBOR. The Westfarms balance of \$55.0 million represents borrowings under a construction facility which is fully drawn. The rate on the construction facility is capped until maturity at 6.5%, plus credit spread.

The Stamford note also requires payment of additional interest (\$1.5 million, \$1.3 million, and \$1.6 million in 1998, 1997, and 1996) based on operating results.

**UNCONSOLIDATED JOINT VENTURES OF THE TAUBMAN REALTY GROUP
LIMITED PARTNERSHIP
NOTES TO COMBINED FINANCIAL STATEMENTS -- (Continued)**

Scheduled principal payments on mortgage debt are as follows as of December 31, 1998:

1999	\$130,834
2000	88,936
2001	51,052
2002	297,166
2003	1,328
Thereafter	255,510

Total	\$824,826
	=====

Other Notes Payable

Other notes payable at December 31, 1998 and 1997 consists of the following:

1998 1997

Notes payable to banks, line of credit, interest generally at prime (7.75% at December 31, 1998), maximum borrowings available up to \$2.5 million to fund tenant loans, allowances and buyouts and working

capital.		
Other	\$ 1,058	\$ 832
	43	52
	-----	-----
	\$ 1,101	\$ 884
	=====	=====

Interest Expense

Interest paid on mortgages and other notes payable in 1998, 1997 and 1996, net of amounts capitalized of \$2.5 million, \$9.4 million, and \$4.8 million, approximated \$64.0 million, \$48.7 million, and \$49.9 million.

Extraordinary Item

In March 1998, Fairfax Company of Virginia L.L.C. completed a \$140 million, 6.60%, secured financing maturing in 2008. The net proceeds were used to extinguish an existing mortgage on Fair Oaks of approximately \$39 million and pay a prepayment penalty of approximately \$1.8 million. In addition, proceeds of \$5.6 million were used to close out a treasury lock agreement entered into in 1997, which resulted in an effective rate on the financing of approximately 7%. The remaining proceeds were distributed to the owners.

Interest Rate Hedging Instruments

Certain of the Unconsolidated Joint Ventures have entered into interest rate cap agreements to reduce their exposure to changes in the cost of floating rate debt. The terms of the derivative agreements are equivalent to the notional amounts, reset dates and rate bases of the underlying hedged debt to assure the effectiveness of the derivatives in reducing interest rate risk. These Unconsolidated Joint Ventures are exposed to credit risk in the event of nonperformance by their counterparties to the agreements, but have no off-balance sheet risk of loss. These Unconsolidated Joint Ventures anticipate that their counterparties will be able to fully perform their obligations under the agreements.

**UNCONSOLIDATED JOINT VENTURES OF THE TAUBMAN REALTY GROUP
LIMITED PARTNERSHIP
NOTES TO COMBINED FINANCIAL STATEMENTS -- (Continued)**

Fair Value of Debt Instruments

The estimated fair values of financial instruments at December 31, 1998 and 1997 are as follows:

	December 31			
	1998		1997	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Mortgage notes payable	\$824,826	\$861,141	\$874,472	\$910,250
Other notes payable	1,101	1,101	884	884
Interest rate instruments:				
In a receivable position	3,450	288	4,787	2,164
In a payable position				(4,241)

Note 5 - Leases

Shopping center space is leased to tenants and certain anchors pursuant to lease agreements. Tenant leases typically provide for guaranteed minimum rent, percentage rent and other charges to cover certain operating costs. Future minimum rent under operating leases in effect at December 31, 1998 for operating centers, assuming no new or renegotiated leases or option extensions on anchor agreements, is summarized as follows:

1999	\$ 150,314
2000	145,103
2001	133,172
2002	119,899
2003	99,921
Thereafter	329,850

Revenues derived from the combined operations of The Limited provided approximately 10.5% of total revenues in 1998. Revenues derived from the combined operations of The Limited were less than 10% of total revenues in 1997 and 1996. Amounts due from The Limited at December 31, 1998 were \$358 thousand.

