

The Howard Hughes Corp. (HHC)

February 25, 2016

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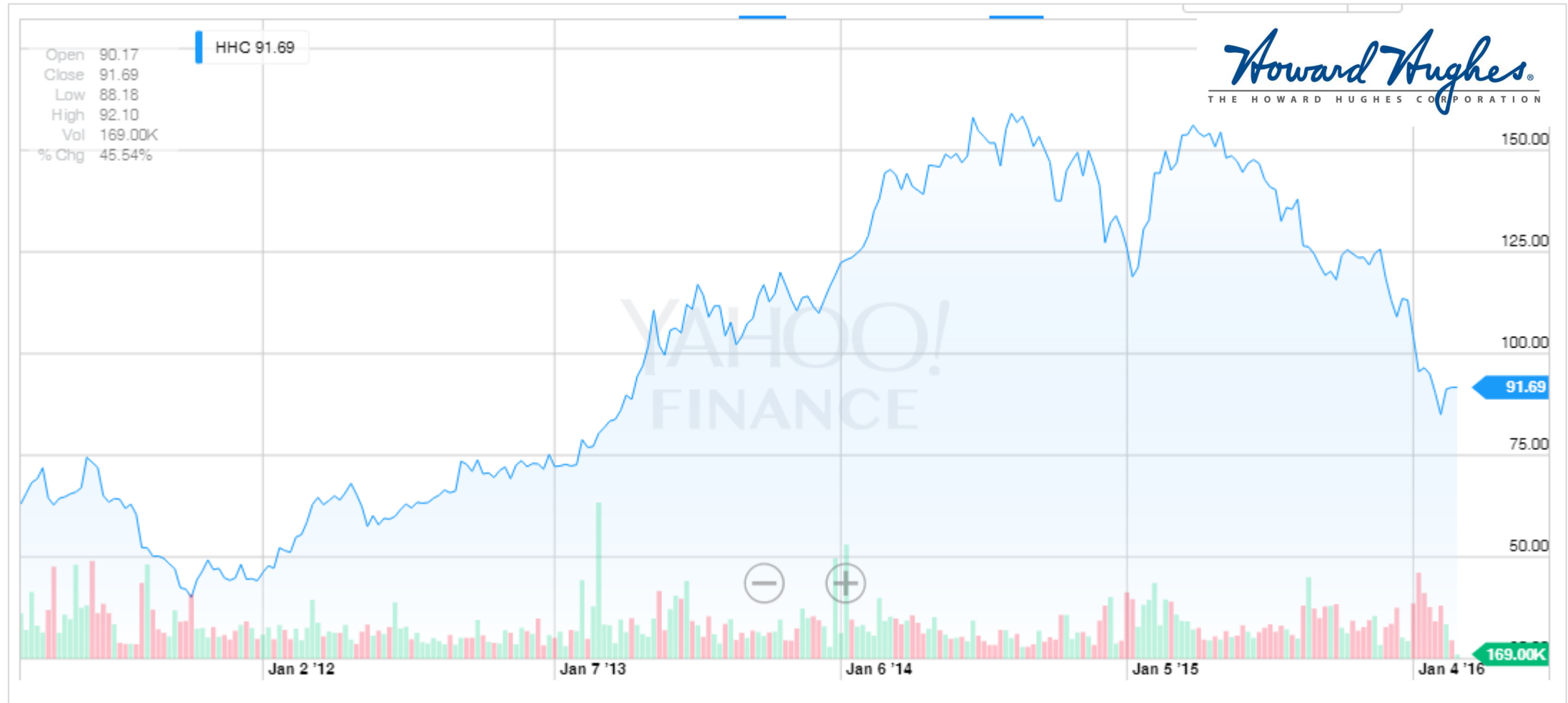
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Conclusions from My Analysis:

- At current prices (\$91.00/share on 2-25-2015) investors are discounting quite a bit, such as potentially:
 - \$0 value to any future development in The Woodlands
 - \$0 value to any future development, besides the current 6 towers, in Ward Village
 - \$0 value to the redevelopment of Ward Village operating asset, which should add an additional \$500m - \$1 billion of total value (undiscounted)
 - Deterioration of The Woodlands commercial assets, which make up about 20% of the current market price, due to oil prices/concerns with Houston
 - \$0 value to South Street Seaport Project #2, which is up to 700,000 SF of development
 - \$0 value to the Discovery Land joint venture
 - Potentially higher cap rates on each asset, due to perceived higher risks or higher overall rates without commensurate pricing power
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Is the 40%+ Decline an Overshoot?

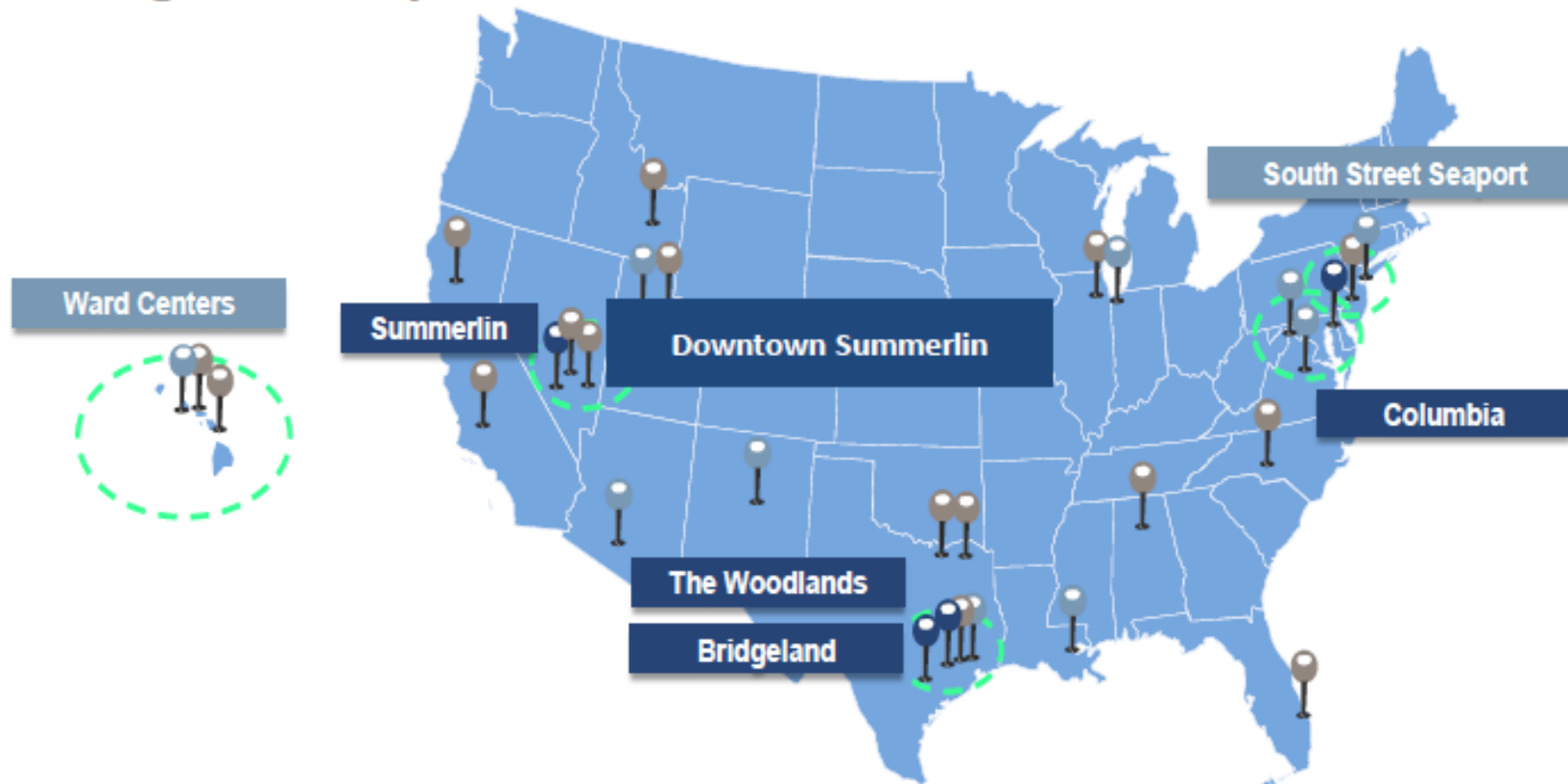


About: The Howard Hughes Corp. (“HHC”)

- **Mission:** To be the preeminent real estate developer and operator of master planned communities and mixed used properties across the United States
- Owns assets across 16 states
- Three Business Segments:
 - Master Planned Communities
 - Operating Assets
 - Strategic Developments
- Created from spin-off in November 2010 from General Growth Properties (GGP)
- Original portfolio was underdeveloped, unmaintained by GGP
- Pershing Square’s Bill Ackman helped formation of HHC, hand picked the executives, and currently owns ~13.2% of HHC in his hedge fund
- CEO, President, and CFO collectively invested \$20 million in cash in the forms of warrants and common equity that can’t be hedge or sold until earliest November 2016

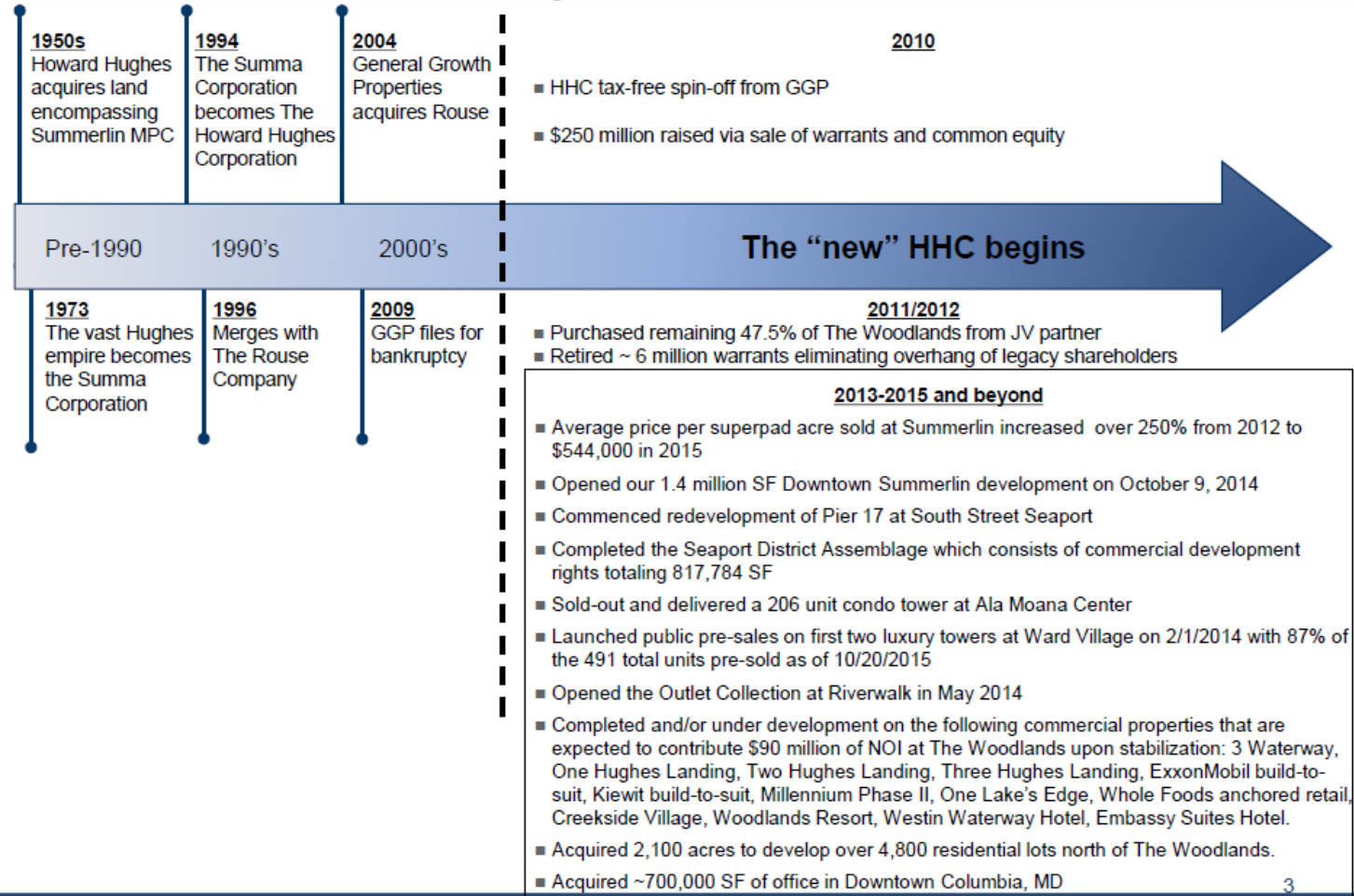
Premier Portfolio of Assets

Master Planned Communities
Operating Assets
Strategic Developments



The *Legacy* of The Howard Hughes Corp.

A distinguished legacy of more than six decades of real estate operations



The Creation of The Howard Hughes Corp.

- Spun-off from General Growth Properties (GGP) when it emerged from bankruptcy November 2010
- Bill Ackman (Pershing Square) joined the board of GGP after it filed for bankruptcy, learned about specific assets
- Ackman decides to spin off assets that were not ideal under a REIT structure: development assets, master planned communities (MPC's) and other assets whose current cash flow wasn't reflective of the long-term potential
- REITs are typically valued based on distributable free cash flow, the new "HHC" barely had any consistent FCF
- HHC was spun-off specifically to create value to avoid a takeover from Simon Properties, also had risk of transaction failure from antitrust issues
- Ackman personally sought out the management team for newly formed HHC
 - David Weinreb, a Dallas-based real estate investor for 25+ years
 - Grant Herlitz, partner of Weinreb
- Weinreb, Herlitz, and CFO Andy Richardson committed \$19 million of their own money to purchase long-term warrants of HHC at the fair value at the time of purchase
 - Cannot be sold, hedged for 6 years of the 7 year life
 - Meant to align shareholders with management
- Ackman became the Chairman of the Board, protecting his hedge fund's investment in HHC as well

How to Value HHC?

