



## The Howard Hughes Corporation Reports Third Quarter 2012 Results

November 9, 2012

DALLAS-- The Howard Hughes Corporation (NYSE: HHC):

### Third Quarter Highlights

- Third quarter 2012 net income was \$14.9 million, excluding the \$(64.3) million non-cash warrant loss compared to the third quarter 2011 net loss of \$(5.6) million, excluding the \$169.9 million non-cash warrant gain.
- Master Planned Community land sales were \$40.4 million for the third quarter 2012 compared to \$32.2 million for the third quarter 2011.
- Net operating income for our income-producing Operating Assets was \$16.1 million for third quarter 2012, up from \$13.5 million in the third quarter of 2011.
- Acquired a 169,590 square foot Class A office building in Columbia, MD by assuming a \$16.0 million non-recourse mortgage bearing interest at 4.25% and our commitment to fund \$5.0 million for leasing.
- Commenced Phase Two of the Ward Village Shops - part of Ward Centers in Honolulu, HI - a \$26.0 million project to build 57,000 square feet of new retail space for Pier 1 Imports and Nordstrom Rack, whose relocation opens space for future redevelopment. The tenants are expected to take occupancy in late 2013/early 2014 and should contribute approximately \$1.0 million of incremental annual NOI to Ward Centers.
- Announced the master plan to transform Ward Centers into an urban master planned community called Ward Village. Ward Village, when fully developed, will contain over 4,000 condominium units and over one million square feet of retail and other commercial space. Phase One of the redevelopment will consist of two market rate, mixed-use residential towers, one reserved housing tower and the renovation of the IBM building. Construction on Phase One is expected to begin in 2014.
- Closed on \$40.0 million of mezzanine capital commitments for the ONE Ala Moana condominium development, including \$3.0 million of non-refundable capital for pre-development costs.
- Entered into a letter of intent with Macy's to become a 180,000 square foot anchor tenant at the Shops at Summerlin. This project is expected to contain 1.5 million square feet of mixed use development, including retail, entertainment and 198,000 square feet of office space. We expect Macy's will be a catalyst for the launch of this project in 2013.
- Commenced construction on Millennium Woodlands Phase II, a 314-unit Class A apartment building located in The Woodlands, which is being developed through a joint venture with the same developer with whom we developed the Millennium Waterway Apartments.

The Howard Hughes Corporation (NYSE: HHC) today announced its results for the third quarter 2012.

For the three months ended September 30, 2012, net loss attributable to common stockholders was \$(49.4) million compared with net income of \$164.3 million for the three months ended September 30, 2011. Excluding the \$(64.3) million warrant loss, net income attributable to common stockholders for the three months ended September 30, 2012 was \$14.9 million compared with a net loss, excluding the \$169.9 million warrant gain, of \$(5.6) million for the three months ended September 30, 2011.

Beginning with the acquisition of our former partner's 47.5% interest in The Woodlands on July 1, 2011, we consolidated the financial results of The Woodlands. Prior to the acquisition, we accounted for our interest in The Woodlands as an unconsolidated real estate affiliate. Consequently, our statement of operations for the nine months ended September 30, 2012 is not comparable to the same period in 2011.

If The Woodlands acquisition had occurred on January 1, 2011, total revenues of the Company for the nine months ended September 30, 2011 would have been approximately \$276.2 million, on a pro forma basis, compared to \$268.5 million for the nine months ended September 30, 2012. The principal reason for the \$7.7 million decrease in revenues, on a pro forma basis, is \$9.1 million of lower condominium sales at the Nouvelle at Natick property as a result of the sale of the last two units owned by the Company in the second quarter of 2012. For a more complete comparison of operating results between periods, please refer to Item 2 – Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Form 10-Q for the period ended September 30, 2012.

David R. Weinreb, CEO of The Howard Hughes Corporation, stated, "During the third quarter we made significant progress on advancing several of our developments from the Seaport in New York City to Ward Centers in Honolulu. Obtaining Macy's as a lead anchor tenant for the Shops at Summerlin is a significant milestone and we anticipate beginning construction on this 1.5 million square foot development in 2013. We also announced the upcoming launch of sales and construction of our 206-unit Ala Moana condominium project, called ONE Ala Moana, and commenced work on our newest 200,000 square foot office tower at The Woodlands, One Hughes Landing."