One Unconsolidated Joint Venture, as lessee, has a ground lease expiring in 2083. Rental payments under the lease were \$2.0 million, \$1.8 million and \$1.7 million in 1998, 1997 and 1996. All of the ground lease rental payments and scheduled future payments represent minimum rental expense payable to its Joint Venture Partner.

The following is a schedule of future minimum rental payments required under the lease:

1999	\$ 1,984
2000	1,984
2001	1,984
2002	2,058
2003	2,281
Thereafter	654,136

**UNCONSOLIDATED JOINT VENTURES OF THE TAUBMAN REALTY GROUP
LIMITED PARTNERSHIP
NOTES TO COMBINED FINANCIAL STATEMENTS -- (Continued)**

Capital Lease Obligations

Certain Unconsolidated Joint Ventures have entered into lease agreements for property improvements with three to five year terms. As of December 31, 1998, future minimum lease payments for these capital leases are as follows:

1999	\$2,038
2000	1,980
2001	1,839
2002	65
2003	-----
Total minimum lease payments	\$5,922
Less amount representing interest	(735)

Capital lease obligations	\$5,187
	=====

Note 6 - Transactions with Affiliates

Charges from the Manager under various written agreements were as follows for the years ended December 31:

	1998	1997	1996
	----	----	----
Management and leasing services	\$17,849	\$17,352	\$ 16,720
Security and maintenance services	9,481	9,468	11,608
Development services	3,941	4,661	5,410
	-----	-----	-----
	\$31,271	\$31,481	\$ 33,738
	=====	=====	=====

TRG is a one-third owner of an entity providing management, leasing, and development services to Arizona Mills, L.L.C.. Charges from this entity were \$2.5 million in 1998 and \$9.7 million in 1997.

Westfarms previously loaned \$2.4 million to one of its Joint Venture Partners to purchase a portion of a deceased Joint Venture Partner's interest. The note bears interest at approximately 7.9% and requires monthly principal payments of \$25 thousand, plus accrued interest, with the final payment due in 2001. The balance at December 31, 1998 and 1997 was \$1.0 million and \$1.3 million, respectively. Interest income related to the loan was approximately \$0.1 million in 1998, 1997, and 1996.

Other related party transactions are described in Notes 1 and 5.

UNCONSOLIDATED JOINT VENTURES OF THE TAUBMAN REALTY GROUP
LIMITED PARTNERSHIP
Valuation and Qualifying Accounts
For the years ended December 31, 1998, 1997 and 1996
(in thousands)

Schedule II

		Additions				
	Balance at beginning of year -----	Charged to costs and expenses -----	Charged to other accounts -----	Write-offs -----	Transfers -----	Balance at end of year -----
Year ended December 31, 1996:						
Allowance for doubtful receivables	\$ 157 =====	1,303 =====	0 =====	(1,370) =====	0 =====	\$ 90 =====
Year ended December 31, 1997:						
Allowance for doubtful receivables	\$ 90 =====	697 =====	0 =====	(473) =====	0 =====	\$314 =====
Year ended December 31, 1998:						
Allowance for doubtful receivables	\$ 314 =====	1,119 =====	0 =====	(1,148) =====	(30)(1) =====	\$255 =====

(1) Subsequent to September 30, 1998, the date of the GMPT Exchange, the accounts of Woodfield are no longer included in these combined financial statements.

UNCONSOLIDATED JOINT VENTURES OF THE TAUBMAN REALTY GROUP LIMITED PARTNERSHIP
REAL ESTATE AND ACCUMULATED DEPRECIATION
December 31, 1998
(in thousands)