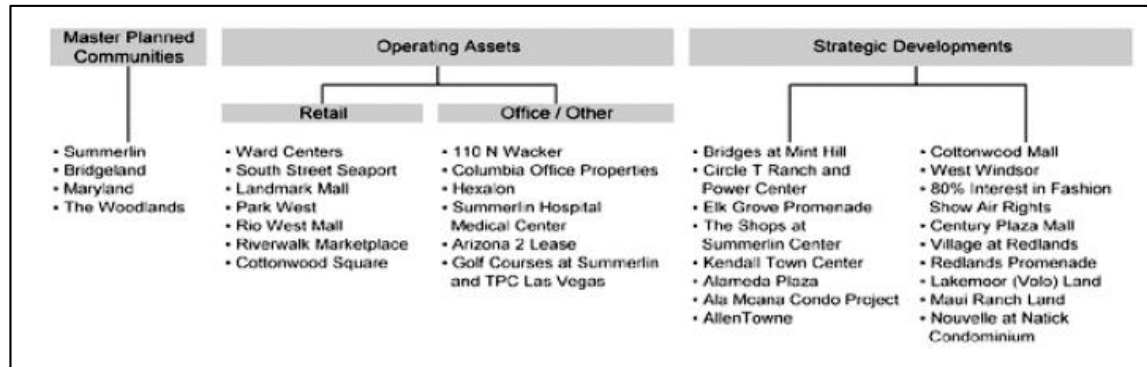
- 2010 Annual Report: *“With respect to the valuation of HHC, the easy answer is that you should calculate the value of our assets – cash, real estate, and tax attributes – subtract our liabilities and then divide by fully diluted shares outstanding. The difficulty is that the real estate assets owned by HHC are notoriously difficult to value. First, you should consider that their long-term value – the value that can be achieved by a long-term owner – is, in my opinion, materially higher than their liquidation value.”* – Bill Ackman
 - “For our **MPC assets**, one can make assumptions about the timing and number of future lot sales and then discount back these cash flows over the 30-or-so-year life of the project at a discount rate you deem appropriate. The problem with such an approach is that small changes in assumptions on discount rates, lot pricing and selling velocity, inflation, etc. can have an enormous impact on fair value.”
 - “For our **development assets**, one needs to make assumptions about what will be built, when it will be built, to whom it will be leased, what rents it will achieve, what expenses it will incur, and what multiple an investor will place on these cash flows. Again, even highly sophisticated real estate investors will assign substantially divergent values to the same assets when using their own assumptions.”
- Usual metrics like: net income, operating cash flow, EBITDA, AFFO, earnings per share, etc. do not offer much help due to the timing of the sale of assets, build out costs, the book value of the assets.

The HHC Fly-Wheel

- Originally, HHC helped fund the “strategic asset” development costs through a combination of selling MPC land and raising outside capital (debt)
- Now, there is a substantial amount of earnings stream (and growing) in the “operating asset” category that is self-funding, and provides additional flexibility in terms of:
 - When/if HHC wants to sell MPC assets/land
 - Utilize NOI to fund new strategic developments
 - Can utilize non-recourse debt on a majority of the assets supported by the cash flow of the asset
- Additionally, HHC has been using its assets – specifically, their land – as the only contribution in joint ventures with other development companies (apartments, other facilities/projects) and avoids borrowing money, using any cash, and receives 50% (or more) of the future economics from the joint-venture
 - Discovery Land (Summerlin)
 - Millennium Waterway Phase II
 - Parcel C (Ketler)
 - Summerlin Apartments, LLC
 - Metropolitan Downtown Columbia Apartments (Maryland)

HHC's Transition (2010 – current)

2010 Annual Report



Q3 2015 10-Q

Master Planned Communities	Operating Assets		Strategic Developments	
	Retail	Office	Under Construction	Other
<ul style="list-style-type: none"> • Bridgeland • Maryland • Summerlin (a) • The Woodlands • The Woodlands Hills (b) 	<ul style="list-style-type: none"> • Columbia Regional Building • Cottonwood Square • Creekside Village Green (c) • Downtown Summerlin • Hughes Landing Retail (c) • 1701 Lake Robbins • Landmark Mall • Outlet Collection at Riverwalk • Park West • South Street Seaport (under construction) • Ward Village • 20/25 Waterway Avenue • Waterway Garage Retail 	<ul style="list-style-type: none"> • 10-70 Columbia Corporate Center • Columbia Office Properties • One Hughes Landing • Two Hughes Landing • 2201 Lake Woodlands Drive • 9303 New Trails • 110 N. Wacker • 3831 Technology Forest Drive • 3 Waterway Square • 4 Waterway Square • 1400 Woodloch Forest 	<ul style="list-style-type: none"> • Anaha Condominiums • Three Hughes Landing • 1725-35 Hughes Landing Boulevard • Hughes Landing Hotel (Embassy Suites) • Lakeland Village Center • Summerlin Apartments, LLC (d) • Waiea Condominiums • Waterway Square Hotel (Westin) 	<ul style="list-style-type: none"> • Alameda Plaza • ONE Ala Moana (e) • Alden Bridge Self-Storage • AllenTowne • Bridges at Mint Hill • Century Plaza Mall • Circle T Ranch and Power Center (d) • Cottonwood Mall • The Outlet Collection at Elk Grove (g) • 80% Interest in Fashion Show Air Rights • Kendall Town Center • Lakemoor (Volo) Land • Maui Ranch Land • Parcel C (d) • Seaport District Assemblage • Ward Block M • Ward Gateway Towers • Ward Workforce Tower • West Windsor
	Other			
	<ul style="list-style-type: none"> • Golf Courses at TPC Summerlin and TPC Las Vegas (participation interest) • Kewalo Basin Harbor • Merriweather Post Pavilion • Millennium Waterway Apartments • Millennium Woodlands Phase II LLC (d) • One Lake's Edge (c) • 85 South Street 			
		<ul style="list-style-type: none"> • Stewart Title of Montgomery County, TX (d) • Summerlin Hospital Medical Center (d) • Summerlin Las Vegas Baseball Club LLC (d) • The Metropolitan Downtown Columbia Project (c) (d) • The Club at Carlton Woods (f) • The Woodlands Resort & Conference Center • The Woodlands Parking Garages • Woodlands Sarofim #1 (d) 		

Many Assets; Only a *Handful* That Matter

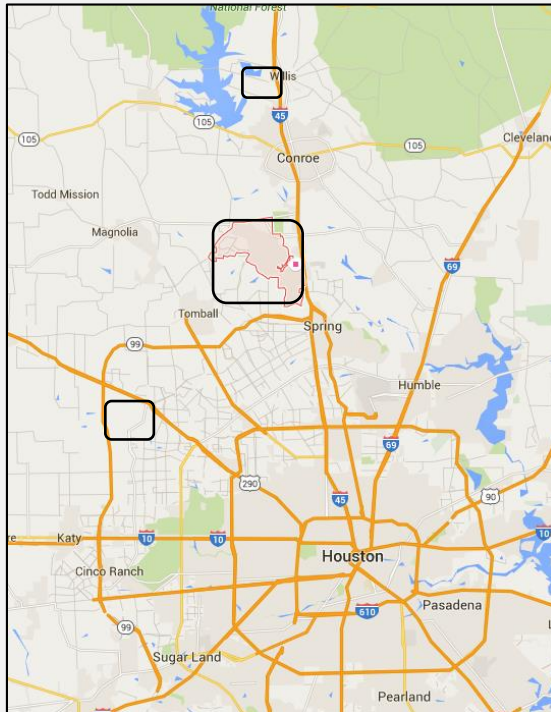
- Master Planned Communities (MPC)
 1. Summerlin (Las Vegas, NV)
 2. The Woodlands (Houston, TX)
 3. Bridgeland (Houston, TX)
 4. The Woodlands Hills (Conroe, TX)
 5. Columbia, Maryland
- Operating Assets
 1. The Woodlands
 2. Manhattan (South Street Seaport/Pier 17)
 3. Ward Village
 4. Summerlin, NV
- Strategic Assets
 1. Manhattan (South Street Seaport/Pier 17) Projects #2 and #3
 2. Discovery Land (Summerlin, NV)
 3. Future Columbia, MD commercial/residential/mixed-use build-out
 4. Future 1m – 1.5m retail/commercial in Ward Village (Honolulu, HI)
 5. Future condo towers in Ward Village (Honolulu, HI)
 6. Future 8.0m condo/commercial build-out in The Woodlands

Master Planned Communities (MPC)

MPC

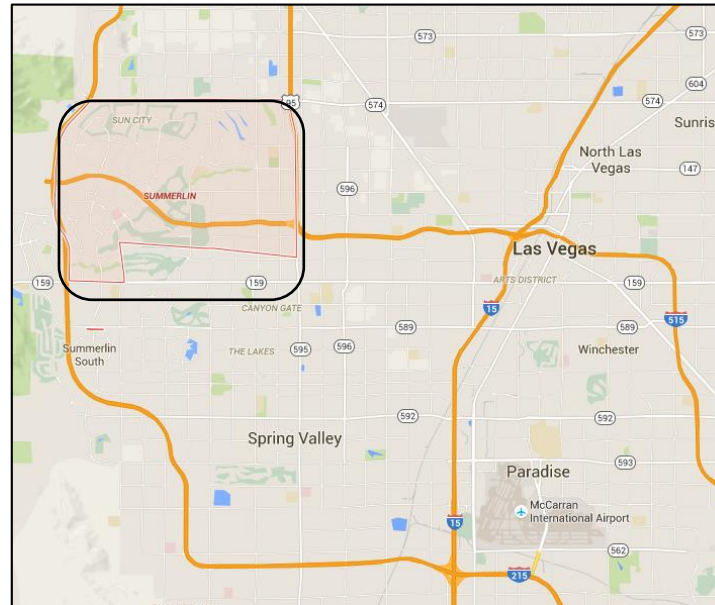
The Woodlands, TX / Bridgeland/ Woodlands Hills

- Over 400 acres in The Woodlands
- Over 3,000 residential acres in Bridgeland
- Over 2,000 acres in Woodlands Hills



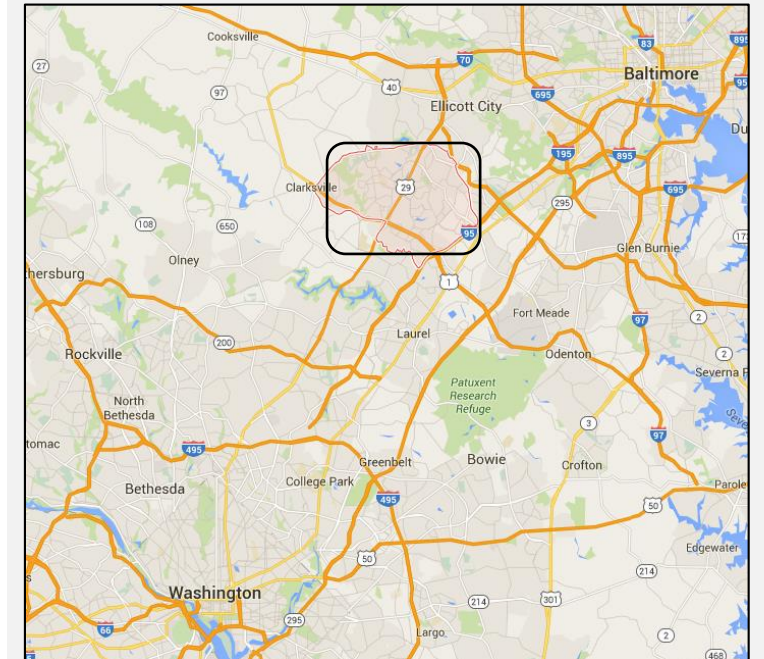
Summerlin (Las Vegas, NV)

- About 4,000 residential acres
- Committed 555 acres to Discovery Land “JV”
- Largest private landowner in Las Vegas
- Consistent top 10 selling MPC in U.S.
- Expected sell-out ~2039



Columbia, Maryland

- About 200 commercial acres inside the Columbia MPC
- Sell-out ~2022

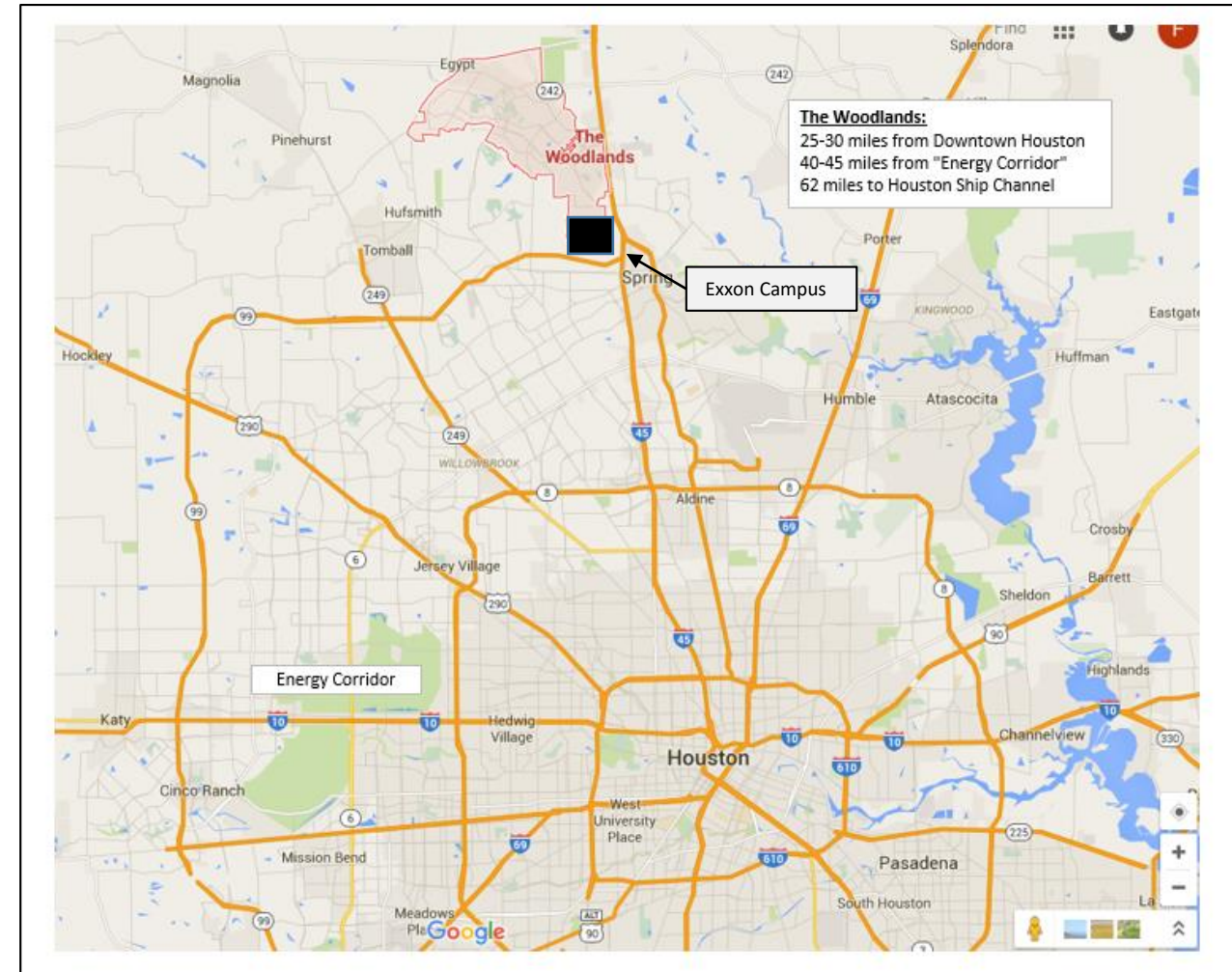


The Woodlands (north Houston, TX)

MPC

- 27 miles north of Houston
- 28,400 acres
- 110,000+ residents
- 28% of The Woodlands is dedicated to green space, parks, pathways, open spaces, golf courses, forest preserves
- Originally owned 52.5% with Morgan Stanley, purchased their share in 2011, now own 100% of The Woodlands
- Montgomery County has 53% higher median household income than Houston; about 74% higher than average U.S. and Texas
- Average Family Income = \$108,859 (Montgomery County)
- **Estimated value = ~\$150m** (discounted, unlevered)