Weinreb continued, "Our financial position and liquidity remain strong. With \$273 million of unrestricted cash, a conservatively leveraged balance sheet and positive cash flow from our master planned communities and operating assets, we are well-positioned to undertake all of our major development initiatives."

## Business Segments

For comparative purposes, Master Planned Communities ("MPC") land sales and Operating Assets net operating income ("NOI") relating to The Woodlands, and a discussion of results as if we consolidated The Woodlands during the nine months ended September 30, 2011 are presented in our Supplemental Information. For a reconciliation of Operating Assets NOI to Operating Assets real estate property earnings before taxes ("REP EBT"), Operating Assets REP EBT to GAAP-basis income (loss), and segment-basis MPC land sales revenue to GAAP-basis land sales revenue, refer to the Supplemental Information contained in this earnings release.

### *Master Planned Communities*

Land sales in our MPC segment, excluding deferred land sales and other revenue, increased \$8.3 million to \$40.4 million for the three months ended September 30, 2012 as compared to the three months ended September 30, 2011 primarily due to the increased residential and commercial land sales of \$5.5 million and \$2.8 million, respectively. Residential land sales increased at Summerlin and Bridgeland by \$8.7 million offset by lower land sales at Columbia of \$2.3 million. Commercial land sales increased by \$2.8 million due to a \$5.3 million land sale at Columbia for the development of an apartment complex offset by lower commercial land sales at The Woodlands of \$2.5 million. In addition, deferred residential sales of \$2.0 million were recognized in 2011 related to Summerlin which did not reoccur in 2012.

The Houston, Texas economy remains strong. ExxonMobil is constructing a three million square foot corporate campus just south of The Woodlands and is expected to begin relocating employees to this new location starting in 2014 and ending in 2015. We anticipate this development will further increase the demand for housing and commercial space at The Woodlands and Bridgeland master planned communities. The latest phase of construction on the greater Houston area's perimeter loop, the Grand Parkway, will bisect the Bridgeland community and will connect the ExxonMobil campus, the airport and the Energy Corridor, which we believe will serve as another catalyst for growth.

At Summerlin, existing inventory levels for both new and resale homes continue to decline resulting in improved pricing. Summerlin sold 95 and 362 residential lots during the three and nine months ended September 30, 2012, respectively, compared to none and 312 residential lots during the three and nine months ended September 30, 2011, respectively. Summerlin's pipeline remains robust, with 147 residential lots under contract representing approximately \$11.8 million of sales, of which \$3.7 million and \$8.1 million are expected to close in 2012 and 2013, respectively, if all sales are completed. The Shops at Summerlin project is expected to create added value for the community and positively impact prices for lots and homes as the market continues to normalize.

### *Operating Assets*

NOI from the combined retail, office and resort and conference center and multi-family properties was \$16.1 million for the three months ended September 30, 2012, compared to NOI of \$13.5 million for the three months ended September 30, 2011. This includes our share of NOI of our non-consolidated ventures of \$0.3 million for the three months ended September 30, 2012 and \$1.1 million for the three months ended September 30, 2011. The \$2.6 million increase in NOI in the third quarter 2012 compared to the third quarter 2011 is primarily attributable to 4 Waterway Square, 9303 New Trails, 20/25 Waterway Avenue and the Millennium Waterway apartments, all located at The Woodlands, reaching stabilized NOI in late 2011/early 2012.

On July 26, 2012, we announced the redevelopment of Riverwalk Marketplace, located in New Orleans, LA, into the first upscale urban outlet center named The Outlet Collection at Riverwalk. Our plans currently anticipate expanding the existing gross leasable area by approximately 44,000 square feet to 244,000 square feet. The redevelopment is contingent upon obtaining an acceptable amount of pre-leasing for the property and financing.