Schedule III

	Initial Cost to Company		Cost Capitalized Subsequent to Acquisition	Gross Amount at Which Carried at Close of Period			Accumulated Depreciation (A/D)	Total Cost Net of A/D
	Land	Buildings and Improvements		Land	BI&E	Total		
Taubman Shopping Centers:								
Arizona Mills, Tempe, AZ	\$22,017	\$163,618	\$ 3,697	\$22,017	\$167,315	\$189,332	\$ 8,218	\$181,114
Cherry Creek, Denver, CO	55	103,488	61,606	55	165,094	165,149	38,727	126,422
Fair Oaks, Fairfax, VA	5,167	36,182	11,216	5,167	47,398	52,565	29,071	23,494
Lakeside, Sterling Heights, MI	2,667	21,182	10,919	2,667	32,101	34,768	22,017	12,751
Stamford Town Center, Stamford, CT	1,977	43,461	11,856	1,977	55,317	57,294	28,033	29,261
Twelve Oaks Mall, Novi, MI	803	28,640	16,655	803	45,295	46,098	24,308	21,790
Westfarms, Farmington, CT	5,287	38,657	109,700	5,287	148,357	153,644	28,231	125,413
Woodland, Grand Rapids, MI	2,367	19,078	25,574	2,367	44,652	47,019	18,911	28,108
Other Properties:								
Peripheral land	2,104	0	0	2,104	0	2,104	0	2,104
Construction in Process	0	0	21,692	0	21,692	21,692	0	21,692
TOTAL	\$42,444	\$454,306	\$272,915	\$42,444	\$727,221	\$769,665	\$197,516	\$572,149

	Encumbrances	Date of Completion of Construction	Depreciable Life
Taubman Shopping Centers:			
Arizona Mills, Tempe, AZ	\$140,984	1997	50 Years
Cherry Creek, Denver, CO	130,000	1990	40 Years
Fair Oaks, Fairfax, VA	140,000	1980	55 Years
Lakeside, Sterling Heights, MI	88,000	1976	40 Years
Stamford Town Center, Stamford, CT	54,887	1982	40 Years
Twelve Oaks Mall, Novi, MI	49,955	1977	50 Years
Westfarms, Farmington, CT	155,000	1974	34 Years
Woodland, Grand Rapids, MI	66,000	1968	33 Years
Other Properties:			
Peripheral land	0		
Construction in Process	0		
TOTAL	\$824,826		

The changes in total real estate assets for the three years ended December 31, 1998 are as follows:

	1998	1997	1996
Balance, beginning of year	\$ 829,640	\$638,960	\$570,066
Improvements	64,455	192,888	110,187(1)
Disposals	(2,715)	(2,208)	(4,775)
Transfers Out	(121,715)(2)		(36,518)(3)
Balance, end of year	\$ 769,665	\$829,640	\$638,960

The changes in accumulated depreciation and amortization for the three years ended December 31, 1998 are as follows:

	1998	1997	1996
Balance, beginning of year	\$(205,659)	\$(188,491)	\$(196,263)
Depreciation for year	(26,707)	(18,669)	(17,976)
Disposals	1,685	1,501	4,564
Transfers Out	33,165(2)		21,184(3)
Balance, end of year	\$(197,516)	\$(205,659)	\$(188,491)

- (1) Includes TRG's transfer to Arizona Mills of TRG's accumulated pre-construction costs related to this project.
- (2) Subsequent to September 30, 1998, the date of the GMPT Exchange, the accounts of Woodfield are no longer included in these combined financial statements.
- (3) Subsequent to TRG's purchase of the Joint Venture Partner's interest, the accounts of Fairlane are no longer included in these combined financial statements.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TAUBMAN CENTERS, INC.

Date: March 26, 1999

By: /S/ ROBERT S. TAUBMAN

Robert S. Taubman, President and Chief
Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
-----	-----	----
* ----- A. Alfred Taubman	Chairman of the Board	March 26, 1999 -----
* ----- Robert C. Larson	Vice Chairman of the Board	March 26, 1999 -----
/s/ ROBERT S. TAUBMAN ----- Robert S. Taubman	President, Chief Executive Officer, and Director	March 26, 1999 -----
/s/ LISA A. PAYNE ----- Lisa A. Payne	Executive Vice President, Chief Financial Officer, and Director	March 26, 1999 -----
/s/ ESTHER R. BLUM ----- Esther R. Blum	Senior Vice President, Controller and Chief Accounting Officer	March 26, 1999 -----
* ----- Graham Allison	Director	March 26, 1999 -----
* ----- Claude M. Ballard	Director	March 26, 1999 -----
* ----- Allan J. Bloostein	Director	March 26, 1999 -----
* ----- Jerome A. Chazen	Director	March 26, 1999 -----
* ----- S. Parker Gilbert	Director	March 26, 1999 -----
*By: /s/ LISA A. PAYNE ----- Lisa A. Payne, as Attorney-in-Fact		