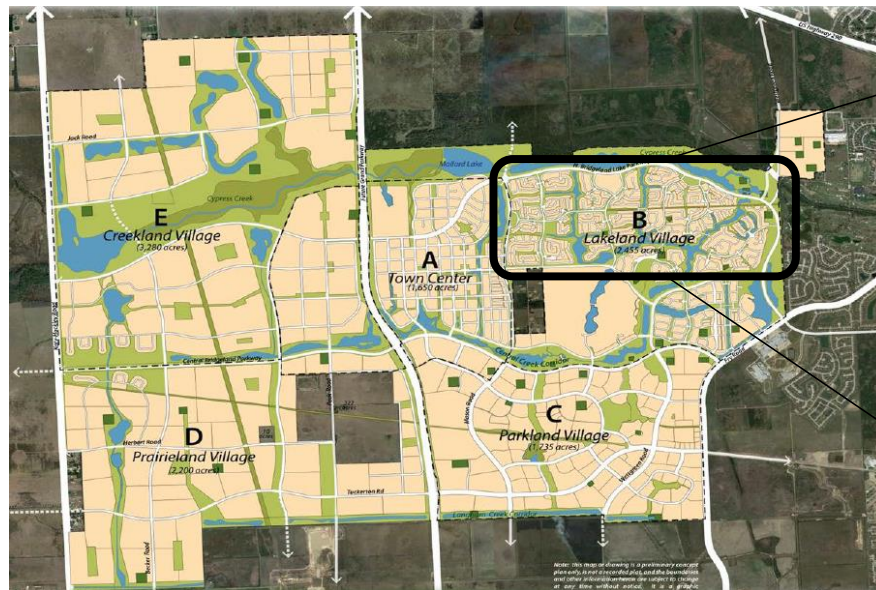
(more information on Houston & The Woodlands in proceeding slides)



Bridgeland (west Houston, TX)

MPC

- **Estimated value = ~\$500m** (discounted, unlevered)
- Price per acre has increased from \$214,000 in 2011 to ~\$400,000 in 2014/2015
- Will benefit greatly from the build-out/completion of Grand Parkway/99 due to ease of access to other suburbs and the “Energy Corridor”
- About 4,700 total acres remaining (commercial and residential)
- Will look to make it a community similar to The Woodlands



The Woodlands Hills (Conroe, Texas)

MPC

- HHC bought land 13 miles north of The Woodlands in early 2015, north of Conroe, TX
- This land will comprise of 4,900 lots on more than 1,488 acres of residential development
- It will begin later 2016/early 2017
- Will add value to shareholders likely between 2018-2025 due to timing, build out, commercial development within the space
- Will not add any additional financial leverage until the operations become cash-flow positive after debt service
- Purchased for \$101m in 2015
- **At this point, only worth about ~\$125m in equity value**

Concerns about “Houston” Assets

Economic Data

- Oil price declines will lead to:
 - Higher vacancies
 - Poor pricing power on existing properties
 - Higher sub-lease percentages
 - Downsizing by companies
 - Delay in the build out of the “future development” opportunities which HHC has discussed previously
- **Inverted** thinking on the Houston-assets
 - The MPCs only have ~ \$220m debt, majority of which is at one-month LIBOR + 0.20%
 - Most of The Woodlands CRE came online last 2-4 years, in new contracts which should come up for expiration in at least 2 years + for the larger tenants
 - The Woodlands has zero competition in terms of residential RE, Commercial RE, office, apartments, hotels....HHC controls the supply all around, won't be irrational owner.
 - Increase in vacancies in Class A buildings in The Woodlands due to 2 properties that came online in Q4-2015: 3 Hughes Landing and 1725 Hughes Landing. Combined, they have minimal impact to HHC's total valuation (<2%)
 - Remaining Class A buildings are still doing well (as of now)

The Woodlands ≠ Houston

Economic Data

The Woodlands vs. Houston:

- Average household income in The Woodlands is substantially higher (~\$110,000 versus \$60,000)
- Demographics are different
- Class A Office Space vacancy (see right)
- Houston's office construction pipeline is large and highly competitive; The Woodlands is a monopoly with HHC
- Large medical facilities in The Woodlands (Memorial Hermann, St. Luke's, Texas Children's) add additional employment, income opportunities
- About 20% of the office space in The Woodlands built in last 5 years due to large demand/ limited supply
- The Woodlands is viewed as its own community, whereby people travel to work in The Woodlands from Spring, Houston, Conroe, Humble, and Cypress as it is an easier commute opposite way of traffic
- As many office building built in The Woodlands in the last few years, most contracts just began and are 5-10 years in length (possible issue would be sub-lease % increase)

Class A Office Space		
Q4 2015		
	Absorption	Vacancy
Houston Area	953,753 s.f.	14.8%
CBD	19,662 s.f.	11.1%
The Woodlands	442,284 s.f.	9.1%

The Woodlands ≠ Houston

Economic Data

The Woodlands vs. Houston:

- Houston is highly competitive in terms of building out office space, with REITs and other RE companies competing. This can create irrational behavior and over-supply, as well as higher than average vacancy rates, and/or lower rental pricing power
- The Woodlands has zero competition. HHC is the only developer. There are **zero** commercial projects under construction currently in The Woodlands...**zero**.
- Houston has a pipeline under construction of 8.0 million SF, only 64.3% pre-leased, with 2.2 million being spec. The Woodlands, being a monopoly, can allow HHC to be a rational thinker in terms of supply and capacity.

BUILDING NAME	ADDRESS	SUBMARKET	SF	PRE-LEASED	DEVELOPER	EST. DELIVERY
FMC Technologies Campus	Subsea Ln & W Lake Houston	Northeast Near	1,700,000	100%	McCord Development, Inc	Jan-16
Phillips 66	2101 Citywest Blvd	Westchase	1,100,000	100%	Gilbane Building Company	Jun-16
609 Main at Texas	609 Main St	CBD	1,056,658	0.0%	Hines	Dec-16
BHP Biliton Petroleum	1500 Post Oak Blvd	West Loop/Galleria	600,000	100%	Transwestern	Oct-16
Energy Center V	915 N Eldridge Pky	Katy Freeway West	524,328	0.0%	Trammell Crow Company	Apr-16
Millennium Tower II	10353 Richmond Ave	Westchase	445,000	100%	BMS Management, Inc.	Feb-16
Hilcorp Energy Tower	1110 Main Street	CBD	406,600	100%	Hines	Jan-16
West Memorial Place II	15377 Memorial Dr	Katy Freeway West	389,709	48.7%	Skanska Commercial Development	May-16
Future Amegy Bank HQ	1717 W. Loop South	West Loop/Galleria	380,000	74.2%	Hines	Feb-17
Havenwood Office Park	25700 Interstate 45	The Woodlands	240,470	0.2%	Everson Developments, LLC	Nov-16
Regions Financial Center	3773 Richmond Ave	Greenway Plaza	210,000	44.7%	The Redstone Companies	Apr-16
Wildwood Corporate Centre II	480 Wildwood Forest Dr	The Woodlands	201,933	0.0%	Archway Properties	Jul-16
Kirby Collection	3200 Kirby Dr	Greenway Plaza	186,813	0.0%	Thor Equities	Jul-16
1885 Saint James Place	1885 St James Pl	West Loop/Galleria	165,000	3.9%	Nelson Murphree Legacy Partners	Mar-16
The Post Oak	1601 Hollyhurst Ln	West Loop/Galleria	140,000	100%	Landry's Restaurants	Sep-17
Grandway West II	Grand Pky & Franz Rd	Katy Freeway West	124,017	17.6%	Transwestern	Apr-16

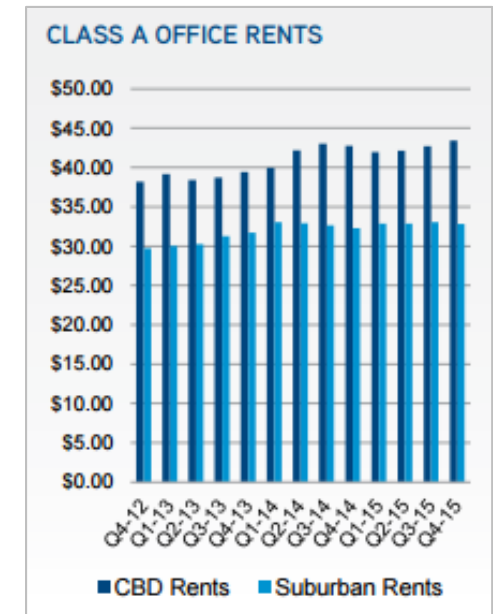
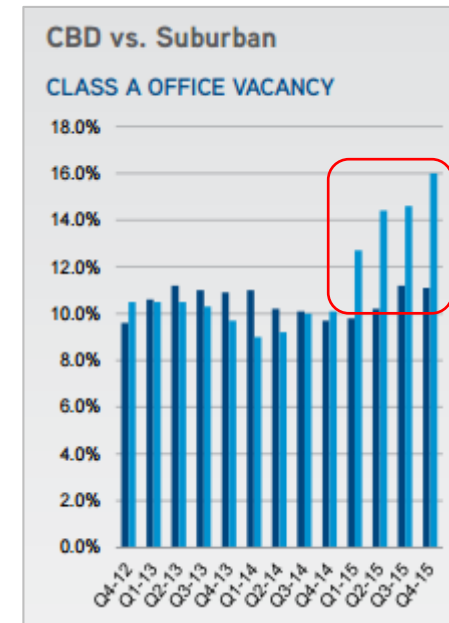
Houston: Market Overview

Economic Data

- As expected, Houston area assets are impacted by the decline in oil prices, as it puts a strain on company cash flows, and thus they downsize, lay-off employees, look to sub-lease space, or go bankrupt
- The impact on oil prices has a contagious effects, and thus impacts engineering, finance, manufacturing, law firms, and other service companies
- Unemployment rose in Houston from 4.3% (11-2014) to 4.9% (11-2015), both higher than Texas and U.S.
- However, Houston is still adding jobs, a net 23,700 y/y (U.S. BLS)

Summary Statistics Houston Office Market			
	Q4 2014	Q3 2015	Q4 2015
Vacancy Rate	11.1	14.6%	15.4%
Net Absorption (Million Square Feet)	3.0	0.5	0.7
New Construction (Million Square Feet)	2.7	1.4	3.2
Under Construction (Million Square Feet)	17.0	10.8	8.0
Class A Vacancy Rate			
CBD	9.9	11.2	11.1
Suburban	10.2	14.6	16.0
Asking Rents Per Square Foot Per Year			
Average (all classes)	\$27.52	\$27.62	\$27.83
CBD Class A	\$43.01	\$42.13	\$42.72
Suburban Class A	\$32.66	\$32.88	\$33.02

Job Growth & Unemployment (not seasonally adjusted)			
UNEMPLOYMENT		11/14	11/15
HOUSTON		4.3%	4.9%
TEXAS		4.5%	4.5%
U.S.		5.5%	4.8%
JOB GROWTH		Annual Change	# of Jobs Added
HOUSTON		0.8%	23.7K
TEXAS		1.5%	180.4K
U.S.		1.9%	2.7M



Houston & The Woodlands: Market Overview

Economic Data

- Looking at the Houston market, suburban office properties are showing increases in vacancy rates across A/B/C classes of building, moving from 14.4% in Q3-2015 to 16.0% in Q4-2015.
- A large increase from Q3-2015 of 4.4% vacancy to 9.1% vacancy in Q4-2015 is clearly alarming
- With over 2.1 million SF of office in The Woodlands, HHC has a total market share of 14% of the total The Woodlands office market; that market share is higher considering most of the office space is “Class A” and there is only 10.3m total Class A office space in the Woodlands

Houston Suburban Office Market Summary - Continued

INVENTORY			DIRECT VACANCY		SUBLEASE VACANCY		VACANCY	VACANCY RATE (%)		NET ABSORPTION (SF)		RENTAL RATE
CLASS	# OF BLDGS.	TOTAL (SF)	(SF)	RATE (%)	(SF)	RATE (%)	TOTAL (SF)	Q4-2015	Q3-2015	Q4-2015	Q3-2015	AVG (\$/SF)
WESTCHASE												
A	31	8,333,300	899,265	10.8%	509,405	6.1%	1,408,670	16.9%	17.4%	40,085	88,484	\$37.03
B	63	7,554,795	700,994	9.3%	10,646	0.1%	711,640	9.4%	10.2%	57,538	9,491	\$19.94
C	6	230,420	37,215	16.2%	794	0.3%	38,009	16.5%	16.5%	0	0	\$18.05
Total	100	16,118,515	1,637,474	10.2%	520,845	3.2%	2,158,319	13.4%	14.0%	97,623	97,975	\$30.86
THE WOODLANDS												
A	36	10,348,457	875,793	8.5%	67,912	0.7%	943,705	9.1%	4.4%	442,284	68,282	\$35.68
B	71	4,520,226	454,260	10.0%	79,810	1.8%	534,070	11.8%	9.4%	-87,638	38,428	\$24.44
C	5	335,395	1,000	0.3%	0	0.0%	1,000	0.3%	0.3%	0	0	\$19.80
Total	112	15,204,078	1,331,053	8.8%	147,722	1.0%	1,478,775	9.7%	5.9%	354,646	106,710	\$29.66

Houston & The Woodlands: Market Overview

Economic Data

- The Woodlands: there is only **ONE** current office building in the development pipeline (remember, all of HHC office properties are now complete)
- The one development property in the pipeline is “Wildwood Corporate Centre II” (asking price is \$26 psf/yr.) versus \$30 + for HHC properties
- Based on location (which should be obvious as HHC owns 100% of The Woodlands), this property is technically not in The Woodlands but is south of it

Quoted gross rental rates for existing top performing office buildings								
BUILDING NAME	ADDRESS	SUBMARKET	RBA (SF)	YEAR BUILT	% LEASED	AVAIL. SF	RENT (\$/SF)	OWNER
Wells Fargo Plaza	1000 Louisiana St	CBD	1,721,242	1983	91.8%	250,801	\$54.60	New York State Common Retirement Fund
Heritage Plaza	1111 Bagby St	CBD	1,212,895	1986	99.2%	178,084	\$54.04	Brookfield Office Properties
BG Group Place	811 Main	CBD	972,474	2011	98.5%	108,823	\$56.91	NPS of Korea
CityCentre Two	818 Town & Country Blvd	Katy Freeway	149,827	2009	98.7%	5,986	\$48.07	LaSalle Investment Management
Williams Tower	2800 Post Oak Blvd	West Loop/Galleria	1,476,973	1983	97.0%	117,818	\$48.38-\$52.38	Invesco Real Estate
3009 Post Oak Blvd	3009 Post Oak Blvd	West Loop/Galleria	304,419	2013	88.1%	33,961	\$48.73	Post Oak Building LLC
CityWestPlace 4	2103 CityWest Blvd	Westchase	518,293	2001	95.0%	208,838	\$45.93	Parkway Properties, Inc.
One BriarLake Plaza	2000 W Sam Houston Pky	Westchase	502,410	2000	90.5%	47,510	\$44.49	TIER REIT, Inc.
Two Hughes Landing	1790 Hughes Landing Blvd	The Woodlands	197,719	2014	95.3%	14,243	\$43.55	The Woodlands Development Company, L.P.

