



The Howard Hughes Corporation Issues Letter to Shareholders

February 29, 2012

DALLAS-- To the Shareholders of The Howard Hughes Corporation from the Chief Executive Officer:

In our first full year as a company, The Howard Hughes Corporation made important strides in moving our assets closer to the point at which they can generate maximum potential value. We hired talented people, formed strategic joint ventures and made a substantial acquisition. These initiatives have positioned our company to create meaningful long-term value for our shareholders and our financial statements are beginning to reflect these efforts.

We started 2011 with the foundation of a great team, and have since hired a few more key professionals in order to complete our executive roster. It was critical to find experienced talent who shared our core values. Our people are passionate, committed to excellence, and immersed in a culture that treats the company's money as if it were their own. We found these values and more in our Chief Financial Officer, Andy Richardson, our General Counsel, Peter Riley, and in the development executives who joined our team this past year. These industry veterans bring decades of experience and a track record of success working for prominent real estate companies across the country.

In 2011, we formed joint venture partnerships on three assets: Ala Moana Tower, Parcel D at Columbia Town Center and The Bridges at Mint Hill. In each case, we partnered with local developers who have strong reputations and a history of successful projects. Leveraging each group's local knowledge and development expertise has already helped to accelerate our business plans for these assets.

The highlight of 2011, which I will discuss in greater detail below, was completing our acquisition of Morgan Stanley's 47.5% economic interest in The Woodlands Master Planned Community ("MPC") located in Houston, TX. The Woodlands is one of the most successful large-scale MPC's in the U.S., comprising over 28,000 acres, 97,000 residents and 1,700 employers. To learn more about this vibrant community visit www.thewoodlands.com. The Woodlands is now a wholly owned subsidiary of The Howard Hughes Corporation, and we are confident that this acquisition will create significant short and long-term value for our shareholders.

Setting The Table

Before telling you about our class of 2011 executive hires, I wanted to reiterate the outstanding job the entire Howard Hughes team has done to advance the company's goals in 2011. I am personally grateful for all of their hard work and inspired by the way they have embraced the opportunity and challenges of being a new company.

Grant Herlitz, President of the company and my partner for the past 12 years, has worked by my side to provide exceptional leadership in bringing together the diverse talent within the company and in driving results. Grant's analytical skills and detailed knowledge of all our assets has been invaluable in guiding our development and asset management teams as they move forward with pre-development activities. Among his responsibilities, he is working closely with The Woodlands leadership team to harvest the many opportunities on the horizon from this strategic investment. Grant's passion for our company, our people and the example he sets for excellence in everything he does embodies the core values of our company.

Our Chief Financial Officer, Andy Richardson, has done an exceptional job of leading the accounting team since joining us in March of 2011. Andy also fully embraced our owner's mentality by making a substantial, long-term personal investment in the company. Andy was formerly CFO and Treasurer of NorthStar Realty Finance Corp. (NYSE: NRF), a publicly traded commercial real estate finance company focused on investment in real estate loans, fixed income securities and net-leased real estate properties. Andy's track record and public company experience are great assets to our growing company.

Peter Riley joined us as General Counsel in May. However, his involvement with the company dates back to its inception where he was outside counsel representing our interests during the company's formation and emergence. Peter brings with him over 30 years of experience working in both the public and private sector. A partner at K&L Gates LLP since 2004, Peter placed a significant focus on the tax aspects of fund formation, joint ventures and the acquisition, disposition, operation and financing of real estate assets. Prior to earning his law degree, Mr. Riley worked for Amerada Hess Corporation (NYSE:AHC) where he

became Chief Financial Officer of its Abu Dhabi subsidiary.

Andy and Peter played critical roles in executing our acquisition and transition of The Woodlands. They also work alongside Grant and me in negotiating and forming our joint venture partnerships. They have shown an ability to execute on difficult tasks in short time frames and we are excited about the chemistry of our senior executive team.