On August 15, 2012, we acquired 70 Columbia Corporate Center, a 169,590 square foot Class A office building by assuming a \$16.0 million non-recourse mortgage bearing a 4.25% interest rate and maturing in August 2017. At closing, we funded \$5.0 million into escrow for capital expenditures, tenant improvements and leasing commissions at the property. We are entitled to a 10.0% cumulative preferred return, after debt service, on our invested capital in the property. Cash flow is then split pro-rata according to each party's capital contribution between us and the lender, to amortize the mortgage. Excess proceeds from a capital event, after repayment of outstanding debt and the preferred return will be split 30% to the lender and 70% to us. At closing, we signed a 76,308 square foot tenant which will increase occupancy to approximately 68.7% and annual NOI to approximately \$1.9 million.

During the second quarter of 2012, we substantially completed construction of 69,923 square feet of retail space at Phase One of Ward Village Shops at Ward Centers in Honolulu, HI. TJ Maxx took occupancy of 35,744 square feet in May 2012, and we are seeking a tenant for the remaining approximately 34,000 square foot space. We expect that when the space is fully leased our total construction costs will be approximately \$17.0 million. We also announced and began development on Phase Two of Ward Village Shops, which will encompass 57,000 square feet of retail space and is expected to cost approximately \$26.0 million. Pier 1 Imports and Nordstrom Rack are being relocated from other space at Ward Centers and will occupy Phase Two. Both of these tenants are expected to contribute an incremental \$1.0 million of combined annual NOI when they take possession in late 2013/early 2014.

On October 10, 2012, we announced plans to transform Ward Centers into an urban master planned community called Ward Village that will feature retail, dining, entertainment, along with market-rate and affordable housing situated in public open spaces and pedestrian friendly streets. Our plan, which is fully entitled, is to build more than 4,000 residential units and over one million square feet of retail and other commercial space. Phase One of the redevelopment will consist of two mixed-use residential towers, one reserved housing tower and the renovation of the IBM building. One of the towers will be constructed on the site being vacated by Pier 1 Imports. We anticipate breaking ground on Phase One in 2014 with an expected completion date of 2016.

#### *Strategic Developments*

On July 6, 2012, we sold 11.5 acres at Alameda Plaza consisting of 104,705 square feet of mostly vacant retail space for \$4.5 million. Our net earnings recognized on the sale were \$2.0 million. We are continuing to explore the sale of the remaining 10.5 acres consisting of 85,636 square feet of mostly vacant retail space.

On July 18, 2012, we announced the development of a 66-acre mixed use site called Hughes Landing at Lake Woodlands, located in The Woodlands, TX, and north of Houston. Hughes Landing will have up to eight office buildings, hotel, retail and multi-family residential housing. We announced construction of the first office building, One Hughes Landing, an eight story, 195,227 square foot Class A building. Construction of this building is expected to begin in the fall of 2012 with completion anticipated in the fall of 2013. Total budgeted construction costs are \$45.0 million (exclusive of land value), and we anticipate closing on a \$38.0 million financing in the fourth quarter 2012.

On September 17, 2012, our joint venture to develop a 206-unit condominium tower at the Ala Moana shopping center located in Honolulu, HI, closed on two \$20.0 million non-recourse mezzanine loan commitments with two investors. \$3.0 million of the \$40.0 million provided by the mezzanine lenders may be drawn and used to fund the pre-development costs of the venture. Per the terms of the mezzanine loans, the venture is not required to repay this \$3.0 million if the construction loan fails to close or if the project does not go forward, of which approximately \$2.0 million has been funded as of September 30, 2012 and is non-interest bearing. The mezzanine loans, have a blended interest rate of 12.0%, must be drawn in full at the construction loan closing date and mature on April 30, 2018 with the option to extend for one year. We currently anticipate approval of the condominium documents in the fourth quarter of 2012 and expect to begin pre-sales before the end of 2012. We anticipate that the construction loan will close in June 2013 and construction is expected to begin in the second quarter of 2013 with anticipated completion at the end of 2014, subject to obtaining an acceptable level of pre-sales and construction financing.