Note: Available SF includes direct and sublet space as well as any future available space listed.
Source: CoStar Property

The Woodlands: Market Overview

Economic Data

- Most of HHC's office assets in The Woodlands are Class A, with a couple at Class B/C
- Class A vacancy rates in The Woodlands have been increasing since 2012 (when HHC began bringing new properties online by the Waterway and Hughes Landing)
- Sub-lease space for Class A (and Class B) have been increasing, are at highest levels **ever**
- About 3.5% of total Class A office SF is available for sub-lease

My analysis:

- The spike in Class A vacancy is due to 3 Hughes Landing (0% leased, 324k GLA) and Exxon declining to take part of 1725/1735 Hughes Landing as originally planned
- Furthermore, believe there are no large tenants currently in The Woodlands that cancelled lease
- The vacancy rate is misleading; only tied to 2 properties that came online in Q4-2015
- **Update:** confirmed that increase in The Woodlands vacancy rate solely due to 3 HL + 1725 HL properties; all other properties <5% vacancy

Class A Rental Rate and Vacancy Percentage
The Woodlands, TX



*Vacancy percentage includes direct and sublease space.

Available Sublease Space - The Woodlands

Available Sublease Space
Q3 2015

Class A: 362,673 SF or 3.5%
Class B: 161,289 SF or 3.6%



The Woodlands: Market Overview

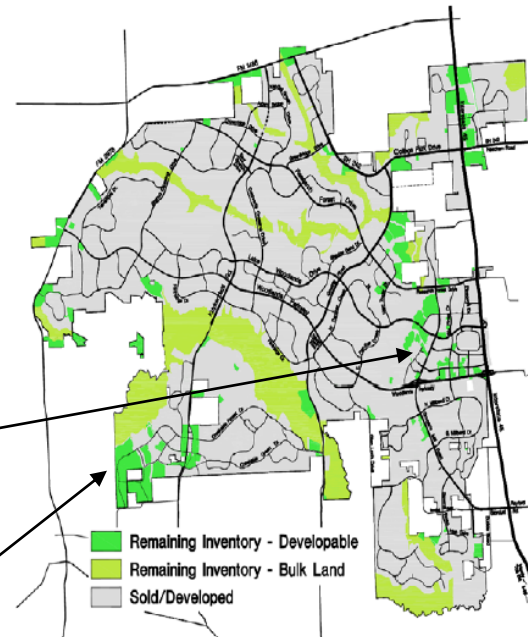
Economic Data

Demographics and highlights:

- 112,500 population
- 58,400 employees
- Montgomery County's average household income is **\$92,205** (versus \$60,072 for Houston, \$53,035 for Texas, and \$53,657 for the U.S.)
- HHC remaining land/MPC:
 - All in highly desirable locations
 - Residential land in Creekside and East Shore are high-end, with East Shore being on Lake Woodlands (high dollar)
 - **East Shore** = 21 current properties for sale (3 pending) with lowest being \$429,000 condo at 1,801 SF. There are 11 properties over \$1mm (8 of those over \$2m)
 - **Creekside Park** = much larger than East Shore, in southern part of The Woodlands. Currently 120 homes for sale, lowest is \$539,900. (30 of these homes are pending sale)

HHC's remaining land/MPCs in The Woodlands

The Woodlands – Land Use Summary (Acreage)



	<u>Sold/Used</u>	<u>Remaining</u>
Residential		
Creekside Park	3,644	669
East Shore	169	56
Other Residential	16,307	153
Commercial		
Research Forest	1,167	124
College Park	833	97
Town Center	744	63
Other Commercial	3,851	<u>550</u>
		1,712

Includes non-saleable acreage such as flood plains, lakes, parks and road easements

The Woodlands: Market Overview

Economic Data

- For those that don't know The Woodlands, it is truly a first class property/community
- Cynthia Woods Mitchell Pavilion = 540,000 annual visits
- PGA/Champions Golf Tour "Insperity Golf Tournament" = 50,000 attendance
- 7 high end golf courses, including 4 in the top 100 public/private in Texas, and the top 2 in all Houston area
 - Carlton Woods (Nicklaus) (\$125k + initiation, >\$2k/month in dues, member-owned)
 - Carlton Woods (Fazio) ("same as above/ sister course")
 - The Woodlands Tournament Course (formerly "TPC The Woodlands")
 - The Woodlands Country Club (Player)
 - 2 of the golf courses in The Woodlands is connected to "The Woodlands Resort" (HHC owned)
- Will be 28% open space at full build-out
- ExxonMobil ("XOM") 4mmSF Corporate Campus a few miles south of The Woodlands is a huge driver of current/future activity
 - 385 acres
 - Designed to accommodate 10,000 employees (mostly relocations)
- Completion of "Grand Parkway/99" road will add to appeal and access to Exxon Campus and The Woodlands
 - Bridgeland will be 20 minutes from Exxon (on mostly highway roads) (to the west)
 - The Woodlands is less than 5 minutes from Exxon/ Grand Parkway
 - The Woodlands Hills is about 20 minutes from Exxon/Grand Parkway (to the north)

MPC: Summerlin (Las Vegas, NV)

MPC

- Supply constrained due to topography of surrounding mountains, land set aside for conservation and recreational purposes, and the federal government's ownership of the majority of the land surrounding the city
- Located about 7.5 miles from LV Strip
- 22,500-acre mixed-use community
- Consistently ranked in the top 10 in the Robert Charles Lesser annual poll of Top 10 MPC's in the U.S.
- Value is lumpy/uncertain due to planned sell-out of 2039 (23 years from now)
- **My estimated value = ~ \$650m** (discounted, equity) and does not include the Joint-Venture with "Discovery Land" (potential to be worth \$200m - \$500m depending on timing; HHC only contribution to the JV was land owned)

Top-Selling MPCs of 2015

2015 Ranking	2014 Ranking	Name	Location	MSA	2015 Sales	2014 Sales	% Change
1	1	The Villages	The Villages, FL	Ocala	2,294	2,601	-12%
2	2	Irvine Ranch	Orange County, CA	Los Angeles	1,674	1,431	17%
3	3	Nocatee	Ponte Vedra, FL	Jacksonville	1,105	851	30%
4	6	Stapleton	Denver, CO	Denver	665	508	31%
5	4	Riverstone	Fort Bend County, TX	Houston	609	719	-15%
6	15	Summerlin	Las Vegas, NV	Las Vegas	602	437	38%
7	-	Eastmark	Mesa, AZ	Phoenix	554	197	181%
8	8	Lakewood Ranch	Manatee County, FL	Sarasota	535	493	9%
9	-	Cane Bay Plantation	Summerville, SC	Charleston-North Charleston	520	385	35%
10	17	Lake Nona	Orlando, FL	Orlando	500	419	19%
11	-	Westridge	McKinney, TX	Dallas-Fort Worth	472	310	52%
12	-	Vistancia	Peoria, AZ	Phoenix	466	225	107%
13	10	Providence	Las Vegas, NV	Las Vegas	452	487	-7%
14	-	Paloma Creek ¹	Dallas (Little Elm), TX	Dallas-Fort Worth	450	366	23%
15	8	Valencia	Los Angeles, CA	Los Angeles	444	493	-10%
16	7	Aliana	Fort Bend County, TX	Houston	443	500	-11%
17	14	Wildwood at Northpointe	Houston (Tomball), TX	Houston	440	442	0%
17	20	Canyon Lakes West	Houston (Cypress), TX	Houston	440	410	7%
19	-	Daybreak	Salt Lake City, UT	Salt Lake City	415	337	23%
19	18	Woodforest ²	Montgomery County, TX	Houston	415	417	0%
21	-	Viera ³	Brevard County, FL	Palm Bay-Melbourne-Titusville	410	288	42%
22	-	Light Farms ⁴	Dallas (Celina), TX	Dallas-Fort Worth	402	183	120%

Note: Alamo Ranch did not participate in this year's survey. Rankings have been revised since original publication on Jan. 05, 2016.

¹ Estimates for Paloma Creek were not available at the time of original publication. Total 2015 sales represent preliminary numbers.

² Reflect revised sales numbers provided by the developer after the time of original publication.

³ Ranked #19 at the time of original publication, Viera is now ranked #21 based upon revised estimates at other communities.

⁴ Light Farms, tied for #20 at the time of original publication, is now ranked #22 based upon revised estimates at other communities.

Source: RCLCO

(Discovery Land joint-venture discussed briefly in "Strategic Assets" slides)

Summerlin (Las Vegas, NV) Market Overview

Economic Data

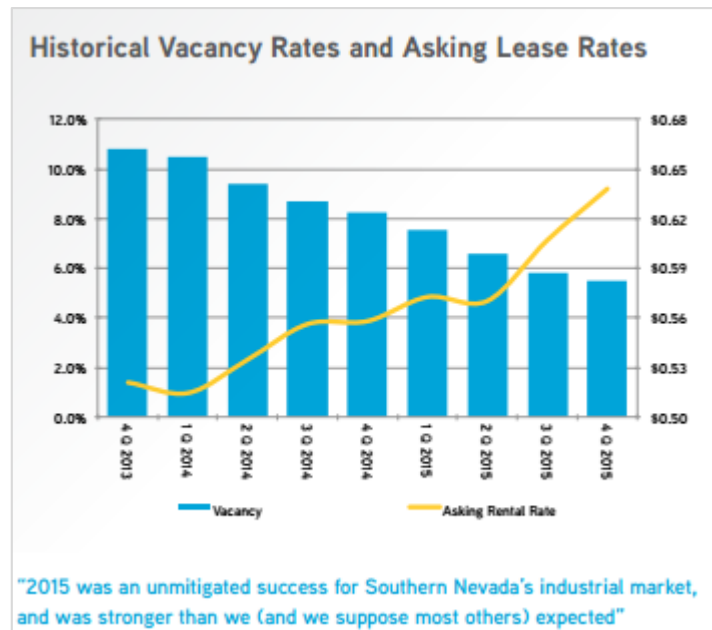
- Economic data for Clark County looks to be improving
- About 36,000 job increase from Oct-14 to Oct-15
- Improving visitor volume of about 3% y/y
- Improved commercial occupancy rates of 90.7% in Q4-15 versus 88.5%
- Unemployment at 6.3% in Oct-15 versus 7.1% in Oct-14
- Vacancies declining in industrial, office, retail, and multi-family

Summerlin (Las Vegas, NV) Market Overview

Economic Data

Industrial:

- 1.9 million SF of industrial space completed in 2015, mostly spec
- Vacancy ended at 5.5%, which is “normal” for South Nevada
- Asking rates improved



Summary Statistics

Q4 2015 Las Vegas Market	Q4-2014	Q3-2015	Q4-2015
Vacancy Rate	8.3%	5.8%	5.5%
Asking Rent (PSF, NNN)	\$0.56	\$0.61	\$0.64
Net Absorption (SF)	892,946	1,771,327	575,402
New Completions (SF)	444,520	952,290	173,608

Overall Asking Rents

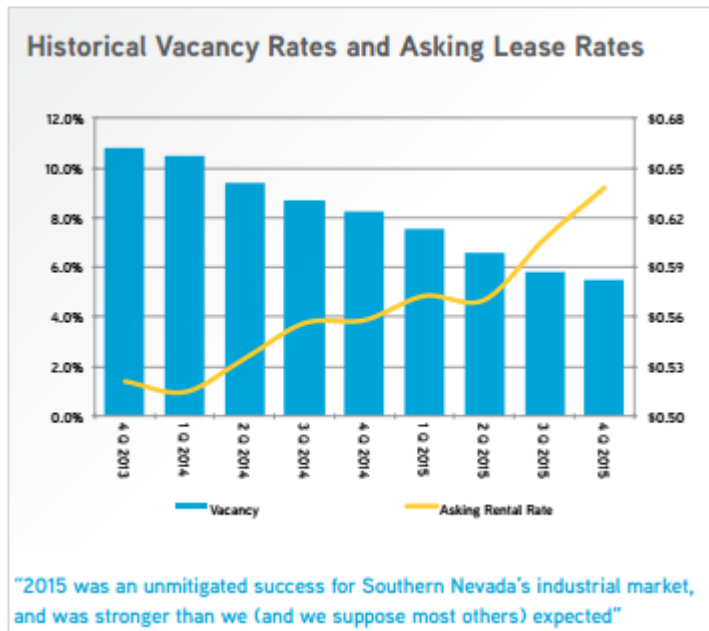
Per Square Foot	Previous Quarter	Current Quarter
Warehouse/Distribution	\$0.44	\$0.54
Light Distribution	\$0.50	\$0.57
Light Industrial	\$0.55	\$0.64
Incubator	\$0.68	\$0.70
Flex	\$0.80	\$0.86

Summerlin (Las Vegas, NV) Market Overview

Economic Data

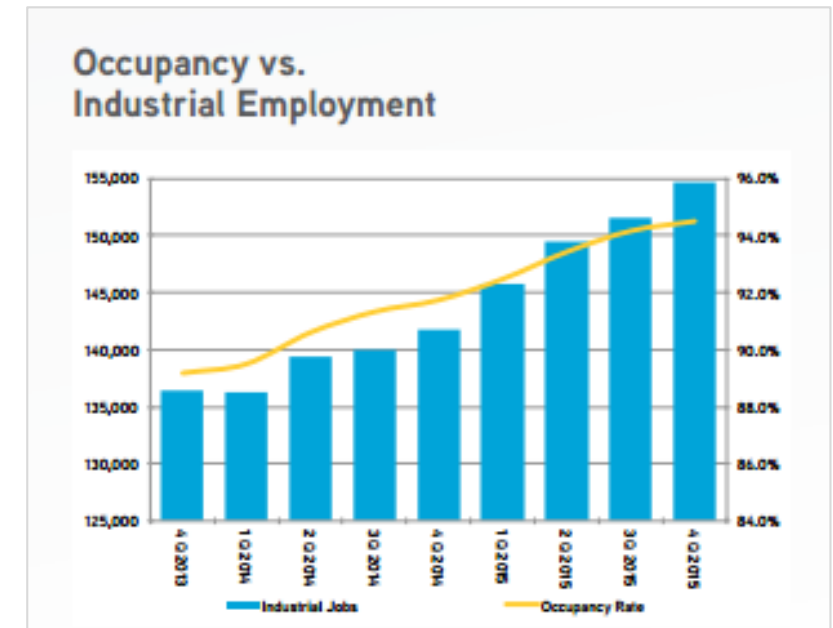
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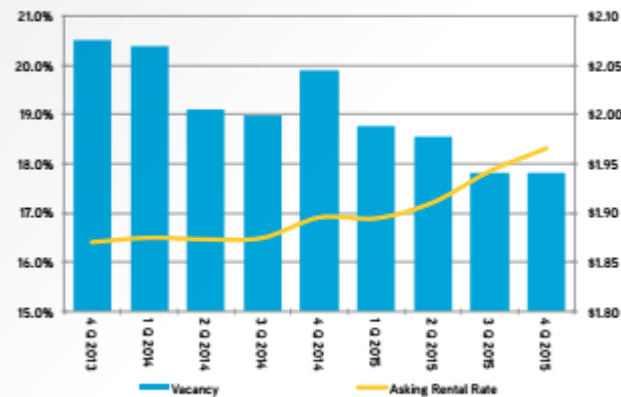
Summerlin (Las Vegas, NV) Market Overview

Economic Data

Office:

- Market absorbed more than 1.23 million SF office space in 2015
- Vacancy ended at 17.8%, down from 19.9% a year prior
- Asking rates improved slightly
- Still too much office capacity based on data (HHC only has one office building, in Summerlin = “One Summerlin”)

Historical Vacancy Rates and Asking Lease Rates



“We think 2016 will proceed much as 2015 did, with minor setbacks and overall positive performance.”

