SECOND QUARTER REPORT, JUNE 30, 2000

THE ROUSE COMPANY

LETTER TO SHAREHOLDERS

The Company continued to produce excellent results in the second quarter of 2000. Funds From Operations (FFO) were $63.1 million or $.82 per share, increases of 31% and 34%, respectively, over 1999's second quarter FFO of $48.3 million and $.61 per share. For the first half of the year, Funds From Operations were $126.1 million or $1.64 per share, increases of 18% and 22%, respectively, compared to $106.7 million and $1.34 per share for the same period of 1999.

Net Earnings were $33.8 million ($.44 per share) for 2000's second quarter, compared to $29.1 million ($.36 per share) in the same period a year ago, and were $65.2 million ($.83 per share) for the first half of the year, compared to $57.0 million ($.70 per share) last year.

RETAIL CENTERS

The Company's portfolio of retail centers had good performance in the second quarter. Funds From Operations from retail centers reached $36.7 million, an increase of 5% over $35.0 million in the second quarter of 1999. For the six-month period, FFO was $73.6 million, 4% ahead of $70.9 million in 1999's comparable first half. These gains were partly attributable to increases in FFO from recently expanded centers like The Mall in Columbia, Exton Square and Moorestown Mall.

At June 30, the occupancy level for retail centers was 92%, down a point and one half from a year ago, but most of that difference was caused by three centers with temporary construction disruptions and two centers with "dark" department stores. Management believes that by year-end occupancy will reach 95%. Comparable space sales increased by 3% in the first six months, notwithstanding being depressed by the loss of sales resulting from a higher level of vacant space. Prospects remain good that the retail FFO growth rate for the full year will be in the 7% range, after the disposition of several centers.

OFFICE AND OTHER PROPERTIES

The Company's portfolio of office and other properties had another strong quarter of performance. For the three months ended June 30, Funds From Operations were $13.2 million, an 11% increase over $11.8 million in 1999's second quarter, and for the first half of the year, FFO was $25.8 million, a 12% increase over the same period last year. High occupancy levels, strong performance from downtown projects in Baltimore, Phoenix, Seattle and Portland and new projects in Las Vegas/Summerlin, all contributed to the quarter's gains. These trends should continue through the balance of the year, although as mentioned in previous reports, some buildings will likely be sold or transferred during the second half. When dispositions occur, FFO from office and other properties will decline, but as the proceeds are employed to reduce debt, fund new development or buy stock, the Company's per share FFO and value should be enhanced.

COMMUNITY DEVELOPMENT

Land sales operations produced $20.4 million of Funds From Operations in the second quarter of 2000 (compared to $10.7 million a year ago) and $40.9 million for the first six months of the year (compared to $29.6 million last year). Both Columbia, Maryland and Summerlin, Nevada continued to experience strong demand, and in addition, at Bridgewater Commons in New Jersey, the sale of a parcel of land for an office complex adjacent to the center produced $7.5 million of FFO in the second quarter. Management expects that land sales operations will continue at a robust pace in the second half and that FFO from land sales operations for the full year will exceed 1999's total.

COMMERCIAL DEVELOPMENT

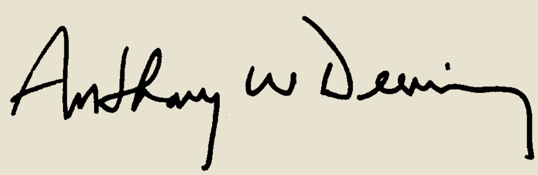
On Friday, July 14, enthusiastic crowds celebrated another expansion of Perimeter Mall, in Atlanta. The 78,000 square feet of new space included a landscaped garden entrance and pedestrian promenade, a forerunner of design elements that are planned for several of the Company's other new projects *(see back cover).*

During May, the Company and Nordstrom announced that the Seattle-based department store chain plans to open seven new, high-quality, fashion-oriented stores in projects that the Company has underway, in the Las Vegas, Minneapolis, San Antonio, Salt Lake City, Nashville, Louisville and Cincinnati market areas. These seven projects plus others in Coral Gables, FL (including an eighth Nordstrom and a Neiman Marcus store), Summerlin, NV and Dade County, FL give the Company exceptional opportunities to dramatically increase both the earnings and value of its retail portfolio.

SUMMARY

Operations and development activities are continuing to produce excellent results. Asset dispositions are continuing, providing capital to reduce debt, buy back common stock and fund development equity. During July, the Company transferred partnership interests in North Star in San Antonio to its majority partner and received cash proceeds of approximately $84 million. Due diligence is proceeding on a similar proposed transfer that involves office/flex/industrial buildings in Las Vegas.

After six months we are on target to achieve our objectives for 2000, and prospects for 2001 appear strong.



ANTHONY W. DEERING
Chairman of the Board and Chief Executive Officer

Front Cover: The streetscape-style expansion of Perimeter Mall in Atlanta, Georgia includes nationally-renown restaurants, exclusive retail shops and a new pedestrian-friendly garden entrance.