EXHIBIT INDEX

Exhibit Number

2 -- Separation and Relative Value Adjustment Agreement between The Taubman Realty Group Limited Partnership and GMPTS Limited Partnership (without exhibits or schedules, which will be supplementally provided to the Securities and Exchange Commission upon its request) (incorporated herein by reference to Exhibit 2 filed with the Registrant's Current Report on Form 8-K dated September 30, 1998).

3(a) -- Restated By-Laws of Taubman Centers, Inc., (incorporated herein by reference to Exhibit 3 (b) filed with the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998 ("1998 Third Quarter Form 10-Q")).

3(b) -- Restated Articles of Incorporation of Taubman Centers, Inc. (incorporated by reference to Exhibit 3(a) filed with the Registrant's 1998 Third Quarter Form 10-Q).

4(a) -- Indenture dated as of July 22, 1994 among Beverly Finance Corp., La Cienega Associates, the Borrower, and Morgan Guaranty Trust Company of New York, as Trustee (incorporated herein by reference to Exhibit 4(h) filed with the 1994 Second Quarter Form 10-Q).

4(b) -- Deed of Trust, with assignment of Rents, Security Agreement and Fixture Filing, dated as of July 22, 1994, from La Cienega Associates, Grantor, to Commonwealth Land Title Company, Trustee, for the benefit of Morgan Guaranty Trust Company of New York, as Trustee, Beneficiary (incorporated herein by reference to Exhibit 4(i) filed with the 1994 Second Quarter Form 10-Q).

4(c) -- Construction Loan Agreement among Taubman MacArthur Associates Limited Partnership, as Borrower, and Bayerische Hypotheken - Und Wechsel - Bank, Aktiengesellschaft, New York Branch and The Other Banks and Financial Institutions from time to time Parties hereto, as Lenders and Bayerische Hypotheken - Und Wechsel - Bank Aktiengesellschaft, New York Branch, as Agent, dated as of October 28, 1997 (incorporated herein by reference to Exhibit 4 (i) filed with Registrant's Annual Report on Form 10-K for the year ended December 31, 1997 ("1997 Form 10-K")).

4(d) -- Loan Agreement dated as of November 25, 1997 among The Taubman Realty Group Limited Partnership, as Borrower, Fleet National Bank, as a Bank, PNC Bank, National Association, as a Bank, the other Banks signatory hereto, each as a Bank, and PNC Bank, National Association, as Administrative Agent (incorporated herein by reference to Exhibit 4(j) filed with the 1997 Form 10-K).

4(e) -- Revolving Credit Agreement dated as of September 21, 1998 among The Taubman Realty Group Limited Partnership, as Borrower, UBS AG, New York Branch, as a Bank and UBS AG, New York Branch, as Administrative Agent (incorporated herein by reference to Exhibit (4) filed with the 1998 Third Quarter Form 10-Q).

10(a) -- The Second Amendment and Restatement of Agreement of Limited Partnership of The Taubman Realty Group Limited Partnership dated September 30, 1998 (incorporated herein by reference to Exhibit 10 filed with the 1998 Third Quarter Form 10-Q).

*10(b) -- The Taubman Realty Group Limited Partnership 1992 Incentive Option Plan, as Amended and Restated Effective as of September 30, 1997 (incorporated herein by reference to Exhibit 10 (b) filed with the 1997 Form 10-K).

EXHIBIT INDEX

Exhibit Number

10(c) -- Registration Rights Agreement among Taubman Centers, Inc., General Motors Hourly-Rate Employees Pension Trust, General Motors Retirement Program for Salaried Employees Trust, and State Street Bank & Trust Company, as trustee of the AT&T Master Pension Trust (incorporated herein by reference to Exhibit 10(e) filed with the 1992 Form 10-K).

10(d) -- Master Services Agreement between The Taubman Realty Group Limited Partnership and the Manager (incorporated herein by reference to Exhibit 10(f) filed with the 1992 Form 10-K).