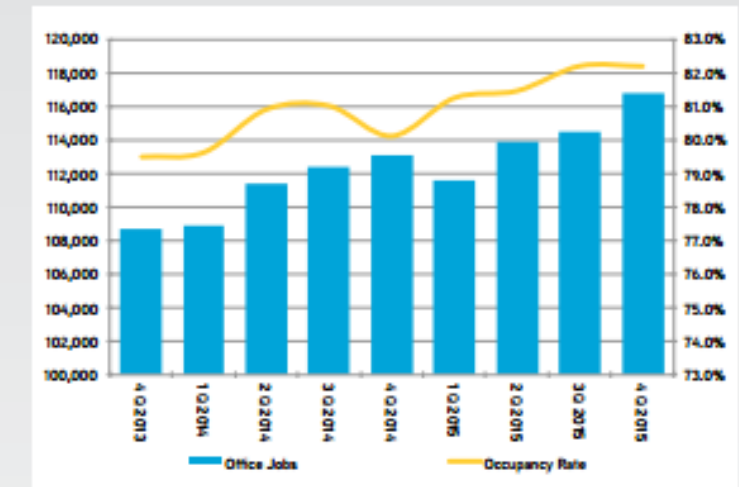
Summary Statistics

Q4 2015 Las Vegas Market	Q4-14	Q3-15	Q4-15
Vacancy Rate	19.9%	17.8%	17.8%
Asking Rent (PSF, FSG)	\$1.90	\$1.94	\$1.97
Net Absorption (SF)	-171,446	359,877	98,619
New Completions (SF)	268,420	46,650	123,617

Overall Asking Rents

Per Square Foot	Previous Quarter	Current Quarter
Class A	\$2.63	\$2.65
Class B	\$1.96	\$1.96
Class C	\$1.62	\$1.64

Occupancy vs. Office Employment



MPC: Columbia, Maryland

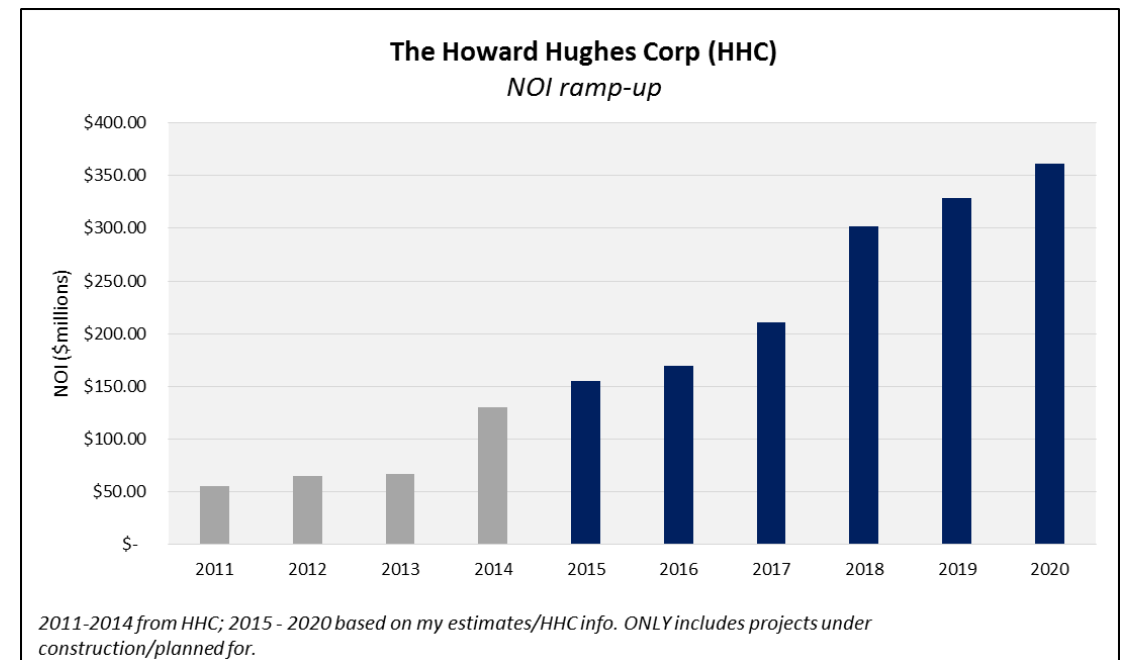
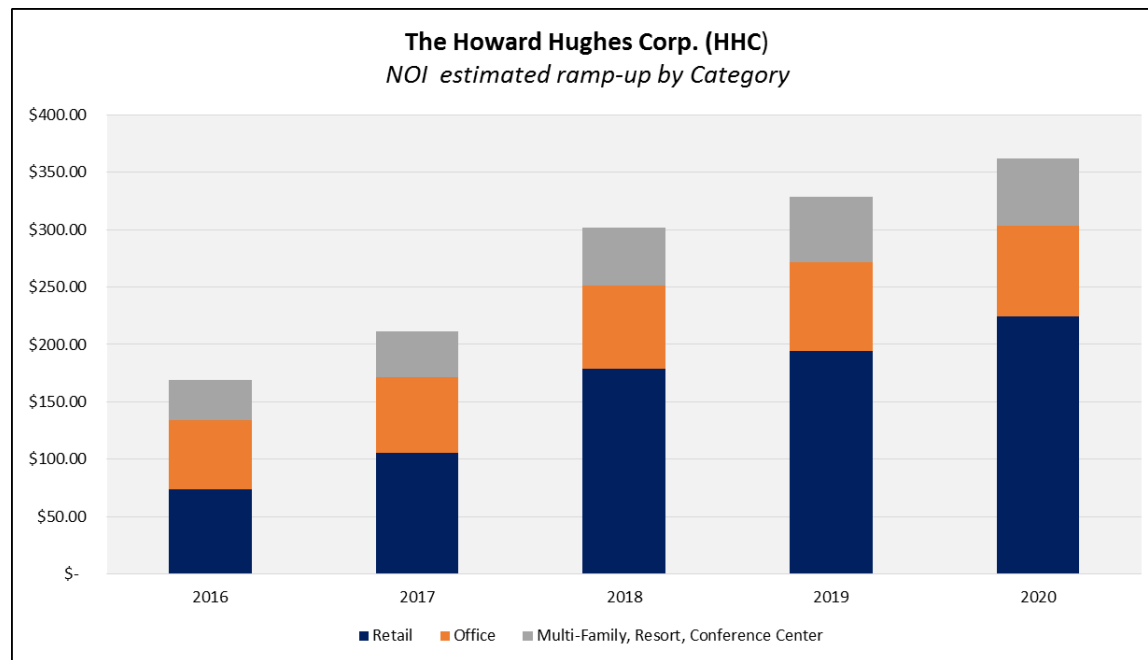
MPC

- Low sales activity currently
- Will value roughly at “book value” of ~**\$58.4 million** (end 2014 Annual Report)
- Not a meaningful enough contributor yet; will be more so once HHC continues to add to their commercial Columbia portfolio

Operating Assets

Operating Assets

- I expect a large ramp up in Net Operating Income (NOI) from 2015 to 2020, based on:
 - South Street Seaport Project #1 coming online in 2017/2018
 - Redevelopment of Ward Village assets, bumping current Ward Village operating asset from \$25m NOI to \$50-\$100m NOI
 - Stabilizing of The Woodlands assets + Hughes Landing
- All high-end, Class A projects (lower cap rates)

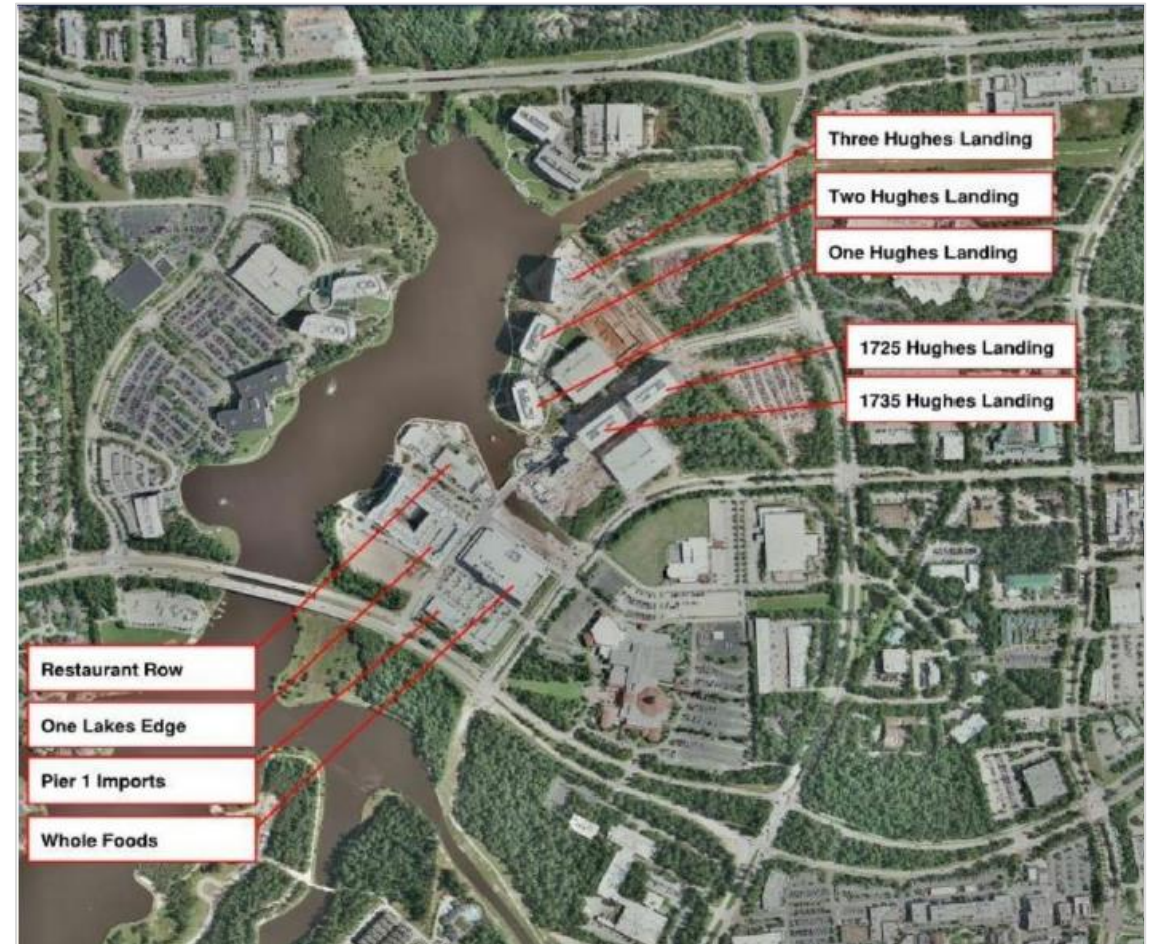


The Woodlands

Operating Assets

- The Woodlands operating assets comprise of a *sizable* portion of the current HHC valuation
- Unlevered and taking into account any remaining build out costs, The Woodlands operating assets are valued around ~**\$800m - \$850m** (give or take, depending on discount rates & cap rates) or around **\$18 per share** (which is 20% of the current share price)
- Most of the operating assets are on the Waterway or in Hughes Landing
- Hughes Landing was completed in about 2.5 – 3 years

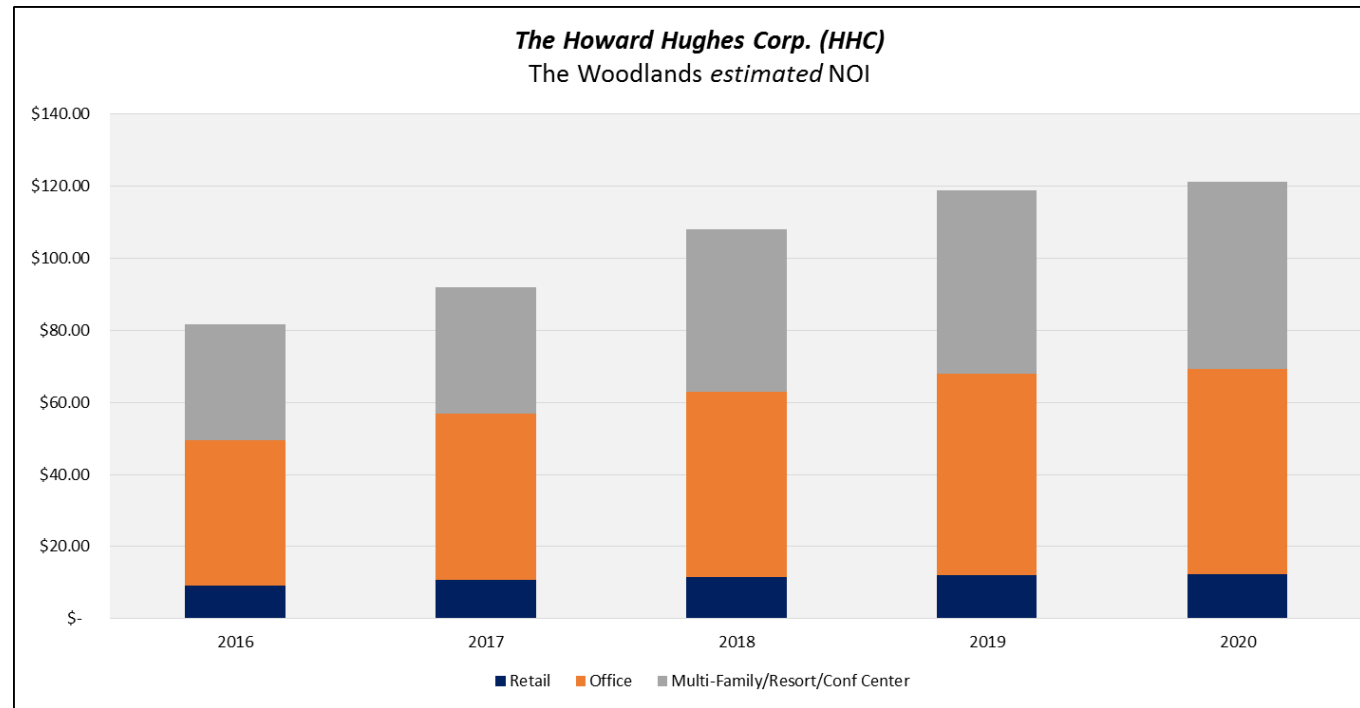
(There is the potential for 7.0m – 8.0m SF additional development. While this will be delayed, it will highly likely occur in next 5-7 years. I do NOT include this potential in my valuation, as I don't need to weigh the man if I already know he's fat.)