On the development side of the business, we began expanding our bench in May when we hired John Dewolf to run the Northeast region. John brings over 30 years of real estate experience to the team, which includes time spent with The Limited, The Disney Stores, Inc., Woolworth Corporation, New York & Company, and New England Development. John is responsible for our projects in Columbia, Maryland, Alexandria, Virginia, and Princeton, New Jersey. He is also playing a critical role in the redevelopment of the South Street Seaport. Beyond these specific assets, John's unique blend of retail and development expertise has brought valuable perspective to our portfolio of strategic developments.

Mark Bulmash also joined the company in May, and is overseeing the Central and Southeast region, which includes projects in Charlotte, Miami, Birmingham, New Orleans and Dallas. Mark is an impressive retail veteran who spent time at the Taubman Company, Related Companies, and most recently Forest City Enterprises where he oversaw all commercial development east of the Mississippi. Mark brings an analytical perspective and experience steering large projects through the entire development cycle.

The third member of our development triumvirate, Chris Curry, is not a new hire, but an established member of the team who played a vital role in guiding the company into existence. Chris oversees our Western region, which currently spans Salt Lake City, Phoenix, Las Vegas, Sacramento and Honolulu. Chris has over twenty years of retail and mixed-use development experience, including time spent at Westfield and Forest City Enterprises where he oversaw the redevelopment of regional shopping centers as well as ground up development of projects throughout the West. Chris is based in our Los Angeles office and epitomizes the passion of the Howard Hughes culture.

Our most recent addition to this seasoned group of developers is John Simon, Executive Vice President of Strategic Planning. John has over 35 years of experience in virtually every aspect of real estate development, spending a majority of that time at the Taubman Company. At Taubman, John was Senior Vice President and Managing Director and, for 10 years, he oversaw all development activities. John worked on over 40 major projects including overseeing the unprecedented task of opening four regional centers in the same year totaling over \$1 billion in project costs. All projects were opened on time and within budget.

I have great confidence that John, Mark, Chris and John will accelerate our development pipeline, from New York to Hawaii, and create meaningful value across the portfolio.

While on the topic of people, I want to thank our Board of Directors. Their involvement as a resource to management in strategic decisions has led to a collaborative environment where we engage in spirited debates and ultimately determine how to best optimize the value of our assets. They act like owners because they are owners, and you can take great comfort in knowing your money is in the hands of people whose interests are aligned with yours.

This past year also brought changes to the make-up of our board. David Arthur moved on to focus on his role as President and Chief Executive Officer of Brookfield Real Estate Opportunity Fund. We thank David for his wise counsel during the vital launch phase of the company. Concurrently, we welcomed two new members to our board: Mary Ann Tighe, currently Chief Executive Officer of CBRE's New York Tri-State Region and Burton M. Tansky, currently Non-Executive Chairman of The Neiman Marcus Group and its former Chief Executive Officer.

Mary Ann has been credited with transforming New York's skyline during her 26 years in the real estate industry. She has been responsible for over 77 million square feet of commercial transactions, and her deals have anchored more than 9.2 million square feet of new construction in the New York region. Burt was Chief Executive Officer and President of The Neiman Marcus Group Inc. from May 2004 to October 2010. Prior to May 2004, Mr. Tansky served in several executive roles at Neiman Marcus and served as the Chairman and Chief Executive Officer of Bergdorf Goodman from 1990 to 1994. Previously, Burt served as the President of Saks Fifth Avenue. We will benefit tremendously from Mary Ann's and Burt's expertise as we fine tune the strategic plans for the company and work to maximize the value of our assets.

Master Planned Communities

Our master planned community business consists of the ownership, development and sale of property at four MPC's: Bridgeland in Houston, Summerlin in Las Vegas, various MPC's in the Maryland region and The Woodlands in Houston. Nationally housing statistics show a slow recovery, but these statistics fail to show the divergent directions of local housing markets. In this regard, our company benefits from a diversity of geography that mitigates our exposure to the health of any one local economy.