10(e) -- Cash Tender Agreement among Taubman Centers, Inc., A. Alfred Taubman, acting not individually but as Trustee of The A. Alfred Taubman Restated Revocable Trust, as amended and restated in its entirety by Instrument dated January 10, 1989 (as the same has been and may hereafter be amended from time to time), TRA Partners, and GMPTS Limited Partnership (incorporated herein by reference to Exhibit 10 (g) filed with the 1992 Form 10-K).

*10(f)-- Supplemental Retirement Savings Plan (incorporated herein by reference to Exhibit 10(i) filed with the Registrant's Annual Report on Form 10-K for the year ended December 31, 1994).

*10(g)-- First Amendment to The Taubman Company Long-Term Compensation Plan (incorporated herein by reference to Exhibit 10 filed with the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1998).

*10(h)-- Employment agreement between The Taubman Company Limited Partnership and Lisa A. Payne (incorporated herein by reference to Exhibit 10 filed with the 1997 First Quarter Form 10-Q).

*10(i)-- Amended and Restated Continuing Offer, dated as of September

30, 1997 (incorporated herein by reference to Exhibit 10 filed with the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1997).

12	--	Statement Re: Computation of Taubman Centers, Inc. Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends.
21	--	Subsidiaries of Taubman Centers, Inc.
23	--	Consent of Deloitte & Touche LLP.
24	--	Powers of Attorney.
27	--	Financial Data Schedule.

99(a)-- Purchase and Sale Agreement By and Between One Federal Street Joint Venture and The Taubman Realty Group Limited Partnership, dated July 16, 1997 (Purchase and Sale Agreement) (without exhibits or schedules, which will be supplementally provided to the Securities and Exchange Commission upon its request) (incorporated herein by reference to Exhibit 99(a) filed with the Registrant's Current Report on Form 8-K dated September 4, 1997).

99(b)-- First Amendment to Purchase and Sale Agreement, dated August 15, 1997 (without exhibits or schedules, which will be supplementally provided to the Securities and Exchange Commission upon its request) (incorporated herein by reference to Exhibit 99(b) filed with the Registrant's Current Report on Form 8-K dated September 4, 1997).

* A management contract or compensatory plan or arrangement required to be filed pursuant to Item 14(c) of Form 10-K.

Exhibit 12

Taubman Centers, Inc.

Computation of Ratios of Earnings to Combined Fixed Charges and Preferred Stock Dividends (in thousands, except ratios)

	Twelve Months Ended December 31	
	1998	1997
	----	----
Net Earnings from Continuing Operations (1)	\$ 70,403	\$ 28,662
Add back:		
Fixed charges	139,556	
Amortization of previously capitalized interest (2)	2,335	
Deduct:		
Capitalized interest (2)	(19,254)	
	-----	-----
Earnings Available for Fixed Charges and Preferred Stock Dividends	\$ 193,040	\$ 28,662
	=====	=====
Fixed Charges		
Interest expense	\$ 75,809	
Capitalized interest	18,192	
Interest portion of rent expense	6,383	
Proportionate share of Unconsolidated Joint Ventures' fixed charges	39,172	

Total Fixed Charges	\$ 139,556	

Series A Preferred Stock Dividends	16,600	4,058
	-----	-----
Total Fixed Charges and Preferred Stock Dividends	\$ 156,156	\$ 4,058
	=====	=====
Ratio of Earnings to Fixed Charges and Preferred Stock Dividends	1.2	7.1

(1) On September 30, 1998, the Company obtained a majority and controlling interest in TRG, as a result of the GMPT Exchange. Upon obtaining this controlling interest, the Company consolidated the accounts of TRG for 1998. The Company previously accounted for its investment in TRG under the equity method. The Company does not have, and has not had, any parent company outstanding indebtedness. Prior to October, 1997, the Company had no preferred stock.

(2) Amounts include TRG's pro rata share of capitalized interest and amortization of previously capitalized interest.

