



## The Howard Hughes Corporation Reports Second Quarter 2012 Results

August 9, 2012

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

### Second Quarter Highlights

- Second quarter net income was \$10.9 million, excluding the \$23.4 million non-cash warrant gain compared to the second quarter of 2011 net income of \$9.1 million, excluding the \$56.9 million non-cash warrant gain.
- Entered into an agreement to amend and restate the South Street Seaport ground lease with the City of New York. Construction is expected to begin prior to June 30, 2013 on approximately 195,000 leasable square feet on Pier 17.
- Master Planned Community land sales were \$42.3 million for the second quarter 2012, compared to \$42.9 million for the second quarter 2011.
- Net operating income for our income-producing Operating Assets was \$19.6 million for second quarter 2012, up from \$14.1 million in the second quarter of 2011.
- Bed, Bath & Beyond and T.J. Maxx openings at Ward Centers during 2012 are expected to generate \$2.0 million of annual net operating income by 2013.
- 3 Waterway Square, a 232,021 square foot office building under construction in The Woodlands, is 90% pre-leased.
- Announced the development of Hughes Landing at Lake Woodlands, a 66-acre mixed use site within The Woodlands. One Hughes Landing, a 195,227 square foot office building will be the first property developed and is expected to be complete in the fourth quarter of 2013.
- Announced the redevelopment of Riverwalk Marketplace into an upscale urban outlet center. Upon completion, the property will comprise approximately 250,000 square feet of retail space.
- Acquired our partner's equity interest in the 393-unit Millennium Waterway apartment property located in The Woodlands for \$6.9 million using proceeds from a \$55.6 million ten-year mortgage bearing a 3.75% interest rate.
- Closed on an \$18.1 million term refinancing and a \$140.0 million revolving credit facility to fund development at our Bridgeland master planned community.

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

For the three months ended June 30, 2012, net income attributable to common stockholders was \$34.3 million compared with \$66.0 million for the three months ended June 30, 2011. Excluding the \$23.4 million warrant gain, net income attributable to common stockholders for the three months ended June 30, 2012 was \$10.9 million compared with net income, excluding the \$56.9 million warrant gain, of \$9.1 million for the three months ended June 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 affiliate. Consequently, our financial statements as of and for the three and six months ended June, 2012 are not comparable to the same periods in 2011.

If The Woodlands acquisition had occurred on January 1, 2011, total revenues for the three months ended June 30, 2011 would have been approximately \$95.6 million, on a pro forma basis, compared to \$93.9 million for the three months ended June 30, 2012. Net income for the three months ended June 30, 2011 would have been approximately \$72.7 million, on a pro forma basis, compared to \$37.2 million for the three months ended June 30, 2012. The principal reason for the \$1.7 million decrease in revenues, on a pro forma basis, is \$6.5 million of lower condominium sales at the Nouvelle at Natick property due to the sellout in 2011 of all but the final two units, which were sold in the first half of 2012. The lower condominium sales revenues in the second quarter 2012 were partially offset by \$5.0 million of increased revenues at our operating assets due to several properties at The Woodlands reaching stabilization and improved resort and conference revenues resulting from strong local market conditions. 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 three and six months ended June 30, 2012.

David R. Weinreb, CEO of The Howard Hughes Corporation, stated, "During the second quarter, our master planned community

businesses and operating assets delivered strong results. Our Houston, Texas, communities continued to capitalize on robust local economic conditions in their residential and commercial development activities, and the net operating income from our operating assets benefited from several properties at The Woodlands reaching stabilized occupancies this year.”

Weinreb continued, “The plans for our development pipeline continue to advance, and our development projects underway are proceeding according to our expectations. Completing the ground lease amendment at South Street Seaport during the second quarter was a significant milestone for the Company, and we are in discussions with several potential tenants for a redeveloped Pier 17. Furthermore, demand for commercial space at The Woodlands is exceptional, and we expect to announce a series of new commercial developments over the next several quarters.”