On September 19, 2012, we announced a letter of intent with Macy's to become the first anchor tenant for the Shops at Summerlin, located in downtown Summerlin, NV. Macy's will occupy approximately 180,000 square feet of space. When completed, the Shops at Summerlin will contain a one million square foot fashion center, 280,000 square feet of big box and junior anchor retail space and a 198,000 square foot office building. We currently expect that the Macy's announcement will be a precursor to obtaining retail commitments sufficient to begin the project in 2013.

During the third quarter 2012, Millennium Woodlands Phase II, LLC, our joint venture with The Dinerstein Companies to develop a 314-unit Class A apartment building in The Woodlands, TX, commenced construction. We have a 81.4% ownership interest in the venture. The project is expected to cost approximately \$53.9 million (including our contributed land valued at \$15.5 million) and the venture obtained a \$37.7 million construction loan, which is non-recourse to us, to construct the building. Please refer to Note 7 – Real Estate Affiliates in our Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2012 for a more detailed description of this joint venture.

#### About the Howard Hughes Corporation

The Howard Hughes Corporation owns, manages and develops commercial, residential and mixed-use real estate throughout the United States. Our properties include master planned communities, commercial mixed-use, retail and office properties, development opportunities and other unique assets spanning 18 states from New York to Hawaii. The Howard Hughes Corporation is traded on the New York Stock Exchange under the ticker symbol "HHC", and is headquartered in Dallas, Texas. For more information, visit [www.howardhughes.com](http://www.howardhughes.com).

#### Safe Harbor Statement

Statements made in this press release that are not historical facts, including statements accompanied by words such as "will," "believe," "expect," "enables," "realize," "plan," "intend," "transform" and other words of similar expression, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on management's expectations, estimates, assumptions and projections as of the date of this release and are not guarantees of future performance. Actual results may differ materially from those expressed or implied in these statements. Factors that could

cause actual results to differ materially are set forth as risk factors in The Howard Hughes Corporation's filings with the Securities and Exchange Commission, including its Quarterly and Annual Reports. The Howard Hughes Corporation cautions you not to place undue reliance on the forward-looking statements contained in this release. The Howard Hughes Corporation does not undertake any obligation to publicly update or revise any forward-looking statements to reflect future events, information or circumstances that arise after the date of this release.

THE HOWARD HUGHES CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
	(In thousands, except per share amounts)			
<b>Revenues:</b>				
Master Planned Community land sales	\$ 40,218	\$ 34,152	\$ 120,235	\$ 75,692
Builder price participation	1,867	1,233	4,208	2,351
Minimum rents	23,135	19,403	62,609	53,098
Tenant recoveries	6,065	5,398	17,932	14,537
Condominium unit sales	-	9,071	267	19,495
Resort and conference center revenues	8,328	7,200	29,954	7,200
Other land revenues	6,385	5,537	13,433	9,093
Other rental and property revenues	8,817	4,679	19,879	9,130
Total revenues	94,815	86,673	268,517	190,596
<b>Expenses:</b>				
Master Planned Community cost of sales	21,439	27,033	63,096	51,907
Master Planned Community operations	9,936	10,734	30,962	22,313
Rental property real estate taxes	3,574	2,010	10,583	7,793
Rental property maintenance costs	2,263	2,155	6,304	5,278
Other property operating costs	16,933	14,961	46,306	34,413
Condominium unit cost of sales	-	5,470	96	13,722
Resort and conference center operations	6,965	6,352	21,750	6,352
Provision for (recovery of) doubtful accounts	240	(141)	285	174
General and administrative	9,339	8,673	25,896	21,156
Depreciation and amortization	6,764	7,208	17,715	13,592
Total expenses	77,453	84,455	222,993	176,700
Operating income	17,362	2,218	45,524	13,896
Interest income	2,375	2,341	7,048	7,097
Interest expense	(445)	-	(646)	-
Early extinguishment of debt	-	(11,305)	-	(11,305)
Warrant liability gain (loss)	(64,303)	169,897	(162,724)	100,762
Reduction in tax indemnity receivable	(2,873)	-	(11,655)	-
Investment in Real Estate Affiliate basis adjustment	-	(6,053)	-	(6,053)
Equity in earnings from Real Estate Affiliates	310	166	3,432	7,787
Income (loss) before taxes	(47,574)	157,264	(119,021)	112,184
Provision (benefit) for income taxes	2,618	(7,760)	7,703	(4,344)
Net income (loss)	(50,192)	165,024	(126,724)	116,528
Net income (loss) attributable to noncontrolling interests	781	(729)	(637)	(777)
Net income (loss) attributable to common stockholders	\$ (49,411)	\$ 164,295	\$ (127,361)	\$ 115,751