In Houston, the energy industry continues to fuel economic growth, making it one of the strongest housing markets in the country. Our Bridgeland MPC had a record year and finished the year ranked 4th in Houston and 13th nationally in MPC residential land sales. Since construction started in 2004, our predecessors invested over \$300 million into this asset. We are poised to begin harvesting those investments as major competitors run out of residential lots to sell and our on-site team, led by Peter Houghton, continues to deliver a great community to our customers. If you are looking for a home in western Houston then please visit www.bridgeland.com.

Further fueling Bridgeland's growth, a new beltway, commonly known as Grand Parkway, is under construction and is scheduled

to be complete by 2014. This freeway will link Interstate 10 to Interstate 45, bisect Bridgeland and open up opportunities to develop commercial land in our planned Town Center. It will also create a direct link from Bridgeland to The Woodlands, shortening a sixty-minute drive to twenty-five minutes. Near term, we expect 2012 to be another year of record sales, after our 2011 revenues and average price per acre exceeded the 2007 "top of the market levels" previously established at Bridgeland. The graph entitled "Bridgeland Historical Residential Revenues" demonstrates steady performance of land sales revenue over the last six years. We will continue to look for ways to enhance the performance of Bridgeland through its association with The Woodlands brand and leverage our resources at The Woodlands to help guide the strategic direction of the asset.

In Las Vegas, the housing market is lagging the national recovery, but the economy is seeing continuing improvement especially in the leisure and hospitality sector. The local housing market continues to suffer from substantial distressed inventory, tight lender underwriting, underwater borrowers unable to trade up or down and weakened demand for new homes. In 2011, the total number of new home closings was the lowest in 23 years at 3,894 units. Our Summerlin MPC has not been immune to these impacts, and as expected, certain home builders did not close on lot takedowns.

Through this challenging year, Kevin Orrock and his team have done a commendable job of managing this MPC for the company. Kevin is currently the Chairman of the Las Vegas Chamber of Commerce. This position within the Las Vegas community brings additional gravitas to our efforts. We do not know when this market will recover, but recognize that we control the largest piece of land in a land constrained market, with virtually no debt. We will continue to stay the course until the market returns, and long term, we believe that Summerlin's future is very bright. Go to www.summerlin.com for more information on this dynamic community.

Within Summerlin, we are focused on one of our key strategic projects, Summerlin Centre. This project is widely acknowledged in the industry as one of the best regional shopping center sites in the country. It is also an opportunity to launch the downtown development for our Summerlin MPC, which will spur demand, grow market share and enhance the value of the 7,000 acres of land remaining to be sold in Summerlin. During 2011, we spent a considerable amount of time re-planning the 400 acre downtown. We expect that during 2012, we will be in a position to announce a date on which construction should start and a targeted opening date for the center.

In Columbia, Maryland we are transitioning from a traditional master planned community to focus on the redevelopment of Columbia Town Center. This November we took an important step in launching the Town Center redevelopment when we announced a joint venture agreement with Kettler and Orchard Development to develop the first phase of the Columbia Town Center Master Plan, which at full build out will include up to 13 million square feet of mixed-use development. This first phase includes approximately 375 units and is targeted to be completed by the end of 2013. Our partners, Kettler and Orchard, are highly regarded in the greater Washington D.C. metro region with a successful history in developing high-end residential products.

Columbia Town Center has strong potential for continued multifamily development, which we plan to pursue as we build a new high-density urban neighborhood in the heart of Jim Rouse's original master planned community. In this process, John Dewolf will continue working with the local community to deliver a vision that will make us proud.

As mentioned above, the headline of 2011 for our master planned community business was our acquisition of Morgan Stanley's 47.5% economic interest in The Woodlands for \$117.5 million, including the assumption of \$297 million in debt. A simple analysis of this investment based solely on The Woodland's history of land sales builds a convincing case that this acquisition will be very profitable for the company. The chart entitled "The Woodlands Historical Land Sale Revenues" shows actual residential and commercial land sale revenues and average price per acre in The Woodlands over the last ten years.