## Business Segments

For comparative purposes, Master Planned Communities (“MPC”) land sales and Operating Assets net operating income (“NOI”) relating to The Woodlands are presented in our Supplemental Information and discussion of results as if we consolidated The Woodlands during the three and six months ended June 30, 2011. We have also reclassified the commercial real estate operating assets of The Woodlands to the Operating Assets segment. In the first and second quarters of 2011, these properties had been included in the MPC segment. 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, decreased \$0.6 million to \$42.3 million for the second quarter 2012 compared to the second quarter 2011. Land sales include \$7.2 million and \$7.3 million of commercial land sales for the three months ended June 30, 2012 and 2011, respectively. Summerlin, Bridgeland and Columbia MPC second quarter 2012 land sales increased \$2.1 million, \$0.7 million and \$0.7 million, respectively, compared to the second quarter of 2011, offset by \$4.0 million of lower revenues in the second quarter of 2012 at The Woodlands due primarily to high demand for lots in Lake Woodlands East Shore resulting in the sale of 26 lots in second quarter 2011 compared to only one lot sale in second quarter of 2012 due to this development being nearly sold out.

Residential land sales volumes have remained steady with approximately 92 acres sold during the second quarter of 2012 compared to 90 acres sold in the same period for 2011. Our average price per acre has declined in 2012 compared to 2011 primarily due to higher mix of smaller lot sales at Bridgeland as well as lower lot sales in high-end communities at The Woodlands which command higher per acre prices.

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 relocate 8,000 to 10,000 employees to this site. We anticipate this development will further increase the demand for housing and commercial space at The Woodlands and Bridgeland master planned communities.

At Summerlin, inventory levels for both new and resale homes continue to decline resulting in improved pricing. Summerlin’s second quarter 2012 land sales include the sale of six custom lots for an aggregate of \$2.5 million, compared to no custom lot sales in the second quarter 2011. Summerlin’s pipeline remains robust, with 183 residential lots under contract representing approximately \$15.3 million of sales, of which \$10.6 million are expected to close in 2012 and \$4.6 million in 2013, if all sales are completed.

During the second quarter of 2012, we refinanced \$18.1 million of debt relating to our Bridgeland MPC with a ten-year term loan and also entered into a three-year revolving credit facility. The credit facility provides total aggregate borrowing capacity of \$140.0 million subject to a \$30.0 million maximum outstanding loan amount. The facility is intended to provide working capital for infrastructure and residential lot development.

### *Operating Assets*

NOI from the combined retail, office and resort and conference center and multi-family properties, including our share of the NOI of our non-consolidated ventures of \$0.9 million, was \$19.6 million for the three months ended June 30, 2012, compared to NOI, including the NOI of our non-consolidated ventures of \$0.6 million, of \$14.1 million for the three months ended June 30, 2011. The \$5.5 million increase in NOI in the second quarter 2012 compared to the second 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. In addition, leasing activity at South Street Seaport generated higher rental revenues and contributed to the NOI improvement.

At Ward Centers, T.J. Maxx took occupancy of 36,000 square feet of newly completed space at the Ward Village Shops, and Bed, Bath & Beyond is expected to take occupancy prior to the end of 2012 of approximately 30,000 square feet formerly occupied by Borders. Combined, both of these tenants are expected to contribute approximately \$2.0 million to Ward Centers annual NOI in 2013.

On April 19, 2012, the joint ventures owning the Forest View and Timbermill tax-credit apartments located in The Woodlands completed their sale to a third party. Our share of the distributable cash, after repayment of debt and transaction costs, was \$8.6 million. There was no gain or loss on the sale of these investments.

On May 31, 2012, we acquired our partner's interest in Millennium Waterway Apartments for \$6.9 million following the funding of a \$55.6 million ten-year non-recourse mortgage bearing a 3.75% interest rate. We now own 100% of this property which adds a stabilized Class A multi-family property located in The Woodlands Town Center to our portfolio. The property is currently 95.4% occupied and has a stabilized NOI of \$4.2 million. In conjunction with this acquisition, we entered into a pre-development agreement with the partner to construct a 314-unit Class A multi-family property as more fully discussed in our Strategic Developments section below.

On June 29, 2012, we entered into an agreement to amend the South Street Seaport ground lease with the New York City Economic Development Corporation to allow for the redevelopment of Pier 17. The terms of the agreement are consistent with those contained in the non-binding letter of intent executed in December 2011. The restated ground lease will become effective when we meet certain milestones, the most important of which is the commencement of construction by June 30, 2013. The amendment will, among other things, eliminate any supplemental or participation rent the City of New York would be entitled to under the existing lease. We expect to begin construction of an approximately 195,000 leasable square foot structure on Pier 17 by June 30, 2013 and must provide a completion guarantee to New York City for the project. We also must pay approximately \$1.1 million of esplanade maintenance costs over a five-year period.