Basic income (loss) per share:	\$ (1.30 )	\$ 4.33	\$ (3.36 )	\$ 3.05
Diluted income (loss) per share:	\$ (1.30 )	\$ (0.14 )	\$ (3.36 )	\$ 0.38

THE HOWARD HUGHES CORPORATION  
CONDENSED CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

	September 30, 2012	December 31, 2011
(In thousands, except share amounts)		
<b>Assets:</b>		
Investment in real estate:		
Master Planned Community assets	\$ 1,585,514	\$ 1,602,437
Land	253,867	236,363
Buildings and equipment	646,459	556,786
Less: accumulated depreciation	(106,387 )	(92,494 )
Developments in progress	224,370	195,034
Net property and equipment	2,603,823	2,498,126
Investment in Real Estate Affiliates	36,162	62,595
Net investment in real estate	2,639,985	2,560,721
Cash and cash equivalents	272,854	227,566
Accounts receivable, net	13,425	15,644
Municipal Utility District receivables, net	105,487	86,599
Notes receivable, net	28,677	35,354
Tax indemnity receivable, including interest	326,150	331,771
Deferred expenses, net	12,740	10,338
Prepaid expenses and other assets, net	124,752	127,156
<b>Total assets</b>	<b>\$ 3,524,070</b>	<b>\$ 3,395,149</b>
<b>Liabilities:</b>		
Mortgages, notes and loans payable	\$ 683,804	\$ 606,477
Deferred tax liabilities	75,538	75,966
Warrant liabilities	290,488	127,764
Uncertain tax position liability	135,468	129,939
Accounts payable and accrued expenses	136,760	125,404
<b>Total liabilities</b>	<b>1,322,058</b>	<b>1,065,550</b>
Commitments and Contingencies (see Note 13)		
<b>Equity:</b>		
Preferred stock: \$.01 par value; 50,000,000 shares authorized, none issued	-	-
Common stock: \$.01 par value; 150,000,000 shares authorized, 37,973,640 shares issued and outstanding as of September 30, 2012 and 37,945,707 shares issued and outstanding as of December 31, 2011	379	379
Additional paid-in capital	2,714,258	2,711,109
Accumulated deficit	(508,686 )	(381,325 )
Accumulated other comprehensive loss	(9,590 )	(5,578 )
<b>Total stockholders' equity</b>	<b>2,196,361</b>	<b>2,324,585</b>
Noncontrolling interests	5,651	5,014
<b>Total equity</b>	<b>2,202,012</b>	<b>2,329,599</b>

Total liabilities and equity

\$ 3,524,070

\$ 3,395,149

Supplemental Information

September 30, 2012

As our three segments, Master Planned Communities, Operating Assets and Strategic Developments, are managed separately, we use different operating measures to assess operating results and allocate resources among these three segments. The one common operating measure used to assess operating results for our business segments is real estate property earnings before taxes ("REP EBT"), which represents the operating revenues of the properties less property operating expenses. REP EBT, as it relates to our business, is defined as net income (loss) excluding general and administrative expenses, corporate interest income and depreciation expense, provision (benefit) for income taxes, warrant liability gain (loss), the reduction in tax indemnity receivable, equity in earnings from Real Estate Affiliates and Investment in Real Estate Affiliate basis adjustment. We present REP EBT because we use this measure, among others, internally to assess the core operating performance of our assets. However, REP EBT should not be considered as an alternative to GAAP net income (loss) attributable to common stockholders or GAAP net income (loss).