Exhibit 21**TAUBMAN CENTERS, INC.
LIST OF SUBSIDIARIES**

NAME ----	JURISDICTION OF FORMATION -----	DOING BUSINESS AS -----
Biltmore Shopping Centers Partners	Arizona	Biltmore Fashion Park
Fairlane Town Center	Michigan	Fairlane Town Center
Katy-Gessner Associates Limited Partnership	Delaware	Memorial City (leased)
La Cienega Associates	California	Beverly Center
La Cumbre Shopping Center Associates	California	La Cumbre Plaza
Paseo Nuevo Associates	California	Paseo Nuevo
Short Hills Associates	New Jersey	The Mall at Short Hills
Tampa Westshore Associates Limited Partnership	Delaware	International Plaza (under construction)
Taubman Auburn Hills Associates Limited Partnership	Delaware	Great Lakes Crossing
Taubman MacArthur Associates Limited Partnership	Delaware	MacArthur Center
The Taubman Company Limited Partnership	Delaware	The Taubman Company
The Taubman Realty Group Limited Partnership	Delaware	N/A
TRG - Regency Square Associates	Virginia	Regency Square

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Amendment No. 1 to Form S-11 on Form S-8 Registration Statement No. 33-65934 of Taubman Centers, Inc., in Amendment No. 2 to Form S-3 Registration Statement No. 33-73038 of Taubman Centers, Inc., in Amendment No. 1 to Form S-3 Registration Statement No. 33-99636 of Taubman Centers, Inc., and in Amendment No.3 to Form S-3 Registration Statement No. 333-19503 of Taubman Centers, Inc., in Form S-3 Registration Statement No. 333-16781 of Taubman Centers, Inc., in Amendment No. 1 to Form S-3 Registration Statement No. 333-35433 of Taubman Centers, Inc., of our reports dated February 16, 1999 on the financial statements and the financial statement schedules of Taubman Centers, Inc., and the combined financial statements and the financial statement schedules of Unconsolidated Joint Ventures of The Taubman Realty Group Limited Partnership appearing in this Annual Report on Form 10-K of Taubman Centers, Inc. for the year ended December 31, 1998.

Deloitte & Touche LLP
Detroit, Michigan
March 23, 1999

ARTICLE 5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE TAUBMAN CENTERS, INC. (TCO) CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 1998 AND THE TAUBMAN CENTERS, INC. STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

CIK: 0000890319

NAME: TAUBMAN CENTERS, INC.

MULTIPLIER: 1,000 ¹

CURRENCY: U.S. DOLLARS

PERIOD TYPE	YEAR	
FISCAL YEAR END	DEC 31 1998	
PERIOD START	JAN 01 1998	
PERIOD END	DEC 31 1998	
EXCHANGE RATE	1	
CASH	19,045	
SECURITIES	0	
RECEIVABLES	28,020	
ALLOWANCES	333	
INVENTORY	0	
CURRENT ASSETS	0	²
PP&E	1,473,440	
DEPRECIATION	164,798	
TOTAL ASSETS	1,480,863	
CURRENT LIABILITIES	0	²
BONDS	775,298	
PREFERRED MANDATORY	0	
PREFERRED	108	
COMMON	530	
OTHER SE	520,539	
TOTAL LIABILITY AND EQUITY	1,480,863	
SALES	0	
TOTAL REVENUES	333,953	
CGS	0	
TOTAL COSTS	209,552	
OTHER EXPENSES	0	
LOSS PROVISION	0	
INTEREST EXPENSE	75,809	
INCOME PRETAX	70,403	³
INCOME TAX	0	
INCOME CONTINUING	70,403	³
DISCONTINUED	0	
EXTRAORDINARY	(50,774)	
CHANGES	0	
NET INCOME	13,620	
EPS PRIMARY	(.06)	
EPS DILUTED	(.06)	

¹ EXCEPT FOR PER SHARE DATA.

² TCO HAS AN UNCLASSIFIED BALANCE SHEET.

³ REPRESENTS INCOME BEFORE EXTRAORDINARY ITEMS AND MINORITY INTEREST. THE MINORITY INTEREST'S SHARE OF INCOME WAS \$6.009 MILLION.

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