On July 26, 2012, we announced the redevelopment of Riverwalk Marketplace into an upscale urban outlet center named The Outlet Collection at Riverwalk. Our plans currently anticipate expanding the existing footprint by approximately 50,000 square feet to 250,000 square feet. Costs of the redevelopment are expected to be approximately \$70.0 million with a late 2012 construction start date. The redevelopment is contingent upon obtaining an acceptable amount of pre-leasing for the property and financing.

### *Strategic Developments*

On April 12, 2012, the Columbia Parcel D venture, in which we have a 50% interest and contributed the land, received approval of the final development plan component of the entitlement process. The approval also includes Parcel C, which would allow for up to 817 residential units and 76,000 square feet of retail in the two parcels. Pre-development design and engineering is underway to match the jurisdictional approvals. We have incurred approximately \$1.3 million of costs to date. Our anticipated cash investment in this project is expected to total \$5.9 million. The total project budget is \$90.6 million, including land which is valued by the venture at approximately \$20.1 million (compared to our \$2.4 million original book value) when financing is obtained and construction commences. Construction is expected to start by early 2013 with completion during 2014. The property is expected to generate stabilized annual NOI of \$6.6 million by 2016.

On May 14, 2012, we entered into a joint venture, Millennium Woodlands Phase II, LLC ("Millennium Phase II"), with The Dinerstein Companies for the construction of a 314-unit Class A multi-family unit in The Woodlands Town Center. Our partner is the managing member of Millennium Phase II. In July 2012, Millennium Phase II was capitalized by our contribution of 4.8 acres of land valued at \$15.5 million to the joint venture (compared to our \$4.5 million book value), our partner's contribution of \$3.0 million in cash, and by a construction loan in the amount of \$37.7 million which is guaranteed by our partner. Total construction costs are estimated to be approximately \$38.4 million (exclusive of land value), the estimated completion is the second quarter of 2014, and the property is currently expected to reach stabilized annual NOI of \$4.8 million during the third quarter of 2014.

On July 6, 2012, we sold 11.5 acres at Alameda Plaza consisting of 104,705 square feet of mostly vacant retail space for \$4.4 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. Hughes Landing will have up to eight office buildings, hotel, retail and multi-family residential housing. As a result of a high demand for office space in The Woodlands, evidenced by 3 Waterway Square currently being 90% pre-leased, HHC 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 cost is \$45.0 million (exclusive of land value). The building is expected to reach stabilized annual NOI of \$5.0 million during the third quarter of 2014.

### 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 June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
	(In thousands, except per share amounts)			
Revenues:				
Master Planned Community land sales	\$ 43,928	\$ 18,148	\$ 80,017	\$ 41,540
Builder price participation	1,528	597	2,341	1,118
Minimum rents	20,577	16,976	39,474	33,695
Tenant recoveries	6,003	4,615	11,867	9,139
Condominium unit sales	134	6,660	267	10,424
Resort and conference center revenues	11,970	-	21,626	-
Other land revenues	3,531	2,257	7,048	3,556
Other rental and property revenues	6,268	1,568	11,062	4,451
Total revenues	93,939	50,821	173,702	103,923
Expenses:				
Master Planned Community cost of sales	22,978	9,438	41,657	24,874
Master Planned Community operations	9,979	4,941	21,026	11,027
Rental property real estate taxes	3,171	2,630	7,009	5,783
Rental property maintenance costs	2,086	1,563	4,041	3,123
Condominium unit cost of sales	36	5,273	96	8,252
Resort and conference center operations	7,371	-	14,785	-
Other property operating costs	15,044	10,135	29,373	20,004
Provision for doubtful accounts	164	304	45	315
General and administrative	8,160	7,662	16,557	12,483
Depreciation and amortization	5,893	3,186	10,951	6,383
Total expenses	74,882	45,132	145,540	92,244
Operating income	19,057	5,689	28,162	11,679
Interest income	2,342	2,243	4,673	4,754
Interest expense	(200 )	-	(201 )	-
Warrant liability gain (loss)	23,430	56,910	(98,421 )	(69,135 )
Loss on remeasurement of tax indemnity receivable	(8,782 )	-	(8,782 )	-
Equity in earnings from Real Estate Affiliates	446	2,110	3,122	7,623
Income (loss) before taxes	36,293	66,952	(71,447 )	(45,079 )
Provision for income taxes	1,301	959	5,085	3,415
Net income (loss)	34,992	65,993	(76,532 )	(48,494 )
Net income attributable to noncontrolling interests	(682 )	(20 )	(1,418 )	(48 )
Net income (loss) attributable to common stockholders	\$ 34,310	\$ 65,973	\$ (77,950 )	\$ (48,542 )
Basic Income (Loss) Per Share:	\$ 0.91	\$ 1.74	\$ (2.06 )	\$ (1.28 )
Diluted Income (Loss) Per Share:	\$ 0.27	\$ 0.22	\$ (2.06 )	\$ (1.28 )