Reconciliation of REP EBT to GAAP-net income (loss) Three Months Ended September 30, Nine Months Ended September 30,

	2012	2011	2012	2011
	(In thousands)		(In thousands)	
Real estate property EBT:				
Segment basis	\$ 26,830	\$ (358 )	\$ 74,946	\$ 36,225
Real Estate Affiliates	(310 )	(166 )	(3,432 )	(12,497 )
	26,520	(524 )	71,514	23,728
General and administrative	(9,339 )	(8,673 )	(25,896 )	(21,156 )
Corporate interest income	2,315	2,616	6,814	7,309
Warrant liability gain (loss)	(64,303 )	169,897	(162,724 )	100,762
Benefit (provision) for income taxes	(2,618 )	7,760	(7,703 )	4,344
Reduction in tax indemnity receivable	(2,873 )	-	(11,655 )	-
Equity in earnings from Real Estate Affiliates	310	166	3,432	7,787
Investment in Real Estate Affiliate basis adjustment	-	(6,053 )	-	(6,053 )
Corporate depreciation	(204 )	(165 )	(506 )	(193 )
Net income (loss)	\$ (50,192 )	\$ 165,024	\$ (126,724 )	\$ 116,528

MPC Sales Summary

		Land Sales		Acres Sold		Number of Lots/Units		Price per acre		Price per lot	
		2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
(\$ in thousands)											
Residential Land Sales											
Maryland - Columbia	Single family - detached	\$ -	\$ 630	-	0.5	-	3	\$ -	\$ 1,260	\$ -	\$ 210
	Townhomes	-	1,697	-	0.5	-	12	-	-	-	141
Bridgeland	Single family - detached	6,170	5,149	22.2	20.3	104	103	278	254	59	50

Summerlin	Single family - detached (1)	7,213	-	21.2	-	94	-	341	-	77	-
	Custom lots	515	-	0.6	-	1	-	805	-	515	-
The Woodlands	Single family - detached (2)	19,898	19,949	52.3	53.5	235	216	380	373	85	92
	Single family - attached	-	887	-	2.3	-	34	-	386	-	26
	Subtotal	33,796	28,312	96.3	77.1	434	368				
Commercial Land Sales											
Maryland - Columbia	Apartments	5,300	-	18.7	-	-	-	284	-	-	-
Summerlin	Not-for-profit Retail	-	-	-	-	-	-	-	-	-	-
The Woodlands	Office and other Retail	1,330	-	10.4	-	-	-	128	-	-	-
	Other	-	2,001	1.2	5.0	-	-	-	400	-	-
	Subtotal	-	1,839	-	5.3	-	-	-	347	-	-
	Subtotal	6,630	3,840	30.3	10.3						
Total acreage sales revenue		40,426	32,152								
Deferred revenue		(1,051 )	2,000								
Special Improvement District revenue		843	-								
Total land sales - GAAP basis		\$ 40,218	\$ 34,152								

(1) The Summerlin 2012 revenue per acre of \$341,000 includes 41 single family finished lots that average \$691,543 per acre and 53 super pad lots that average \$230,000 per acre.

(2) The Woodlands 2011 lot sales revenues have been restated to include fixed price builder payments collected at lot closing to conform with the 2012 lot sales presentation.

#### MPC Sales Summary

(\$ in thousands)		Land Sales		Acres Sold		Number of Lots/Units		Price per acre		Price per lot	
		Nine Months Ended September 30,									
		2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Residential Land Sales											
Maryland - Columbia	Single family - detached	\$-	\$ 1,480	-	1.4	-	7	\$-	\$ 1,057	\$-	\$ 211
	Townhomes	4,156	3,311	1.2	1.0	28	24	-	-	148	138
Bridgeland	Single family - detached	17,183	13,846	63.9	52.2	313	260	269	265	55	53
Summerlin	Single family - detached (1)	23,773	25,504	71.6	62.4	353	312	332	409	67	82
	Custom lots	3,761	-	4.8	-	9	-	784	-	418	-