The Woodlands

Operating Assets

- HHC has a multitude of operating assets in The Woodlands
 - ~300,000 SF of retail
 - ~2.1 million SF of office, mostly in Class A buildings (Waterway and Hughes Landing)
 - 914 hotel “keys” – Woodlands Resort, Waterway Square Westin, Hughes Landing Embassy Suites
 - 1,097 apartment units – Millennium Waterway, Millennium Six Pines, One Lake’s Edge

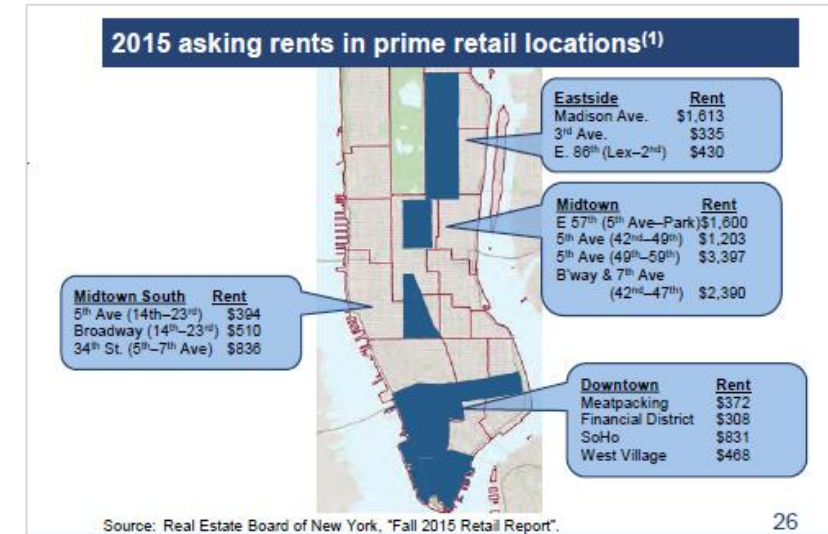


South Street Seaport/ Pier 17 (Manhattan, NY)

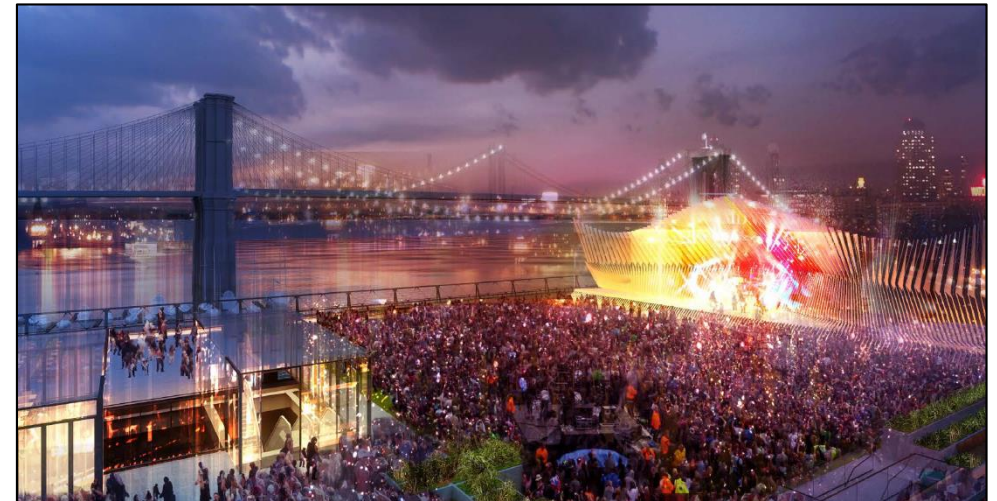
Operating Assets

- 3 projects:

1. GLA of 365,000 SF + 40,000 SF Food Market + Seafood Restaurant (TBC ~2017/18)
2. Development rights to 700,000 SF residential (maybe a tower) (Working on approval)
3. 80 South Street – rumors of talks that China Oceanwide purchasing for \$390m



26



South Street Seaport/ Pier 17

Operating Assets

Project #1

- 365,000 SF open air, mixed use area with shopping, dining and entertainment (>180,000 SF on Pier 17, >180,000 SF in historic area)
- Redeveloped 4 story Pier 17 will feature glass façade, includes views of Brooklyn Bridge, Statue of Liberty, One World Trade Center
- Rooftop will be 60,000 square feet, will be mixed use (concerts, events, tennis matches, weddings, etc.) and can hold up to 4,000 people
- iPic luxury cinema which is 40,000 SF and 8 screens
- 24/7 active waterfront hub
- 50 berth marina

Expected to be complete mid-2017, using **\$225 SF** as rent (based on estimates and comps, see prior slide for reference) equals ~\$80m of “net operating income” (NOI). At a 5.5% cap rate, this asset could be worth about ~**\$1.50 billion** (unlevered, undiscounted).

Ward Village (Honolulu, HI)

Operating Assets

- Currently includes 1.27m SF of shopping with over 135 specialty shops and restaurants
- Generates about \$25 million in NOI currently
- Will be transitioned over the next 3-5 years, where HHC will take some of this asset offline, redevelop, and re-adjust rent rates to closer to market rates
- The future “operating asset” of Ward Village is >1 million SF with NOI between \$50m - \$100m
- Current valuation of ~\$25m of NOI at 6.0% cap rate = **~\$415m in asset value** (unlevered)

Ward Village (Honolulu, HI)

Operating Assets

- While could be included in the “strategic assets” section, HHC is either under construction or in plans to build 6 high-end luxury towers.

Waiea

- 37.5% complete
- 174 units
- 83.7% under contract
- Percentage of completion revenue recognition



Anaha

- 20.7% complete
- 317 units
- 76.9% under contract
- Percentage of completion revenue recognition



Ke Kilohana

- Just launched pre-sales
- 0.0% complete
- 424 units



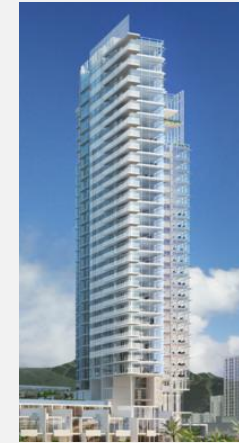
Ae'o

- Begin Q1-2016
- Prices starting in the \$700,000 range
- 466 units



Gateway Tower #1

- Going for \$1,600 - \$2,000 per SF
- Expect to begin pre-sale late 2016/2017



Gateway Tower #2

- Going for \$1,600 - \$2,000 per SF
- Expect to begin pre-sale late 2016/2017



Ward Village (Honolulu, HI)

Operating Assets

- The current 6 condo towers “in process” should add > \$500m in shareholder value
- These assets are slightly different in strategy versus the remaining HHC portfolio, which is to build up a portfolio of high quality operating assets and create density in a certain geography
- Once these condo towers are complete (and thus full revenue recognition has been complete) the cash flow will either go to reinvest in:
 - The next condo tower, as to minimize debt
 - Fund redevelopment elsewhere in the HHC portfolio
 - Assist in the Ward Village operating asset makeover
 - Once they are all sold out, there will be no cash flow associated with these assets
- HHC targets at least a 30% gross margin on each of these towers
- Waiea and Anaha are expected to generate about \$1.2 billion in sales on a cost of \$804 million. Thus, about \$400m in gross cash flow is received by HHC from the sale of these two towers in the next 1-2 years.
- Given the strength of Waiea and Anaha, it is more likely than not that the remaining 4 condo towers in process should bring incremental value to HHC, likely in the **range of ~\$500m - \$900m**.

Downtown Summerlin (Las Vegas, NV)

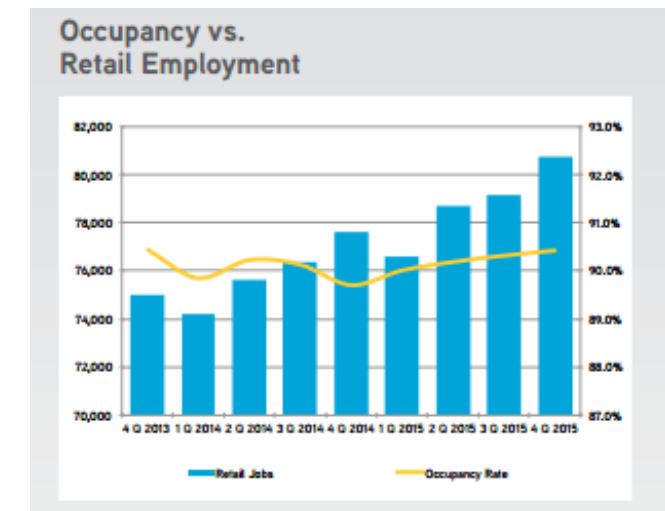
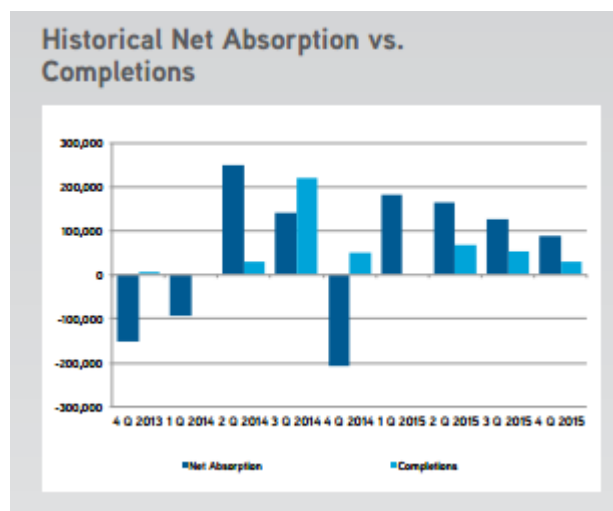
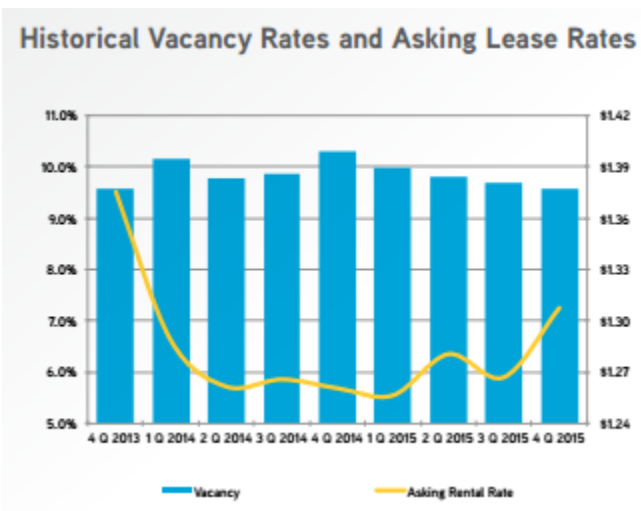
Operating Assets

- In 2015 completed Downtown Summerlin, which is over 800,000 SF of retail and dining
- Downtown Summerlin structure was abandoned by GGP, HHC completed the build-out for over \$400m in total costs
- More than 125 stores in an open air environment
- Built as a result of a study that over \$1.5 billion of retail sales were “leaking” out of Summerlin, which is a large residential community of over 22,500 acres and over 105,000 residents (similar in size to The Woodlands)
- Additionally, the study estimated that building this retail shopping center would add between 5-10% premium to the remaining single-family lots to be sold within Summerlin MPC
- Currently on pace for an estimated \$37.2m stabilized NOI by the end of 2017.
- Stabilized yield-to-cost of 8.9%
- **Total value = ~\$500m** (discounted, unlevered)

Summerlin (Las Vegas, NV): Market Overview

Economic Data

- As of Q4/2015, Las Vegas retail is in its second modest expansion phase since the “Great Recession”
- In 2015, retail taxable sales were up 7.0%
- Vacancy rates from 10.3% Q4/2014 to 9.6% in Q4/2015
- Unemployment was at 6.3% in October 2015, down from 7.1% in October 2014 (total increase of 43,300 jobs)
- Asking rent (PSF/ Triple Net NNN) has increased from \$1.26 to \$1.31



Other “Operating Assets” of Note:

Operating Assets

Outlet Collection at Riverwalk (New Orleans)

- 9.4% NOI to cost
- Opened late 2014
- \$7.8m NOI, **total value of ~\$98m**



110 N. Wacker (Chicago/ GGP headquarters)

- \$6.1m NOI, **total value of ~\$87m**



Strategic Assets

Strategic Asset

- There are a number of “strategic assets” that could move the needle in terms of valuation and creating shareholder value:
 1. Ward Village (additional 2,600 units – 8-10 towers – and redevelopment of Ward Village operating asset)
 2. The Woodlands: 8.0 million SF future development (2018-2025?)
 3. Discovery Land “joint venture” in Summerlin, NV (could bring in ~\$200m+)
 4. South Street Seaport Project #2 (~700,000 SF future development rights for residential/tower)
 5. South Street Seaport Project #3 (sell 80 South Street to Chinese buyer for \$390m net)
 6. Columbia, MD: 13 million SF future development (timing?)

Ward Village (Honolulu, HI)

Strategic Asset

The **vision** for Ward Village:

- 60 acres in the heart of Honolulu
- 9.3 million square feet of mixed use development
- Potential for up to 4,000 residential units (my calculation is that about 2,400 units still unplanned for)
- More than 1mm square feet of retail and commercial (includes redevelopment of current Ward Village operating asset)
- Will be the largest LEED-ND Platinum certified neighborhood in U.S.
- Flagship Whole Foods opening in 2017

(more pictures throughout slide deck)



Ward Village (Honolulu, HI)

Strategic Asset



The Woodlands, TX

Strategic Asset

- A large component (*I believe*) as to the decline in HHC's stock price is due to (1) anticipation of higher vacancy rates in the Houston-area assets, (2) slowdown in MPC land sales in Houston-area MPCs, and (3) most importantly, the perception that future commercial development will come to a halt
- All three are likely to be true, in the near term.
- 3 Hughes Landing & the remaining space in 1725/35 Hughes Landing (unoccupied since Exxon declined the space) being 0% leased signals too much capacity currently
- There are no current commercial/office properties under development in The Woodlands after the completion of 3 Hughes Landing
- MPC land sales will slow, some of it by choice of HHC to maximize their value. I would be surprised if The Woodlands MPC assets stay low for more than a year due to corporate relocations to The Woodlands + ExxonMobil campus + Grand Parkway/99 completion
- Investors were conditioned to value HHC based on "future developments" in The Woodlands (which HHC itself assigned a large valuation in their 2013 Annual Report)

THE WOODLANDS VALUE ESTIMATES

Asset	Amount	Valuation Metric	Year Stabilized	Estimated Value (\$MM)
Land				
Residential Land ⁽¹⁾	2,064	Lots		\$ 316
Commercial Acres ⁽²⁾	791	Acres		417
Total Land				\$ 732
Stabilized Assets				
4 Waterway Square	\$ 5.8	Projected Annual NOI	2014	\$ 83
3 Waterway Square	6.3	Projected Annual NOI	2014	90
9303 New Trails	1.8	Projected Annual NOI	2014	26
1400 Woodloch	1.5	Projected Annual NOI	2014	21
20/25 Waterway	1.5	Projected Annual NOI	2014	21
One Hughes Landing	5.5	Projected Annual NOI	2015	79
Millennium Waterway Apartments	4.6	Projected Annual NOI	2014	66
Woodlands Resort & Conference Center ⁽³⁾	16.0	Projected Stabilized NOI	2016	229
Other Assets	0.4	Projected Annual NOI	2014	6
Total Stabilized Assets ⁽⁴⁾	\$ 43.4			\$ 620
Under Construction				
Two Hughes Landing	\$ 5.5	Projected Stabilized NOI	2015	\$ 79
Hughes Landing Retail	3.5	Projected Stabilized NOI	2016	50
One Lake's Edge Multifamily	7.8	Projected Stabilized NOI	2016	111
Creekside Park Village Center	1.9	Projected Stabilized NOI	2015	27
Millennium Six Pines Multifamily	4.4	Projected Stabilized NOI	2015	63
ExxonMobil Build-to-Suit	14.4	Projected Stabilized NOI	2016	262
Total Under Construction ⁽⁵⁾	\$ 37.5			\$ 592
Additional Planned Development				
Commercial Development ⁽⁶⁾	7.0	Square Feet (MM)		1,050
Total Additional Planned Development	7.0			\$ 1,050
Gross Asset Value				\$ 2,994
Less: Cost to Complete ⁽⁷⁾				\$ (428)
Less: Existing Debt ⁽⁸⁾				(407)
Estimated Undiscounted Value ⁽⁹⁾				\$ 2,159

Page 9 of the 2013 Annual Report

The Woodlands, TX

Strategic Asset

- Based on my analysis and conversations, there are between 7.0 – 8.0 million square feet of potential development in The Woodlands, all of which is in high-dollar/attractive locations
- HHC originally pegged this potential (see slide prior) at about **\$1.050 billion in undiscounted value**. While I don't include this in my base valuation at all, there is likely to be more than this in terms of valuation.