THE HOWARD HUGHES CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

	June 30, 2012	December 31, 2011
	(In thousands, except share amounts)	
<b>Assets:</b>		
Investment in real estate:		
Master Planned Community assets	\$ 1,597,244	\$ 1,602,437
Land	253,024	236,363
Buildings and equipment	627,554	556,786
Less: accumulated depreciation	(101,169 )	(92,494 )
Developments in progress	204,450	195,034
Net property and equipment	2,581,103	2,498,126
Investment in Real Estate Affiliates	32,597	62,595
Net investment in real estate	2,613,700	2,560,721
Cash and cash equivalents	254,288	227,566
Accounts receivable, net	15,315	15,644
Municipal Utility District receivables, net	94,710	86,599
Notes receivable, net	30,182	35,354
Tax indemnity receivable, including interest	326,972	331,771
Deferred expenses, net	12,549	10,338
Prepaid expenses and other assets, net	119,987	127,156
<b>Total assets</b>	<b>\$ 3,467,703</b>	<b>\$ 3,395,149</b>
<b>Liabilities:</b>		
Mortgages, notes and loans payable	\$ 659,397	\$ 606,477
Deferred tax liabilities	76,876	75,966
Warrant liabilities	226,185	127,764
Uncertain tax position liability	133,404	129,939
Accounts payable and accrued expenses	119,435	125,404
<b>Total liabilities</b>	<b>1,215,297</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 June 30, 2012 and  37,945,707 shares issued and outstanding as of December 31, 2011	379	379
Additional paid-in capital	2,713,178	2,711,109
Accumulated deficit	(459,275 )	(381,325 )
Accumulated other comprehensive loss	(8,308 )	(5,578 )
<b>Total stockholders' equity</b>	<b>2,245,974</b>	<b>2,324,585</b>
Noncontrolling interests	6,432	5,014

Total equity	2,252,406	2,329,599
Total liabilities and equity	\$ 3,467,703	\$ 3,395,149

## Supplemental Information

June 30, 2012

As our three segments, Master Planned Communities, Operating Assets and Strategic Developments, are managed separately, different operating measures are utilized to assess operating results and allocate resources. 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. We have defined REP EBT as net income (loss) excluding general and administrative expenses, corporate interest income and depreciation expense, investment in real estate basis adjustment, provision for income taxes, warrant liability gain (loss), reorganization items and the effect of the previously mentioned items within our equity in earnings (loss) from Real Estate Affiliates. Management believes that REP EBT provides useful information about the operating performance of all our assets, projects and property. 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-basis net income (loss)	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
	(In thousands)		(In thousands)	
Real estate property EBT:				
Master Planned Communities	\$ 19,898	\$ 14,666	\$ 34,249	\$ 27,145
Operating Assets	8,858	4,125	16,435	9,971
Strategic Developments	(1,070 )	(195 )	(2,568 )	(535 )
Real Estate Affiliates	(446 )	(6,334 )	(3,122 )	(12,329 )
	27,240	12,262	44,994	24,252
General and administrative	(8,160 )	(7,662 )	(16,557 )	(12,483 )
Interest income	2,240	3,391	4,457	4,721
Interest expense	37	(44 )	42	(30 )
Warrant liability gain (loss)	23,430	56,910	(98,421 )	(69,135 )
Provision for income taxes	(1,301 )	(959 )	(5,085 )	(3,415 )
Loss on remeasurement of tax indemnity receivable	(8,782 )	-	(8,782 )	-
Equity in earnings from Real Estate Affiliates	446	2,110	3,122	7,623
Corporate depreciation	(158 )	(15 )	(302 )	(27 )
Net income (loss)	\$ 34,992	\$ 65,993	\$ (76,532 )	\$ (48,494 )