FINANCIAL HIGHLIGHTS THE ROUSE COMPANY

(Unaudited; in thousands, except per share amounts)	*Three months ended June 30, 2000*	*1999*	*Six months ended June 30, 2000*	*1999*
Segment operating results and selected data (note 1)				
Revenues				
Retail centers	$145,404	$147,051	$291,935	$298,450
Office and other properties	55,435	51,416	108,758	102,462
Land sales operations	54,234	44,197	113,027	104,778
Corporate interest income	278	1,089	501	1,284
	255,351	243,753	514,221	506,974
Operating and interest expenses, exclusive of depreciation and amortization				
Retail centers	108,656	112,034	218,369	227,592
Office and other properties	42,260	39,576	82,972	79,425
Land sales operations	33,836	33,544	72,117	75,187
Development	949	(172)	1,648	1,301
Corporate	6,567	10,498	13,062	16,775
	192,268	195,480	388,168	400,280
Funds From Operations	$ 63,083	$ 48,273	$126,053	$106,694
Funds From Operations by segment				
Retail centers	$ 36,748	$ 35,017	$ 73,566	$ 70,858
Office and other properties	13,175	11,840	25,786	23,037
Land sales operations	20,398	10,653	40,910	29,591
Development	(949)	172	(1,648)	(1,301)
Corporate	(6,289)	(9,409)	(12,561)	(15,491)
Funds From Operations	63,083	48,273	126,053	106,694
Depreciation and amortization	(27,349)	(25,600)	(54,261)	(57,377)
Gain (loss) on dispositions of operating property assets, net	(1,225)	7,289	(5,915)	8,571
Extraordinary loss from early extinguishment of debt	(722)	(910)	(722)	(910)
Net earnings	$ 33,787	$ 29,052	$ 65,155	$ 56,978
Net earnings applicable to common shareholders	$ 30,749	$ 26,014	$ 59,079	$ 50,902
Funds From Operations per share—diluted	$ .82	$ .61	$ 1.64	$ 1.34
Dividends per share				
Common stock	$ .33	$ .30	$ .66	$ .60
Preferred stock	$ .75	$ .75	$ 1.50	$ 1.50

(Unaudited; in thousands)	*June 30, 2000*	*December 31, 1999*
Balance sheet data (note 2)		
Assets		
Property	$3,636,617	$3,536,161
Investments in and advances to unconsolidated real estate ventures	504,281	533,341
Other assets	294,743	308,503
Cash, cash equivalents and marketable securities	38,318	49,211
Total	$4,473,959	$4,427,216
Liabilities and shareholders' equity		
Property debt not carrying a Parent Company guarantee of repayment	$2,578,532	$2,529,334
Parent Company debt and debt carrying a Parent Company guarantee of repayment	823,006	805,085
Total debt	3,401,538	3,334,419
Other liabilities	301,826	317,252
Company-obligated mandatorily redeemable preferred securities	136,965	136,965
Shareholders' equity	633,630	638,580
Total	$4,473,959	$4,427,216

Note 1—Segment operating data are presented in accordance with Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information" which became effective in 1998. As required by the Statement, segment data are reported using the performance measure and accounting policies followed by the Company for internal reporting to management. The performance measure is Funds From Operations (FFO) computed using the revised definition developed by the National Association of Real Estate Investment Trusts (NAREIT) in 1999. NAREIT defines FFO as net earnings, excluding cumulative effects of changes in accounting principles, extraordinary items, gain (loss) on dispositions of operating property assets, net, plus depreciation and amortization, and after adjustments for minority interests and to present unconsolidated real estate ventures on the same basis. The accounting policies of the segments are the same as those of the Company, except that real estate ventures in which the Company holds substantially all of the financial interest but does not own a majority voting interest are accounted for on a consolidated basis rather than using the equity method, and the Company's share of FFO of unconsolidated real estate ventures in which it holds a minority interest is included in revenues. These differences affect only the reported revenues and operating and interest expenses of the segments and have no effect on the reported net earnings or FFO of the Company.

Note 2—Balance sheet data does not include consolidation of the accounts of the majority interest ventures.

PERIMETER MALL ATLANTA, GEORGIA

Perimeter Mall, the Company's highly successful regional center located in the northern suburbs of Atlanta, celebrated another milestone on Friday, July 14, 2000, with the completion of a 78,000 square-foot expansion. The "streetscape" addition includes a new pedestrian-friendly promenade with The Cheesecake Factory, Maggiano's Little Italy, Corner Bakery Café, Goldfish Restaurant, Harold's, Z Gallerie, Gerald Stevens Gifts & Flowers and DASS Salon and Spa.

A new garden entrance is the centerpiece of the expansion and reinforces the inviting, outward-facing, open-air, "main street-like" design—prototypical of a trend the Company is endorsing for future development projects. This dramatic front entrance features a garden courtyard with a mosaic tile fountain, a hand-set natural stone wall, illuminated River Birch trees, conversational seating areas and landscaped pedestrian walkways adjacent to restaurant patios. ■ The expansion creates a lively outdoor gathering place that provides more shopping and dining choices for the high-end Atlanta market that surrounds Perimeter Mall. These new retailers and restaurants join a very successful 1,600,000 square-foot regional fashion center anchored by Nordtsrom, Macy's, Rich's and JCPenney.