Strategic Asset

LAKE WOODLANDS

PIER / WATER SPORTS RENTAL
CONTINUOUS BOARDWALK
ENTERTAINMENT AREA
FOUNTAIN PARK
OVERLOOK PARK
WETLANDS PARK
RESTAURANT/ENTERTAINMENT
EMBASSY SUITES (205 Keys)
GARAGE
1735 Hughes Landing Blvd.
1725 Hughes Landing Blvd.
Hughes Landing Blvd.
Grogans Mill Rd.
Lake Front Circle
Avalon Way
Lake Woodlands Dr.

LEGEND:

- 1735 & 1725 Hughes Landing Blvd. - 4th Qtr 2015 (Under Construction) - 650,596 SF (ExxonMobil will occupy 478,122 SF)
- One Hughes Landing - Occupied - 198,000 SF
- Two Hughes Landing - Occupied - 198,000 SF
- Three Hughes Landing - November 2015 (Under Construction) - 321,000 SF
- One Lakes Edge Multifamily - Occupied - 390 Units
- Retail/Restaurant Row - Open

Future development potential for Hughes Landing

Hughes Landing Phasing Plan

September 12, 2015

Summerlin: JV with Discover Land

Strategic Asset

- HHC contributed 555 acres to the JV, no other contribution needed beyond the land
- Will be a very high dollar community
- 15 minutes from Las Vegas Strip
- Will be called “The Summit Club” and have a world championship golf course designed by Tom Fazio
- Total build out of about 250 homes
- Will likely be the most expensive community in all of Las Vegas
- Community is expected to open late 2016
- Lots for custom homes priced at \$2m to \$10m
- **Could bring additional value of \$200m - \$500m** undiscounted/equity (based on discussions with HHC & based on JV agreement. Timing is uncertain)



Summerlin: JV with Discover Land

Strategic Asset



South Street Seaport: Project #2

- Announced plans (still in process on obtaining approval) for further redevelopment of the South Street Seaport District which includes approx. 700,000 SF of additional space
- HHC withdrew their plans to build a 42-story residential tower in 2015
- The new concept is a 10-story 185-room hotel
- **Value = ~ ???? (I am not counting this in my valuation, still trying to get approval of concept)**

South Street Seaport: Project #3

- A Chinese investment firm announced in mid-2015 that it agreed to pay \$390m for a development site – 80 South Street and a parcel at 163 Front St. – known as South Street Seaport Project #3
- The firm, China Oceanwide Holdings, is looking to build a ~1,000 foot tall tower
- HHC originally purchased this sites – “South Street Assemblage” - for \$100m
- HHC has yet to confirm or deny this announcement, likely to find out more in the very near future
- **Valuation = ~\$390m** (not included until HHC confirms these rumors)

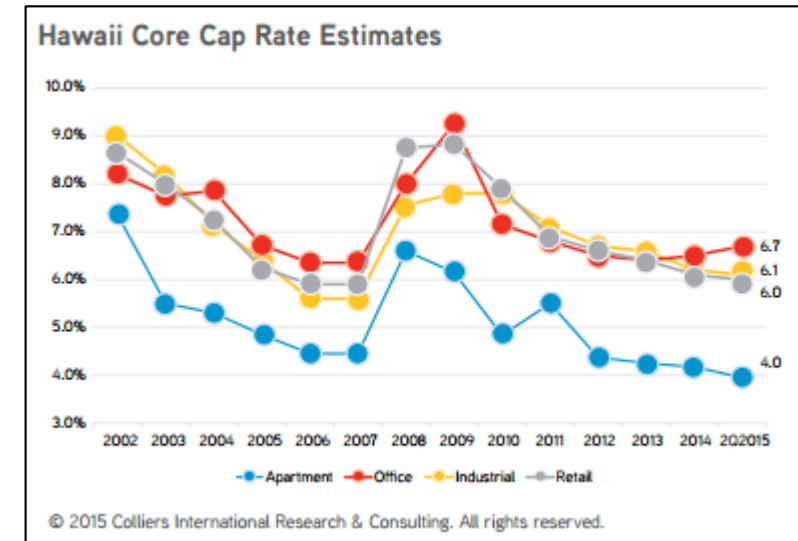
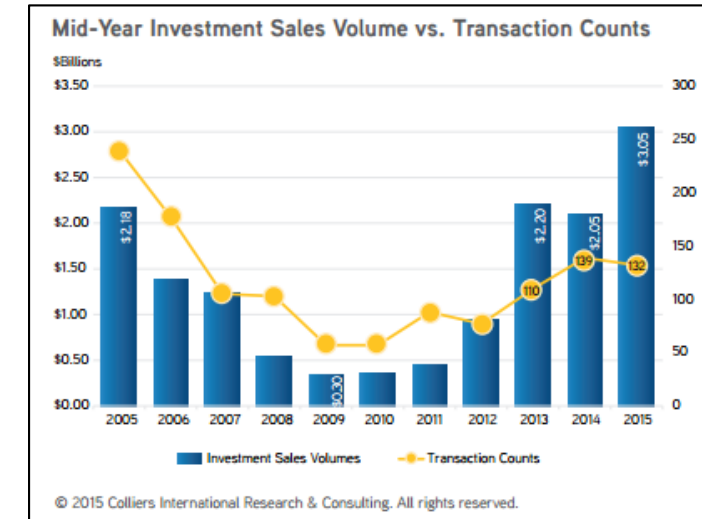
Columbia, Maryland

- Have the opportunity to develop up to 13 million SF of commercial properties
- Subject to site development and other administrative approvals
- Could, if desired, create density up to 20 stories
- Much of this opportunity lies in the redevelopment of older structures and surface lots, as well as previously undeveloped land sites
- **Valuation uncertain = ~???** (if done, could become sizable contribution to HHC, similar to The Woodlands future development of 8.0m SF bringing value to shareholders of at least \$1 billion undiscounted)

Cap Rates: Ward Village (Honolulu, HI)

Valuation

- Based on reports from CBRE and Colliers International, cap rates range from 4.0% - 9.0% (peak/2009) and are currently between 4.0% (apartment) and 6.7% (office)
- 2015 was a record for investment sales volume with over \$3 billion in property sales, a 39% increase from 2014
- Of the \$3 billion spent on commercial real estate in 2015, 87% was from offshore investors (potentially a concern if most from China), with an average of more than \$80m on property per transaction
- Cap rates continue to compress due to lower treasury rates, the seeking out of yield from investors, and the diversification attempts from institutional investors who seek higher yields in secondary and tertiary markets such as Hawaii



Valuation: HHC



Property Level NAV					Assumptions							As Developed NAV			Per Share Values		
MPC Assets	Sell-Out	Carrying Value	Debt	Book Value	Methodology	Discount Rate	Total	Resi	CRE	Present Value	Current Debt	NAV	BV	NAV	Value Creation		
The Woodlands	2021		\$ (192,663)		DCF of land sales	15.0%		401		\$ 138,172	\$ (192,663)	\$ (54,491)		\$ (1.22)			
The Woodlands	2032		\$ -		DCF of land sales	15.0%			749	\$ 154,486	\$ -	\$ 154,486		\$ 3.46			
BridgeLand	2036		\$ (28,182)		DCF of land sales	15.0%	4642			\$ 468,526	\$ (28,182)	\$ 440,344		\$ 9.86			
The Woodlands Hills	2032		\$ -		DCF of land sales	15.0%	1934			\$ 123,236	\$ -	\$ 123,236		\$ 2.76			
Summerlin	2040+		\$ (13,735)		DCF of land sales	15.0%	5181			\$ 655,308	\$ (13,735)	\$ 641,573		\$ 14.37			
Columbia			\$ -		Book Value	-				\$ 58,365	\$ -	\$ 58,365		\$ 1.31			
Master Planned Communities			\$ (234,580)			15.0%				\$ 1,598,093	\$ (234,580)	\$ 1,363,513	\$ -	\$ 30.54	\$ -		
Operating Assets					Assumptions							As Developed NAV			Per Share Values		
	Properties	Carrying Value	Debt	Book Value		Cap Rates	Disc. Rate	NOI to Cost/BV	Avg. Stabilize NOI	Present Value	Current Debt + Completion Costs	NAV	BV	NAV	Value Creation		
The Woodlands Operating Assets	26				DCF of Stab. NOI	6.5 - 7%	6.0 - 7%	11.0%	2016/7	\$ 1,513,700	\$ (686,400)	\$ 827,300		\$ 18.53			
South Street Seaport	1	\$ -	\$ -	\$ 124,427	DCF of Stab. NOI	6.0%	6.0%	15.9%	2018	\$ 1,156,780	\$ (402,100)	\$ 754,680		\$ 16.91			
Ward Village	1		\$ (238,700)		DCF of Stab. NOI	6.0%	6.0%	9.8%	Current	\$ 413,300	\$ (238,700)	\$ 174,600		\$ 3.91			
Columbia CRE	10		\$ (122,200)		DCF of Stab. NOI	7.0%	7.0%		Current	\$ 258,300	\$ (156,800)	\$ 101,500		\$ 2.27			
Shops at Summerlin	1		\$ (281,500)		DCF of Stab. NOI	6.0%	7.5%	8.9%	2017/8	\$ 499,100	\$ (313,900)	\$ 185,200		\$ 4.15			
Riverwalk Marketplace	1		\$ (55,500)	\$ 96,617	DCF of Stab. NOI	7.0%	7.0%	9.4%	2017	\$ 97,300	\$ (62,400)	\$ 34,900		\$ 0.78			
All Other	4				DCF of Stab. NOI	7.0%	7.0%		Current	\$ -	\$ -	\$ -					
Total Operating Assets	44	\$ -	\$ (697,900)	\$ 221,044						\$ 3,938,480	\$ (1,860,300)	\$ 2,078,180	\$ -	\$ 46.55	\$ -		
Strategic Assets					Notes							As Developed NAV			Per Share Values		
										Present Value	Completion Costs	NAV	BV	NAV	Value Creation		
South Street Assemblage	2	\$ 144,015	\$ -	\$ 144,015	Under contract, Chinese buyer, \$390m, HHC announce soon					\$ 390,000	\$ -	\$ 390,000		\$ 8.74			
Discovery Land JV in Summerlin		\$ 13,400		\$ 13,400	555 acres contributed, mkt value \$125.4 million, timing 2016-2022					\$ 225,000	\$ -	\$ 225,000		\$ 5.04			
The Woodlands Future Development					8.0m SF Development; using 2013 AR # of \$150/SF + \$1.2b+					\$ 750,000	\$ -	\$ 750,000		\$ 16.80			
Ward Village - Retail Redevelopment					Redevelop 1.3m current asset, new NOI between \$50m - \$100m					\$ 500,000	\$ -	\$ 500,000		\$ 11.20			
Ward Village Towers - Pipeline					Walea, Anaha, Aeb, Ke Kilohana, Gateway Towers #1 & #2					\$ 600,000	\$ -	\$ 600,000		\$ 13.44			
Ward Village Towers - Future Dev.					Additional 2,600 units, likely 2020-2025					\$ 400,000	\$ -	\$ 400,000		\$ 8.96			
Total Strategic Assets										\$ 2,865,000	\$ -	\$ 2,865,000	\$ -	\$ 64.18	\$ -		
Strategic Assets Not Included					Notes							As Developed NAV			Per Share Values		
										Present Value	Completion Costs	NAV	BV	NAV	Value Creation		
Columbia, MD - Future CRE			\$ -		Up to 13m SF CRE Development Opportunity					\$ -	\$ -	\$ -		\$ -			
South Street Seaport Project #2			\$ -		Up to 700,000 SF Development (Maybe Hotel?)					\$ -	\$ -	\$ -		\$ -			
Other Assets (at Book Value)			\$ 80,692		Over \$80m in BV of assets undeveloped/unplanned					\$ -	\$ -	\$ -		\$ -			
Total Strategic Assets										\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
MPC SID receivables			\$ 30,843									\$ 30,843		\$ 0.69			
MPC MID receivables			\$ 136,196									\$ 136,196		\$ 3.05			
MPC Cash & Equivalents			\$ 92,243									\$ 92,243		\$ 2.07			
Operating Assets Cash			\$ 106,544									\$ 106,544		\$ 2.39			
Strategic Assets Cash			\$ 48,883									\$ 48,883		\$ 1.10			
Corporate Cash			\$ 207,988									\$ 207,988		\$ 4.66			
Cash - Sponsor Warrants			\$ 126,300									\$ 126,300		\$ 2.83			
Cash - Management Warrants			\$ 182,300									\$ 182,300		\$ 4.08			
Cash Flow Earned from Op Properties Prior to Stabilized NOI												\$ 209,630		\$ 4.70			
Corporate Debt			\$ (762,041)									\$ (762,041)		\$ (17.07)			
Total Valuation												\$ 6,685,579		\$ 149.76			
Diluted S/O (including warrants/options)				44,641.7													
Current Share Price				\$ 91.00													
Upside to "All In" NAV				64.6%													
Upside to "MPC + Operating Assets" NAV				-15.3%													

* Will update Book Values once HHC 10-K is released in next 1-2 weeks; will help illustrate value creation
Numbers based on HHC filings, documents, as well as personal analysis and estimates

Valuation #1: *Buying Future Growth as Cheaply as Possible*

The Howard Hughes Corporation (HHC)

2/25/2016 **\$ 91.00** 14.77%

Equity Value	\$ 3,539,592
S/O	39,714.84
Sponsor Warrant Dilution	1,916.67
Management Warrants	2,862.69
Stock Options	147.54
Diluted S/O	44,641.73
Per-Share	\$ 79.29

Land/MPC	\$ 1,622,795
The Woodlands - Residential	\$ 138,172
The Woodlands - Commercial	\$ 154,486
Bridgeland (Cypress, TX)	\$ 468,526
Summerlin (Las Vegas, NV)	\$ 655,308
Columbia, Maryland	\$ 58,365 e2014 B/S
The Woodlands Hills	\$ 123,236
Debt/Mortgage	\$ (234,580)
SID Receivables	\$ 30,843
MUD receivables	\$ 136,196
Cash & Equivalents	\$ 92,243