## MPC Sales Summary for the Three Months Ended June 30,

		Land Sales		Acres Sold		Number of Lots/Units		Price per acre		Price per lot	
		Three Months Ended June 30,									
		2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
(\$ in thousands)											
Residential Land Sales											
Maryland - Columbia	Single family - detached	\$ -	\$ 850	-	0.9	-	4	\$ -	\$ 944	\$ -	\$ 213
Maryland - Columbia	Townhomes	2,233	675	0.7	0.2	15	5	-	-	149	135

Bridgeland	Single family - detached	5,669	4,976	21.6	18.9	111	94	262	263	51	53
Summerlin	Single family - detached (1)	10,242	11,428	26.0	27.9	150	116	394	410	68	99
	Custom lots	2,456	-	3.4	-	6	-	722	-	409	-
The Woodlands	Single family - detached (2)	14,527	17,603	40.5	42.4	161	177	359	415	90	99
	Subtotal	35,127	35,532	92.2	90.3	443	396				
Commercial Land Sales											
Summerlin	Retail	784	-	1.0	-			784	-		
The Woodlands	Office and other	5,106	4,206	10.4	10.1			491	416		
	Retail	1,250	3,115	1.2	5.5			1,042	566		
	Other	50	-	0.8	-			63	-		
	Subtotal	7,190	7,321	13.4	15.6						
Total acreage sales revenue		42,317	42,853								
Deferred revenue		(77 )	(928 )								
Deferred revenue - Woodlands		-	442								
Special Improvement District revenue		1,688	1,147								
Total segment land sales revenue		\$ 43,928	\$ 43,514								
The Woodlands acreage sales (3)		-	(25,366 )								
Total land sales revenue - GAAP basis		\$ 43,928	\$ 18,148								

(1) The Summerlin 2012 revenue per acre of \$394,000 includes 66 single family finished lots that average \$687,600 per acre and 84 super pad lots that average \$225,000 per acre.

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

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

#### MPC Sales Summary for the Six Months Ended June 30,

Land Sales		Acres Sold		Number of Lots/Units		Price per acre		Price per lot	
Six Months Ended June 30,									
2012	2011	2012	2011	2012	2011	2012	2011	2012	2011

(\$ in thousands)

#### Residential Land Sales

Maryland - Columbia	Single family - detached	\$ -	\$ 850	-	0.9	-	4	\$ -	\$ 944	\$ -	\$ 213
Maryland - Columbia	Townhomes	4,156	1,615	1.2	0.5	28	12	-	-	148	135
Bridgeland	Single family - detached	11,014	8,697	41.5	31.9	209	157	266	273	53	55
Summerlin	Single family - detached (1)	16,560	25,504	50.5	62.4	259	312	328	409	64	82
	Custom lots	3,246	-	4.1	-	8	-	792	-	406	-
The Woodlands	Single family - detached (2)	35,562	35,572	98.7	96.3	363	394	360	369	98	90
	Subtotal	70,538	72,238	196.0	192.0	867	879				

#### Commercial Land Sales

Summerlin	Not-for-profit	-	3,616	-	16.1			-	225		
	Retail	784	-	1.0	-			784	-		

The Woodlands	Office and other	5,106	6,007	10.4	13.2			491	455		
	Retail	1,250	4,697	1.2	7.4			1042	635		
	Other	50	-	0.8	-			63	-		
	Subtotal	7,190	14,320	13.4	36.7						

Total acreage sales revenue	77,728	86,558									
Deferred revenue	(820 )	(2,769 )									
Deferred revenue - Woodlands	-	496									
Special Improvement District revenue	3,109	4,028									
Total segment land sales revenue	\$ 80,017	\$ 88,313									
The Woodlands acreage sales (3)	-	(46,773 )									
Total land sales revenue - GAAP basis	\$ 80,017	\$ 41,540									

(1) The Summerlin 2012 revenue per acre of \$328,000 includes 80 single family finished lots that average \$687,100 per acre and 179 super pad lots that average \$225,000 per acre.

(2) The Woodlands 2011 lot sales revenues have been restated to include builder price participation 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 revenue to derive Total land sales revenue - 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. 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) excluding the operations of properties held for disposition. NOI also excludes straight line rents, market lease amortization, impairments, depreciation, ground rent and other amortization expense.

