



The Howard Hughes Corporation Reports First Quarter 2012 Results

May 8, 2012

First Quarter Highlights First quarter 2012 net income was \$9.6 million, excluding the \$(121.9) million non-cash warrant loss, compared to first quarter 2011 net income of \$11.5 million, excluding the \$(126.0) million non-cash warrant loss. First quarter 2012 net loss was \$(112.3) million inclusive of the non-cash warrant expense compared to first quarter 2011 net loss of \$(114.5) million. Master Planned Community land sales were \$35.4 million for first quarter 2012, compared to \$43.8 million for first quarter 2011. Net operating income for our income-producing Operating Assets was \$14.9 million for first quarter 2012, compared to \$12.8 million for first quarter 2011. Completed a \$43.3 million non-recourse financing for, and began construction on, 3 Waterway Square, a 232,774 square foot office building in The Woodlands, which is 74% pre-leased. Howard Hughes announced Paul Layne has joined the company as Executive Vice President, Master Planned Communities.

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

For the three months ended March 31, 2012, net loss attributable to common stockholders was \$(112.3) million, or \$(2.96) per share, compared with \$(114.5) million, or \$(3.02) per share, for the three months ended March 31, 2011. Excluding the \$(121.9) million warrant loss, net income attributable to common stockholders for the three months ended March 31, 2012 was \$9.6 million, or \$0.25 per diluted common share. For the three months ended March 31, 2011, net income attributable to common stockholders, excluding a \$(126.0) million warrant loss, was \$11.5 million, or \$0.30 per diluted common share.

As more fully described in Note 3 to our condensed consolidated financial statements included in our Form 10-Q for the three months ended March 31, 2012, beginning on July 1, 2011 with the acquisition of our former partner's 47.5% interest in The Woodlands, we consolidated the financial results of The Woodlands. Prior to the acquisition, we accounted for our interest in The Woodlands using the equity method. Consequently, our financial statements as of and for the three months ended March 31, 2012 are not comparable to the same period in 2011 due to the consolidation of The Woodlands.

If The Woodlands acquisition would have occurred on January 1, 2011, total revenues and net loss for the three months ended March 31, 2011 would have been approximately \$90.3 million and \$(110.6) million, respectively, on a pro forma basis, compared to \$79.8 million of total revenues and \$(112.3) million net loss for the three months ended March 31, 2012. The primary reasons for the \$10.5 million decrease in revenues, on a pro forma basis, are due to \$7.1 million of lower commercial land sales for the first quarter 2012 compared to first quarter 2011 (described below), and \$3.6 million of lower condominium unit sales at our Nouvelle at Natick property due to the sellout in 2011 of all but two units. One of the two remaining units was sold during the first quarter 2012, and the final remaining unit was sold in April 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 three months ended March 31, 2012.

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 owned 100% of The Woodlands during the three months ended March 31, 2011. We have also included the commercial real estate assets of The Woodlands in the Operating Assets segment. These properties in the prior year first quarter had been included in the MPC segment. For a reconciliation of Operating Assets NOI to Operating Assets earnings before taxes (EBT), Operating Assets EBT to GAAP-basis loss from continuing operations, and segment-basis MPC land sales revenue to GAAP-basis land sales revenue, please refer to the Supplemental Information contained in this earnings release.

Land sales in our MPC segment, excluding deferred land sales and other revenue, decreased \$8.4 million for the first quarter 2012. Approximately \$7.1 million of such decrease was due to no commercial land sales during the three months ended March 31, 2012, compared to \$7.1 million, including a \$3.6 million sale for a school at Summerlin, for the three months ended March 31, 2011. For the three months ended March 31, 2012, we sold 104 residential acres as compared to 102 acres for the three months ended March 31, 2011. Our Bridgeland and The Woodlands MPCs continued to benefit from the strong Houston, TX market. The Woodlands residential lands sales increased by \$3.1 million from the first quarter 2011 to \$21.0 million for the first quarter 2012. Bridgeland residential land sales increased by \$1.6 million to \$5.3 million during the same periods. The Woodlands first quarter 2012 land sales compared to first quarter 2011 benefited from an increase in mix to larger average lot sizes, which generally are sold at a premium to smaller lot sizes. Bridgeland's mix shifted to smaller average lot sizes in the first quarter 2012 compared to

first quarter 2011, but the lower average price per lot was more than offset by increased volume over the same periods.

Summerlin's residential land sales revenue decreased to \$7.0 million for the first quarter 2012 from \$14.1 million for the first quarter 2011. Summerlin sold 111 residential lots during the three months ended March 31, 2012 compared to 196 lots during the three months ended March 31, 2011. At March 31, 2012, Summerlin had under contract 223 residential lots representing approximately \$16.1 million of sales, of which \$14.9 million are scheduled to close in 2012, if all sales are completed.