Land/MPC	\$ 1,622,795
The Woodlands - Residential	\$ 138,172
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The Woodlands Hills	\$ 123,236
Debt/Mortgage	\$ (234,580)
SID Receivables	\$ 30,843
MUD receivables	\$ 136,196
Cash & Equivalents	\$ 92,243

Operating Assets	\$ 2,254,720	\$ 295,800
Retail	\$ 2,479,943	\$ 168,500
Office	\$ 1,033,349	\$ 72,500
Multi-Family/Other	\$ 642,045	\$ 54,800
Debt	\$ (1,375,111)	
Build Out Costs	\$ (632,049)	
Cash	\$ 106,544	

Strategic Assets	\$ (92,470)
Ward Village - 6 Towers	\$ - estimate of PV
Mortgages/Notes	\$ (141,353)
Cash	\$ 48,883

Corporate/Non-Segment	\$ (245,453)
Mortgages/Notes	\$ (762,041)
Cash	\$ 207,988
Cash - Sponsor Warrants	\$ 126,300
Management Warrants	\$ 182,300

Interpretation:

- Based on current operating assets, Phase 1 of South Street Seaport, the MPC land
- An investor is paying ~14.77% premium above the value of these other assets for the future “growth” plans/opportunities of HHC
- See next slide for assets NOT included

Valuation #1: Assets Not Included

Valuation Does Not Include	Completion	Low	High	Notes:
SSS/Pier 17 40,000 Food Market	2017	\$ 90,000	\$ 200,000	Uncertain on Rent for 40,000 Food Market + Seafood Restaurant
SSS/Pier 17 Project 2: 700,000 sqft development rights	2019			Project 2 to be build once Project 1 complete; 1-2 years off
SSS/Pier 17 Project 3: 80 South Street	2016	\$ 234,000	\$ 390,000	HHC quiet on rumors from Chinese buyers of \$390m
Discovery Land "JV" in Summerlin	2016 - 2022	\$ 200,000	\$ 500,000	Range based on discussions with HHC
Columbia - 13 million sqft CRE development	2022			Too uncertain; however, could have >\$1 billion future value
The Woodlands, TX - 8 million sqft CRE/condos development	2025	\$ 1,000,000	\$ 1,500,000	Will be built out, timing is only issue. Expect complete by 2025
Ward Village - Improvements on CRE/Retail to "Market Rent"	2018	\$ 400,000	\$ 800,000	In process now with building of Waiea/Anaha/Ae'o Towers
Alameda Plaza		\$ 679		6.9 acres, contains 65,292 sq. ft vacant retail space
AllenTowne (Allen, TX)		\$ 25,475		238 acres at Highway 121/ Highway 75 in Allen/ TX (McKinney)
Bridges at Mint Hill		\$ 21,097		90.5% interest shopping center, Charlotte, NC on 210 acres
Century Plaza (Birmingham, AL)		\$ 4,273		740,000 vacant GLA on 59 acres
Circle T Ranch		\$ 40		50% JV; near Fort Worth, TX
Cottonwood Mall		\$ 20,716		7.5 miles from downtown SLC, Utah, on 54 acres
Elk Grove Promenade (Elk Grove, CA)		\$ 8,412		100 acres planned to have 1.1m GLA shopping center
Waiea Condo Tower (Ward Village, Honolulu, HI)	2017	\$ 100,000	\$ 200,000	83.7% under contract; 37.5% complete, 174 units
Anaha Condo Tower (Ward Village, Honolulu, HI)	2017	\$ 100,000	\$ 200,000	76.9% under contract; 20.7% complete, 317 units
Ke Kilohana Condo Tower (Ward Village, Honolulu, HI)	2019	\$ 75,000	\$ 150,000	43 floors, 424 units
Ae'o Condo Tower (Ward Village, Honolulu, HI)	2018	\$ 75,000	\$ 150,000	Whole Foods tenant; 389,000 sqft tower, 29.0% under contract
Gateway Tower #1 (Ward Village, Honolulu, HI)	2020	\$ 50,000	\$ 100,000	
Gateway Tower #2 (Ward Village, Honolulu, HI)	2020	\$ 50,000	\$ 100,000	
Remaining Development - Ward Village (additional ~10 towers)	2025			
		\$ 2,454,692	\$ 4,290,000	
Per share		\$ 54.99	\$ 96.10	<-- undiscounted, unlevered

Conclusion:

By purchasing shares of **The Howard Hughes Corporation** at current prices (\$91.00) they are receiving about 85% of the stock price as "bird in the hand", which is the current MPC/land inventory and the current operating assets (including South Street Seaport/Pier 17 to be completed 2017). Most of the operating assets are either already at stabilized NOI or should be in the next 1-2 years. The remaining ~15% premium investors are paying above the "bird in the hand" assets represent a small premium to pay for a very large pipeline of assets, many of which are already in process and are highly valuable but have a wide range of valuations.

Valuation #2: Adding Future Growth Plans

The Howard Hughes Corporation

(HHC)

2/25/2016

\$ 91.00 -13.19%

Equity Value

\$ 4,679,592

S/O 39,714.84

Sponsor Warrant Dilution 1,916.67

Management Warrants 2,862.69

Stock Options 147.54

Diluted S/O 44,641.73

Per-Share **\$ 104.83**

Land/MPC

\$ 1,622,795

The Woodlands - Residential \$ 138,172

The Woodlands - Commercial \$ 154,486

Bridgeland (Cypress, TX) \$ 468,526

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The Woodlands Hills \$ 123,236

Debt/Mortgage \$ (234,580)

SID Receivables \$ 30,843

MUD receivables \$ 136,196

Cash & Equivalents \$ 92,243

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Cash & Equivalents \$ 92,243

Stabilized NOI

Operating Assets

\$ 2,254,720 **\$ 295,800**

Retail \$ 2,479,943 \$ 168,500

Office \$ 1,033,349 \$ 72,500

Multi-Family/Other \$ 642,045 \$ 54,800

Debt \$ (1,375,111)

Build Out Costs \$ (632,049)

Cash \$ 106,544

Strategic Assets

\$ 1,047,530

Ward Village - 6 Towers **\$ 600,000** estimate of PV

SSS Sale to Chinese Buyer **\$ 390,000**

SSS Food Market? Restaurant **\$ 150,000** estimate of PV

Mortgages/Notes \$ (141,353)

Cash \$ 48,883

Corporate/Non-Segment

\$ (245,453)

Mortgages/Notes \$ (762,041)

Cash \$ 207,988

Cash - Sponsor Warrants \$ 126,300

Management Warrants \$ 182,300

Interpretation:

- Based on current operating assets, Phase 1 of South Street Seaport, the MPC land, collecting the \$390m from Chinese buyer, PV of the 6 condo towers, and a low valuation for the 40,000 SF food market in South Street Seaport
- An investor is buying these assets at a **13% discount** to a rough fair valuation
- See next slide for assets NOT included

Valuation #2: Assets Not Included

Valuation Does Not Include	Completion	Low	High	Notes:
SSS/Pier 17 Project 2: 700,000 sqft development rights	2019			Project 2 to be build once Project 1 complete; 1-2 years off
Discovery Land "JV" in Summerlin	2016 - 2022	\$ 200,000	\$ 500,000	Range based on discussions with HHC
Columbia - 13 million sqft CRE development	2022			Too uncertain; however, could have >\$1 billion future value
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Cottonwood Mall		\$ 20,716		7.5 miles from downtown SLC, Utah, on 54 acres
Elk Grove Promenade (Elk Grove, CA)		\$ 8,412		100 acres planned to have 1.1m GLA shopping center
Remaining Development - Ward Village (additional ~10 towers)	2025			
		\$ 1,680,692	\$ 2,800,000	
Per share		\$ 37.65	\$ 62.72	<-- undiscounted, unlevered

Notes on Valuations:

- Most valuations I see on HHC are slightly different than mine to get their PT / NAV
 - They use lower cap rates (5.0% - 6.5%)
 - They use a lower discount rate on the MPC properties
 - They include certain strategic assets, whereas for the most part I do not, such as The Woodlands future development in their “base” valuation; instead, I prefer this uncertain assets to be the “call option” on purchasing it at a certain adequate price.
- Adjusting the MPC discount rates to 11-12% (similar to HHC, Compass) adds about \$400m - \$500m in present value
- Adjusting the current Operating Asset cap rates by ~ 50 bps each will add about ~\$350m per 50 bps
 - Drop each property cap rate by 50 bps = \$7.66/share in equity value
 - Drop each property cap rate by 100 bps = \$15.32/share in equity value

Balance Sheet

- \$918.73m recourse debt to HHC vs. \$450.6m in cash + \$136.2m in MUD receivables
- \$2.32 billion in total debt: mortgages, notes, loans payable
- HHC tries to borrow originally at 65% - 70% loan-to-cost
- Once the asset is online, HHC refinances at a 50% - 60% loan-to-value
- A mix between appropriately adding leverage and enhancing equity returns, as well as earning solid NOI yields on cost, well above the cost of debt

Management and Sponsor Warrants

NOTE 3 SPONSORS AND MANAGEMENT WARRANTS

On November 9, 2010, we issued warrants to purchase 8.0 million shares of our common stock to certain of our sponsors (the “Sponsors Warrants”) with an estimated initial value of approximately \$69.5 million. The initial exercise price for the warrants of \$50.00 per share and the number of shares of common stock underlying each warrant are subject to adjustment for future stock dividends, splits or reverse splits of our common stock or certain other events. In 2012, a sponsor exercised 1,525,272 shares, and we purchased 4,558,061 Sponsor Warrants from certain sponsors for a net cash amount of \$80.5 million. As a result of these transactions, \$108.6 million of additional paid-in-capital was recorded in our financial statements in the year ended December 31, 2012. The Sponsors Warrants expire on November 9, 2017.

In November 2010 and February 2011, we entered into certain agreements (the “Management Warrants”) with David R. Weinreb, our Chief Executive Officer, Grant Herlitz, our President, and Andrew C. Richardson, our Chief Financial Officer, in each case prior to his appointment to such position to purchase shares of our common stock. The Management Warrants represent 2,862,687 underlying shares, which may be adjusted pursuant to a net settlement option, were issued pursuant to such agreements at fair value in exchange for a combined total of approximately \$19.0 million in cash from such executives at the commencement of their respective employment. Mr. Weinreb and Mr. Herlitz’s warrants have exercise prices of \$42.23 per share and Mr. Richardson’s warrants have an exercise price of \$54.50 per share. Generally, the Management Warrants become exercisable in November 2016 and expire in February 2018.

Management & Board of Directors

Key names:

- **Bill Ackman** (Pershing Square)
– owns 13.2% of HHC, also
Chairman of the Board
- **David Weinreb** (CEO)
- **Grant Herlitz** (President)
- **Andrew Richardson** (CFO)
- **Mary Ann Tighe** – CEO of NY
Tri-State Region of CBRE since
2002, should help with South
Street Seaport negotiations,
tenants, etc.

- Executive officers are equity owners having purchased \$20 million of warrants and common equity
- Deep commercial real estate experience throughout HHC senior management and Board of Directors
- Incentivized to deliver long-term stability and profitability as Management and Board have a 31% economic interest in the Company⁽¹⁾

Senior HHC Management	Industry (Years experience)	Directors	Background
David R. Weinreb <i>Chief Executive Officer</i>	29	William Ackman <i>Chairman</i>	<ul style="list-style-type: none"> Founder and CEO of Pershing Square Capital Management. Former Director of GGP from June 2009 to March 2010 and led its restructuring.
Grant Herlitz <i>President</i>	17	Adam Flatto <i>Director</i>	<ul style="list-style-type: none"> President of The Georgetown Company, a privately-held real estate investment and development company.
Andrew C. Richardson <i>Chief Financial Officer</i>	19	Jeffrey Furber <i>Director</i>	<ul style="list-style-type: none"> CEO of AEW Capital Management and Chairman of AEW Europe, which manage over \$42 billion of real estate assets.
Peter F. Riley <i>General Counsel</i>	31	Gary Krow <i>Director</i>	<ul style="list-style-type: none"> President of Comdata Corp. and EVP of Ceridian from 1999 to 2007. President, CEO, and Director of GiftCertificates.com from 2008 until its sale in 2010.
Reuben Davidsohn <i>Chief Administrative Officer</i>	9	Allen Model <i>Director</i>	<ul style="list-style-type: none"> Co-Founder and Treasurer and Managing Director of Overseas Strategic Consulting. Member of Pershing Square's advisory board.
Christopher Curry <i>Sr. Exec. VP, Development</i>	21	R. Scot Sellers <i>Director</i>	<ul style="list-style-type: none"> Served as CEO of Archstone, one of the world's largest apartment companies, from 1997 through its sale in 2013. Developed, acquired and operated \$40 billion of apartments communities across U.S.
Peter Doyle <i>Exec. VP, Construction</i>	40	Steven Shepsman <i>Director</i>	<ul style="list-style-type: none"> Executive Managing Director and Founder of New World Realty Advisors. Chair of the Official Committee of Equity Holders in the Chapter 11 proceedings of GGP.
Paul Layne <i>Exec. VP, MPCs</i>	31	Burton Tansky <i>Director</i>	<ul style="list-style-type: none"> Former Non-Executive Chairman of The Neiman Marcus Group Inc. CEO and President of The Neiman Marcus Group Inc. from May 2004 to October 2010.
David Striph <i>Exec. VP, Hawaii</i>	29	Mary Ann Tighe <i>Director</i>	<ul style="list-style-type: none"> CEO of CBRE's New York Tri-State Region since 2002. Responsible for 77 million square feet of commercial transactions in New York region.
Andrew S. Zeitman <i>Sr. VP, Capital Markets</i>	12	David R. Weinreb <i>Director</i>	<ul style="list-style-type: none"> CEO of The Howard Hughes Corporation. Spent 17 years as Chairman and CEO of TPMC Realty Corporation.

Key management team members have an average of 22 years of industry experience and provide critical local expertise.

Resources:

- <http://www.rclco.com/top-selling-mpc-reports>
- China Oceanwide Holdings buying 80 South Street for \$390 million (8/2015) http://www.crainsnewyork.com/article/20150807/REAL_ESTATE/150809910/chinese-investors-pay-390-million-for-right-to-build-super-tower-near-south-street-seaport
- Pershing Square recent 13d-101 on HHC (Q4/15) <http://www.sec.gov/Archives/edgar/data/1336528/000119312516420052/d106433dsc13da.htm>
- Hawaii 2H 2015 Cap Rates http://www.colliers.com/-/media/files/united%20states/markets/hawaii/division/investment/ci_inv_2q_2015.pdf
- 480 Wildwood Forest (only office building in pipeline in The Woodlands) <https://www.vts.com/properties/wildwood-corporate-centre-ii-480-wildwood-forest-drive>
- Department of Household numbers for Houston area <http://www.deptofnumbers.com/income/texas/houston/>
- HHC announcement of buying Conroe acreage in 2015 <http://communityimpact.com/houston/news/2015/03/10/howard-hughes-corporation-announces-details-for-new-conroe-area-community-2/>
- HHC Project #2 <http://ny.curbed.com/2016/1/23/10844148/seaport-developer-considered-hotel-at-new-market-site>