Because NOI excludes general and administrative expenses, interest expense, impairments, depreciation and amortization, gains and losses from property dispositions, earnings attributable to non-controlling interests and provision for income taxes, we believe that 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 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 June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
	(In thousands)		(In thousands)	
<b>Operating Assets</b>				
<b>Retail</b>				
Ward Centers	\$ 5,555	\$ 5,232	\$ 11,119	\$ 10,819
South Street Seaport (a)	1,749	886	2,207	1,538
Rio West Mall	330	305	730	677
Landmark Mall (a)	234	161	509	519
Riverwalk Marketplace (a)	315	139	479	209
Cottonwood Square	110	134	223	216
Park West	222	217	488	331
20/25 Waterway Avenue	396	301	835	527
Waterway Garage Retail	7	14	10	14
Total Retail	8,918	7,389	16,600	14,850
<b>Office</b>				
110 N. Wacker	1,507	1,462	3,037	2,992
Columbia Office Properties	695	797	1,105	1,401
4 Waterway Square	1,607	323	2,662	676
9303 New Trails	571	110	960	276
1400 Woodloch Forest	444	141	819	410
2201 Lake Woodlands Drive	(2 )	83	(2 )	166
Total Office	4,822	2,916	8,581	5,921
Millennium Waterway Apartments (b)	260	-	260	-
The Woodlands Resort and Conference Center	4,599	3,238	6,841	5,202
Total Retail, Office, Multi-family, Resort and Conference Center	18,599	13,543	32,282	25,973
The Club at Carlton Woods	(1,294 )	(1,444 )	(2,302 )	(2,513 )
The Woodlands Parking Garages	(238 )	(205 )	(493 )	(437 )
The Woodlands Ground leases	92	130	191	215
Other Properties	391	1,184	721	1,539
Total Other	(1,049 )	(335 )	(1,883 )	(1,196 )
Total Operating Assets NOI	17,550	13,208	30,399	24,777
Straight-line lease amortization	207	(13 )	417	871
Depreciation and amortization	(5,672 )	(5,216 )	(10,529 )	(10,207 )
Equity in earnings from Real Estate Affiliates	446	(315 )	3,122	2,971
Interest, net	(3,673 )	(3,539 )	(6,974 )	(7,374 )
Less: Partners' share of Operating Assets REP EBT	-	-	-	(1,067 )
Operating assets REP EBT	\$ 8,858	\$ 4,125	\$ 16,435	\$ 9,971

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
	(In thousands)		(In thousands)	
<b>Operating Assets NOI - Equity and Cost Method Investments</b>				
Millennium Waterway Apartments (b)	\$ 734	\$ 220	\$ 1,768	\$ 198
Woodlands Sarofim # 1	190	381	476	781
Stewart Title (title company)	536	218	669	259
Forest View/Timbermill Apartments (c)	88	432	582	852
Total NOI - equity investees as of June 30, 2012	1,548	1,251	3,495	2,090
Adjustments to NOI (d)	(517 )	(900 )	(1,452 )	(1,799 )
Equity Method Investments REP EBT	1,031	351	2,043	291
Less: Joint Venture Partner's Share of REP EBT	(585 )	(666 )	(1,297 )	(1,214 )
Equity in earnings (loss) from Real Estate Affiliates	446	(315 )	746	(923 )
Distributions from Summerlin Hospital Investment	-	-	2,376	3,894
Equity in earnings (loss) from Real Estate Affiliates	\$ 446	\$ (315 )	\$ 3,122	\$ 2,971
<b>Company's Share of Equity Method Investments NOI</b>				
Millennium Waterway Apartments (b)	\$ 613	\$ 184	\$ 1,477	\$ 165
Woodlands Sarofim # 1	38	76	95	156
Stewart Title (title company)	268	109	335	130
Forest View/Timbermill Apartments (c)	44	216	291	426
Total NOI - equity investees	\$ 963	\$ 585	\$ 2,198	\$ 877

	Economic		June 30, 2012	
	Ownership		Debt	(In thousands)
Millennium Waterway Apartments (b)	83.55 %		\$ -	
Woodlands Sarofim #1	20.00 %		6,950	
Stewart Title (title company)	50.00 %		-	
Forest View/Timbermill Apartments (c)	50.00 %		-	

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

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