This ten year track record of steady revenues through one of the worst recessions of the last century demonstrates the stability of Houston and The Woodlands' submarket. Furthermore, average residential lot selling prices are above 2005 levels and increasing. As of December 31, 2011, The Woodlands had approximately 1,164 acres of unsold residential land, representing approximately 3,669 lots, and approximately 961 acres of unsold land for commercial use, of which 36 acres are categorized as institutional land. Assuming land sales alone and no vertical development, we anticipate that we will run out of residential lots for sale in 2017 and commercial land in 2022.

The following paragraphs outline the value proposition for the acquisition of The Woodlands. This is important for two reasons. First, it outlines to you the future potential profitability of the asset. Second, it allows you a glimpse into the way we view our investments and the reasons for this acquisition and potentially others. The value proposition is a sum of the part's value but does not take into account the following: (i) future vertical development opportunities, (ii) existing and future joint venture agreements, (iii) a change in density of uses and (iv) the time value of money.

Based on an average 2011 residential lot price of \$88,987 and an average uninflated cost to deliver of \$23,848 per lot, we anticipate \$65,139 in average net cash per lot on the remaining 3,669 lots, for total proceeds from residential lot sales alone of \$239.0 million. With respect to the commercial land, we have three classes: 69 acres in The Woodlands Town Center, 856 acres outside of the Town Center and 36 acres of institutional land. Obviously, there is a wide divergence in land values given their proximity to The Town Center, which is the most valuable land. Without giving away too much competitive information, suffice it to say that average land prices for the remaining commercial land approximates \$13.66 per square foot or \$572 million. Based on the above land pricing, the total gross proceeds to be derived from the sale of the remaining residential and commercial land in The Woodlands is expected to be approximately \$811 million in the aggregate.

Our income-producing operating properties, including our newest office building 3 Waterway have a current NOI of approximately

\$16.3 million and a stabilized NOI estimated to be \$29.2 million. Valuing the operating properties using stabilized NOI and a cap rate of 7% yields a value net of completion costs of \$365 million, which brings the combined gross asset value of the acquired land and operating properties to approximately \$1.176 billion.

As mentioned above, an example of the additional value potential not included in the analysis is value created through vertical development. While this is harder to price than land sales, The Woodlands has an established history of developing commercial assets in its Town Center. As of the fourth quarter of 2011, the vacancy rates for Class A office and multifamily were at less than five percent.

We will break ground on 3 Waterway Square, a 232,774 square foot office building in The Woodlands Town Center in March 2012. The total project cost will be approximately \$50 million (exclusive of the land cost and existing parking garage). It is currently 67% pre-leased, with another 15% of the space in active discussions. It will take approximately 15 months to deliver, and is anticipated to have a stabilized NOI of approximately \$6.0 million. At a 7% cap rate, the value of this building is worth approximately \$85.7 million, creating \$35.7 million of value for the company. 3 Waterway is a great example of how a change in density can increase value. Originally designed as a nine story office building, we quickly realized that demand was outpacing supply. We subsequently increased the size of the building by two floors representing 45,000 square feet. At stabilization, this will create an additional \$7 million in value net of completion costs. If we extrapolate this across the entire commercial land available for sale, you can quickly see how a change in density can magnify the outcome.

In the coming 18 months we plan to break ground on 800 multi-family units. Following that, we have plans for nearly 2.1 million square feet of Class A office space, another 150 multi-family units, 900 condominium units, 328,000 square feet of retail space and 300 hotel rooms.

It is important to recognize that this total does not account for the time value of money. This is dependent on determining an appropriate discount rate, which is directly correlated with risk. The greatest risk for any MPC is at inception where hundreds of millions of dollars are expended prior to collecting any revenue. When looking at an MPC from inception, a 15% to 20% discount rate range would be appropriate; however, once initial infrastructure is invested and a track record of performance has been established, as is the case with The Woodlands, a much lower discount rate is justified. In addition, as we sell land, it stands to reason that in a growing vibrant community, the remaining land will continue to appreciate in value. As we continue to build in the legacy communities of Summerlin, Bridgeland and The Woodlands, it is clear that our remaining land holdings will increase in value. This is a cyclical business and we know we cannot count on linear growth. However, we are confident that staying the course will deliver meaningful value both in current operating income and in the residual value of our assets.