The Woodlands	Single family - detached (2)	55,459	55,523	151.2	149.8	598	610	367	371	93	91
	Single family - attached	-	887	-	2.3	-	34	-	386		26
	Subtotal	104,332	100,551	292.7	269.1	1,301	1,247				
Commercial Land Sales											
Maryland - Columbia Summerlin	Apartments	5,300	-	18.7	-	-	-	284	-	-	-
	Not-for-profit	-	3,615	-	16.0	-	-	-	226		
	Retail	784	-	1.0	-	-	-	784	-		
The Woodlands	Office and other	6,437	1,800	10.4	3.2			619	563		
	Retail	1,250	5,115	1.2	10.5			1042	487		
	Other	50	1,839	0.8	5.3			63	347		
	Subtotal	13,821	12,369	32.1	35.0						
Total acreage sales revenue		118,153	112,920								
Deferred revenue		(1,870 )	5,516								
Special Improvement District revenue		3,952	4,028								
Total segment land sales		120,235	122,464								
The Woodlands acreage sales (3)		-	(46,772 )								
Total land sales - GAAP basis		\$ 120,235	\$ 75,692								

(1) The Summerlin 2012 revenue per acre of \$332,000 includes 121 single family finished lots that average \$688,516 per acre and 232 super pad lots that average \$226,452 per acre.

(2) The Woodlands 2011 lot sales revenues have been restated to include fixed price builder payments collected at lot closing to conform with the 2012 lot sales presentation.

(3) The Woodlands acreage sales for the six months ended June 30, 2011 are deducted from total segment land sales to derive total land sales - GAAP basis because The Woodlands operating results were not consolidated during this period.

#### Operating Assets Net Operating Income

The Company believes that NOI is a useful supplemental measure of the performance of our Operating Assets because it provides a performance measure that, when compared year over year, reflects the revenues and expenses directly associated with owning and operating real estate properties and the impact on operations from trends in occupancy rates, rental rates, and operating costs. We define NOI as property specific revenues (rental income, tenant recoveries and other income) less expenses (real estate taxes, repairs and maintenance, marketing and other property expenses). NOI also excludes straight line rents, property specific net interest expense, depreciation, ground rent, other amortization expenses, and equity in earnings from Real Estate Affiliates.

We use NOI to evaluate our operating performance on a property-by-property basis because NOI allows us to evaluate the impact that factors such as lease structure, lease rates and tenant base, which vary by property, have on our operating results, gross margins and investment returns.

Although we believe that NOI provides useful information to the investors about the performance of our Operating Assets due to the exclusions noted above, NOI should only be used as an alternative measure of the financial performance of such assets and not as an alternative to GAAP operating income (loss) or net income (loss) available to common stockholders.