NOI from the combined retail, office and resort and conference center properties, including our share of the NOI of our non-consolidated ventures of this segment, was \$14.9 million for the three months ended March 31, 2012, compared to \$12.8 million for the same period in 2011. These assets are collectively referred to as our "income-producing Operating Assets." The \$2.1 million increase in NOI for the three months ended March 31, 2012 compared to the same period in the prior year is primarily due to the Millennium Waterway apartments and 4 Waterway office building reaching stabilization.

We received a \$2.4 million distribution from our investment in the Summerlin Hospital during the first quarter of 2012. This annual distribution is typically made in the first quarter of each year and represents our share of distributable cash flow from the prior calendar year. During the first quarter of 2011, we received a \$3.9 million distribution. Approximately \$2.0 million of the \$3.9 million related to 2010 and the remaining \$1.9 million related to periods prior to 2010, which were previously deferred pending completion of a capital project at the hospital.

During the first quarter 2012 we began construction of 3 Waterway Square, a 232,774 square foot office building located in The Woodlands Town Center. We also obtained a \$43.3 million of non-recourse financing to construct the building. The loan bears interest at LIBOR plus 2.65% and matures on January 31, 2017, inclusive of two one-year extension options. As of April 20, 2012, the building was 74% pre-leased.

On April 30, 2012 Paul Layne joined the Company as Executive Vice President, Master Planned Communities. Mr. Layne leads strategic planning at The Woodlands, Bridgeland and Summerlin MPCs. Mr. Layne has over 30 years of real estate experience, most recently as Executive Vice President at Brookfield Properties, leading the financial performance of a 9.7 million square feet portfolio in the Houston Central Business District. He was responsible for all of the region's activities including leasing, operations, property management, legal, accounting, development and construction, as well as Brookfield's global partnership task force.

David R. Weinreb, CEO of The Howard Hughes Corporation, stated, "Our Houston-area master planned communities continue to deliver strong revenues and benefit from a robust energy-driven local economy. Commercial demand is particularly strong in The Woodlands, and we expect to announce several new potential developments this year. We also are seeing an acceleration of builder activity at Summerlin, but we believe it is too soon to conclude that this community or the broader Las Vegas markets are in a sustainable recovery."

Mr. Weinreb continued, "During the first quarter 2012, pre-development activities at several of our properties accelerated. We unveiled conceptual designs for the Pier 17 renovation at South Street Seaport to positive reviews. We are finalizing a design with our local partners for a 210-unit condominium development at Ala Moana shopping center in Honolulu, and expect to begin pre-sale activities later this year. In addition, entitlements for the approximately 375-unit apartment development at Columbia Town Center are moving forward and we expect to break ground by early 2013. As always, I look forward to communicating more specifics regarding our pre-development and development activities as plans are completed."

ABOUT THE HOWARD HUGHES CORPORATION

The Howard Hughes Corporation owns, manages and develops commercial, residential and mixed-use real estate throughout the country. Created from a selected subset of 34 assets previously held by General Growth Properties, our properties include master planned communities, operating 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 as HHC, and is headquartered in Dallas, Texas. For more information about HHC, visit 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" or similar words, 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 Annual Report on Form 10-K for the year ended December 31, 2011 and its Quarterly Reports on Form 10-Q. 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.

Assets: (In thousands, except share amounts)

Investment in real estate:		
Master Planned Community assets	\$ 1,601,385	\$ 1,602,437
Land	238,699	236,363
Buildings and equipment	559,192	556,786
Less: accumulated depreciation	(96,692)	(92,494)
Developments in progress	200,552	195,034
Net property and equipment	2,503,136	2,498,126
Investments in Real Estate Affiliates	63,091	62,595
Net investment in real estate	2,566,227	2,560,721
Cash and cash equivalents	209,974	227,566
Accounts receivable, net	13,991	15,644
Municipal Utility District receivables, net	90,428	86,599
Notes receivable, net	33,690	35,354
Tax indemnity receivable, including interest	333,750	331,771
Deferred expenses, net	11,609	10,338
Prepaid expenses and other assets, net	130,619	127,156
Total assets	\$ 3,390,288	\$ 3,395,149

Liabilities:

Mortgages, notes and loans payable	\$ 598,287	\$ 606,477
Deferred tax liabilities	77,868	75,966
Warrant liabilities	249,615	127,764
Uncertain tax position liability	131,934	129,939
Accounts payable and accrued expenses	113,944	125,404
Total liabilities	1,171,648	1,065,550

Commitments and Contingencies (See Note 12)

Equity:

Preferred stock: \$.01 par value; 50,000,000 shares authorized, none issued	-	-
Common stock: \$.01 par value; 150,000,000 shares authorized, 37,945,707 shares issued and outstanding as of March 31, 2012 and 37,945,707 shares issued and outstanding as of December 31, 2011	379	379
Additional paid-in capital	2,711,980	2,711,109
Accumulated deficit	(493,583)	(381,325)
Accumulated other comprehensive loss	(5,886)	(5,578)
Total stockholders' equity	2,212,890	2,324,585
Noncontrolling interest	5,750	5,014
Total equity	2,218,640	2,329,599
Total liabilities and equity	\$ 3,390,288	\$ 3,395,149