I hope by this point I have communicated the magnitude of this acquisition, but I'm not done yet! In studying this investment it was clear that we would also be acquiring an established team of professionals who were underutilized in the former ownership structure. Co-Presidents Alex Sutton and Tim Welbes have 18 and 27 years, respectively, at The Woodlands, and we have already begun to see the impact that their experience and vision will have on the balance of our portfolio. As mentioned above, we believe the association of The Woodlands brand with Bridgeland and the ability to tap into The Woodlands team for strategic planning will create additional upside at Bridgeland. Finally, the construction of a new 385-acre ExxonMobil campus immediately south of The Woodlands Town Center is anticipated to hold a total of approximately 8,000 employees by the end of 2015, and an undetermined number of additional employees at full build-out, which will only further supplement strong demand for office, retail and residential product in The Woodlands and Bridgeland.

Operating Assets

The requirement to maintain flexibility for future redevelopment of our major assets like Ward Centers, South Street Seaport and Landmark Mall constrains our ability to execute long-term leases and is causing these properties to perform below their potential. In the face of these constraints, we still managed to deliver \$51.1 million of NOI in 2011 from our operating assets. This was accomplished with hard work from our asset management, leasing and operations teams who preserved income by aggressively managing costs and increasing specialty income revenues.

We took advantage of capital market opportunities to extend existing debt, lower borrowing costs and fund additional development by completing approximately \$377 million of financings in 2011. This included a \$250 million financing for Ward Centers that will save the company approximately \$3.6 million in annual interest charges, create flexibility for phased development of the master plan and fund up to \$38 million of future development expenditures. We also closed a \$29 million refinancing of our mortgage debt on 110 N. Wacker, which matched our new debt maturity with the lease expiration date. At The Woodlands we completed a \$55 million financing for 4 Waterway and 9303 New Trails office buildings and in January 2012 closed a \$43.3 million construction financing of 3 Waterway Square, the 232,774 square foot office building mentioned earlier.

As a company it is our philosophy to be disciplined about the way we use leverage. From the outset, both Grant and I knew that managing this company would require low leverage, and it is with this in mind that we structure the various components of debt at the company. We believe that each development must stand on its own. We have therefore to date ensured that the leverage we have be in silos and that to the extent possible, we maintain its non-recourse nature.

Strategic Developments

Senior management has spent the last year assessing the feasibility of each strategic development and prioritizing those opportunities with the greatest potential. We entered into joint venture partnerships with strong local developers at Ala Moana

Tower, Bridges at Mint Hill and, as discussed above, Parcel D at Columbia Town Center.

In Honolulu, we partnered with local developers The MacNaughton Group and Kobayashi Group to pursue the development of Ala Moana Tower, a luxury condo tower above the Nordstrom parking garage at Ala Moana Center. In recent years, MacNaughton and Kobayashi teamed up to develop Hokua, a luxury condo tower directly adjacent to Victoria Ward. Completed in 2006, Hokua is widely recognized as the best high-rise condo address in Honolulu with units currently reselling for \$1,200 - \$1,300 per square foot. With their strong knowledge of the Hawaii market and experience developing first-class condominium towers, MacNaughton and Kobayashi are ideal partners to work with to maximize the value of this development opportunity.

In Charlotte, we teamed with local developer Childress Klein Properties to pursue development opportunities for The Bridges at Mint Hill. This 210-acre parcel is currently zoned for approximately 1.3 million square feet of retail, hotel and commercial development, and is positioned in the underserved southeast corner of the Charlotte metropolitan area. Partnering with Childress Klein enables us to build from their knowledge in the local market, joins two properties that each company separately owned, aligns our interests and positions the project to be the most attractive retail development site in the Charlotte area. Childress Klein Properties is one of the largest real estate development, investment and management companies in the Southeastern U.S. with owned real estate assets in excess of \$1 billion.