#### Operating Assets NOI and REP EBT

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
	(In thousands)		(In thousands)	
<b>Operating Assets NOI</b>				
<b>Retail</b>				
Ward Centers	\$ 5,616	\$ 5,630	\$ 16,735	\$ 16,449
South Street Seaport (a)	1,878	1,866	4,085	3,404
Rio West Mall	265	286	995	963
Landmark Mall (a)	153	108	662	627
Riverwalk Marketplace (a)	94	130	573	339
Cottonwood Square	97	83	320	299
Park West	251	159	739	490
20/25 Waterway Avenue	407	375	1,242	902
Waterway Garage Retail	(8 )	(8 )	2	6
<b>Total Retail</b>	<b>8,753</b>	<b>8,629</b>	<b>25,353</b>	<b>23,479</b>
<b>Office</b>				
110 N. Wacker	1,517	1,526	4,554	4,518
Columbia Office Properties	593	326	1,698	1,662
70 Columbia Corporate Center	(8 )	-	(8 )	-
4 Waterway Square	1,478	426	4,140	1,102
9303 New Trails	475	299	1,435	852
1400 Woodloch Forest	440	239	1,202	649
2201 Lake Woodlands Drive	23	83	21	249
<b>Total Office</b>	<b>4,518</b>	<b>2,899</b>	<b>13,042</b>	<b>9,032</b>
Millennium Waterway Apartments (b)	1,147	-	1,407	-
The Woodlands Resort and Conference Center	1,363	848	8,205	6,050
<b>Total Retail, Office, Multi-family, Resort and Conference Center</b>	<b>15,781</b>	<b>12,376</b>	<b>48,007</b>	<b>38,561</b>
The Club at Carlton Woods	(1,081 )	(1,420 )	(3,383 )	(3,933 )
The Woodlands Parking Garages	(236 )	(469 )	(729 )	(906 )
The Woodlands Ground Leases	98	97	289	312
Other Properties	260	(148 )	1,037	1,173
<b>Total Other</b>	<b>(959 )</b>	<b>(1,940 )</b>	<b>(2,786 )</b>	<b>(3,354 )</b>
<b>Total Operating Assets NOI - Consolidated</b>	<b>14,822</b>	<b>10,436</b>	<b>45,221</b>	<b>35,207</b>
<b>Other</b>				
Straight-line lease amortization	(449 )	506	(32 )	1,318
Early Extinguishment of debt	-	(11,305 )	-	(11,305 )
Depreciation and amortization	(6,440 )	(6,961 )	(16,969 )	(17,168 )
Equity in earnings from Real Estate Affiliates	310	166	3,432	3,139
Interest expense, net	(4,265 )	(4,004 )	(11,239 )	(11,378 )
Less: Partners' share of Operating Assets REP EBT	-	-	-	(1,067 )
<b>Total Operating Assets REP EBT (c)</b>	<b>\$ 3,978</b>	<b>\$ (11,162 )</b>	<b>\$ 20,413</b>	<b>\$ (1,254 )</b>

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012 (In thousands)	2011	2012 (In thousands)	2011
<b>Operating Assets NOI - Equity and Cost Method Investments</b>				
Millennium Waterway Apartments (b)	\$ -	\$ 779	\$ 1,768	\$ 741
Woodlands Sarofim # 1	61	364	537	1,138
Stewart Title (title company)	665	323	1,333	667
Forest View/Timbermill Apartments (d)	(25 )	465	557	1,317
Total NOI - equity investees	701	1,931	4,195	3,863
Adjustments to NOI (e)	(22 )	(1,412 )	(1,473 )	(3,748 )
Equity Method Investments REP EBT	679	519	2,722	115
Less: Joint Venture Partner's Share of REP EBT	(369 )	(388 )	(1,666 )	(905 )
Equity in earnings (loss) from Real Estate Affiliates	310	131	1,056	(790 )
Distributions from Summerlin Hospital Investment	-	35	2,376	3,929
Segment equity in earnings from Real Estate Affiliates	\$ 310	\$ 166	\$ 3,432	\$ 3,139

**Company's Share of Equity Method Investments NOI**

Millennium Waterway Apartments (b)	\$ -	\$ 651	\$ 1,477	\$ 619
Woodlands Sarofim # 1	12	73	107	228
Stewart Title (title company)	333	162	667	334
Forest View/Timbermill Apartments (d)	(13 )	233	279	659
Total NOI - equity investees	\$ 332	\$ 1,119	\$ 2,530	\$ 1,840

	Economic Ownership	September 30, 2012 Debt (In thousands)
Millennium Waterway Apartments (b)	83.55 %	not applicable
Woodlands Sarofim #1	20.00 %	\$ 6,882
Stewart Title (title company)	50.00 %	-
Forest View/Timbermill Apartments (d)	50.00 %	not applicable

(a) Straight-line ground rent amortization was excluded from 2011 to conform with 2012.

(b) On May 31, 2012, we acquired our partner's interest in the 393-unit Millennium Waterway Apartments. NOI for periods prior to June 1, 2012 is included in Operating Assets NOI - Equity and Cost Method Investments.

(c) For a detailed breakdown of our Operating Assets segment EBT, refer to Note 15. Such amounts in prior periods include The Woodlands as if consolidated.

(d) On April 19, 2012, the joint ventures owning the Forest View and Timbermill Apartments completed their sale to a third party. Our share of the distributable cash, after repayment of debt and transaction expenses, was \$8.6 million.

(e) Adjustments to NOI primarily include straight-line and market lease amortization, depreciation and amortization and non-real estate taxes.



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