Supplemental Information

March 31, 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) from continuing operations excluding general and administrative expenses, corporate interest income and depreciation expense, investment in real estate basis adjustment, benefit from 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

Special Improvement District revenue	1,421	2,881
Total segment land sales revenue	36,089	44,800
The Woodlands acreage sales (3)	-	(21,408)
Total segment land sales revenue - GAAP basis	\$ 36,089	\$ 23,392

- (1) The Summerlin 2012 revenue per acre of \$258,000 includes 14 single family finished lots that average \$638,000 per acre and 95 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 March 31, 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 its 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) and 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. Other real estate companies may use different methodologies for calculating NOI, and accordingly, the NOI of our Operating Assets may not be comparable to other real estate companies.

The Company also believes that NOI 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. This measure thereby provides an operating perspective not immediately apparent from GAAP continuing operations or net income attributable to common stockholders. The Company uses NOI to evaluate its operating performance on a property-by-property basis because NOI allows the Company to evaluate the impact that factors such as lease structure, lease rates and tenant base, which vary by property, have on the Company's operating results, gross margins and investment returns. NOI should only be used as an alternative measure of the financial performance of such assets and not as an alternative to GAAP income (loss) from continuing operations, operating income (loss) or net income (loss) available to common stockholders.

Net Operating Income (NOI) Three Months Ended March 31, 2012 2011

(In thousands)

Operating Assets

Retail

Ward Centers	\$ 5,564	\$ 5,587
South Street Seaport (a)	458	652
Rio West Mall	400	372
Landmark Mall (a)	275	358
Riverwalk Marketplace (a)	164	70
Cottonwood Square	113	82
Park West	266	114
20/25 Waterway Avenue	439	226
Waterway Garage Retail	3	-
Total Retail	7,682	7,461

Office

110 N. Wacker	1,530	1,530
Columbia Office Properties	410	721
4 Waterway Square	1,055	353
9303 New Trails (b)	389	166
1400 Woodloch Forest	375	269
2201 Lake Woodlands Drive	-	83
Total Office	3,759	3,122
The Woodlands Resort and Conference Center	2,243	1,964
Total Retail, Office, Resort and Conference Center	13,684	12,547
The Club at Carlton Woods	(1,008)	(1,069)
The Woodlands Parking Garages	(255)	(232)
The Woodlands Ground leases	99	85
Other Properties	340	570
Total Other	(824)	(646)
Total Operating Assets NOI	12,860	11,901
Straight-line lease amortization	210	884
Depreciation and amortization	(4,857)	(4,992)
Equity in earnings from Real Estate Affiliates	2,677	3,288
Interest, net	(3,301)	(3,836)
Less: Partners' share of Operating Assets REP EBT	-	(702)
Operating assets REP EBT (100% Owned)	\$ 7,589	\$ 6,543

Net Operating Income (NOI)
Three Months Ended March 31,
2012 2011

(In thousands)

Operating Assets NOI - Equity and Cost Method Investments		
Millennium Waterway Apartments	\$ 1,034	\$ (22)
Woodlands Sarofim # 1	286	400
Stewart Title (title company)	133	41
Forest View/Timbermill Apartments (d)	494	420
Total NOI - equity investees	1,947	839
Adjustments to NOI (c)	(934)	(898)
Equity Method Investments REP EBT	1,013	(59)
Less: Joint Venture Partner's Share of REP EBT	(712)	(547)
Equity in earnings from Real Estate Affiliates	301	(606)
Distributions from Summerlin Hospital Investment	2,376	3,894
Equity in earnings from Real Estate Affiliates	\$ 2,677	\$ 3,288
Company Share of Equity Method Investments NOI		
Millennium Waterway Apartments	\$ 864	\$ (18)
Woodlands Sarofim # 1	57	80
Stewart Title (title company)	67	21
Forest View/Timbermill Apartments	247	210
Total NOI - equity investees	\$ 1,235	\$ 293

Economic March 31, 2012
Ownership Debt

	(In thousands)		
Millennium Waterway Apartments	83.55	%	\$ 47,175
Woodlands Sarofim #1	20.00	%	7,019
Stewart Title (title company)	50.00	%	-
Forest View/Timbermill Apartments (d)	50.00	%	5,575

- (a) Straight-line ground rent amortization was excluded from 2011 amounts to conform to 2012.
- (b) During 2011 as well as in January 2012, a portion of The Woodlands' staff occupied from approximately 5,900 square feet to almost 10,000 square feet of this building.
- (c) Adjustments to NOI include straight-line and market lease amortization, depreciation and amortization and non-real estate taxes.
- (d) On April 19, 2012 the ventures owning the Forest View and Timbermill tax credit apartments completed their sale to a third party. We expect that our share of the distributable net cash proceeds, after repayment of debt and transaction costs, will be approximately \$8.6 million.

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Source: The Howard Hughes Corporation