During 2011, we leveraged the resources of the company by entering into these joint ventures. We expect that we will continue to use these arrangements where appropriate. Before making this decision, each development is viewed by assessing our available resources, the regulatory environment in that market, the leverage required to move forward and our experience with that product type. Joint venture structures provide the following advantages. First, the partners we choose will be able to navigate the local markets with expediency. Second, we mitigate our risk and preserve cash by essentially selling our land at the fair market value and contributing it to the venture. Third, the debt that is taken on by the joint venture insulates the balance sheet of the company. By doing all of this, we reduce risk, accelerate the business plan and still maintain upside potential. Granted, we no longer have all of the pie. However, in such cases we believe the gain on the upside is not worth the risk for continuing to go it alone.

While classified as operating properties, Ward Centers and the South Street Seaport represent substantial redevelopment opportunities that are at the top of our priority list. At Ward Centers, we continue to make progress with our master plan strategy. The opportunity for residential and retail development at Ward is the most exciting development opportunity in the state of Hawaii. However, developing over 9 million square feet of potential mixed-use development requires thoughtful planning to maximize the long-term value of this asset while preserving in-place income that supports the company today. We expect to make substantial progress in 2012 as details of our phasing strategy crystallize and we begin implementing our plan to commence the redevelopment.

At South Street Seaport, in lower Manhattan, we reached a critical milestone in December 2011 when we executed a non-binding Letter of Intent with the New York City Economic Development Corporation that will enable us to pursue redevelopment plans. The letter of intent describes the terms of future amendments to the lease, which must be finalized by June 30, 2012. We believe the redevelopment of Pier 17 holds significant potential to create a dynamic destination in lower Manhattan for both local residents and tourists that will reshape the identity of the area and significantly enhance the value of this currently underutilized property.

The Future of Howard Hughes

In assessing the potential of each property, it is clear that a majority of the company's value lies in a handful of assets. Accordingly, our team is sharply focused on maximizing the potential value of these key assets while monitoring opportunities to selectively monetize those less impactful assets at appropriate timing and pricing.

We recognize that we will never be able to fully predict what might go wrong or when another recession might strike. We also recognize that down markets don't last forever. Our asset base is geographically diverse, but concentrated in some of the nation's most desirable markets. We also own a broad range of property types and an unmatched pipeline with over 20 million square feet of vertical development opportunities not including the millions of square feet of potential vertical opportunities in our MPC's. This diversity of location and asset class affords us valuable flexibility to focus on those market and product specific opportunities that make sense at any given time in an economic cycle.

As opportunities materialize, we expect capital requirements to be substantial. Where appropriate, we will seek joint venture capital or operating partners. In my experience there is no shortage of capital for a great opportunity, and our portfolio is full of unique real estate opportunities in the best markets in the country.

In the year ahead, you can expect us to balance the need for thoughtful planning with a sense of urgency to move projects forward as fast as possible. We are driven and inspired by our belief in a common purpose to create timeless places and memorable experiences. Delivering superior results in this regard will maximize long-term value for our shareholders.

The Howard Hughes name is synonymous with the relentless pursuit of achievement. We are inspired by that legacy and are systematically and strategically positioning our portfolio. While we are at the start of a long journey together, we look forward to continuing to earn your trust as we confront the many challenges ahead. I stated this in last year's shareholder letter, and I believe that it is still an authentic description of the character of our growing organization. With exceptional people, irreplaceable assets, and a collective commitment to excellence, The Howard Hughes Corporation is well positioned for success.

David R. Weinreb

Chief Executive Officer

Safe Harbor Statement

Statements made in this release that are not historical facts, including statements accompanied by words such as “will,” “believe,” “may,” “expect” or similar words, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Statements in this release related to the company’s future operating performance, the creation of long-term value for our stockholders and progress on some of the company’s larger developments are forward-looking statements. 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. 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
Christopher Stang, 214-741-7744
christopher.stang@howardhughes.com

Source: The Howard Hughes Corporation