The Howard Hughes Corporation® Issues Letter to Shareholders

March 13, 2015

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

DALLAS-- The Howard Hughes Corporation had another successful year in 2014. Our financial results surpassed 2013 in every key metric. We completed and opened several projects that were underway in 2013 and made strategic acquisitions adjacent to a number of our core properties that should create meaningful shareholder value, all while maintaining a strong liquidity position and conservative capital structure.

Once again, our master planned communities made significant contributions to our results. 2014 consolidated revenues increased by 35%, or $166 million, to $635 million, compared to $469 million in 2013. MPC land sales increased by 43%, or $105 million, to $351 million in 2014 compared to $246 million in 2013. Operating income and income from non-consolidated affiliates increased by 51% to $190 million in 2014, compared to $126 million in 2013.

These strong results do not include the full year impact of a number of major strategic developments that were substantially leased and placed in service in 2014. The 1.6 million square foot mixed use Downtown Summerlin development was substantially completed and opened in October. The 198,000 square foot Two Hughes Landing Class A office building and 89,000 square foot Columbia Regional Building anchored by Whole Foods were both completed and opened in September, and the 250,000 square foot Outlet Collection at Riverwalk retail project opened in May. We invested over $1 billion in pre-development and development in 2014 (including land), compared to $382 million in 2013. Since our projects are long term in nature, these investments will begin to be reflected in our operating results over the coming years as projects are completed and stabilized.

We finished 2014 with $560 million of unrestricted cash on hand, and our net debt, which is total debt less cash on hand, as a percentage of our book capital base and as a percentage of our total capital (defined as the market value of equity plus debt) was just 34% and 18%, respectively. We maintained this strong position even after funding with cash $273 million of acquisition-related transactions in 2014. We endeavor to maintain a conservative balance sheet so that our development plans will not be disrupted by the periodic ups and downs of economic and capital markets cycles. Other than the Seaport, which we initially determined to finance from our balance sheet for strategic reasons, each of our developments has committed project-level debt financing from leading financial institutions.

We continue to be focused on increasing the per-share value of The Howard Hughes Corporation by directing a majority of our efforts to the handful of core assets which have the greatest potential for creating value. These assets include The South Street Seaport in Lower Manhattan, the master planned communities in Columbia, Maryland; The Woodlands and Bridgeland in Houston, Texas; Summerlin in Las Vegas, Nevada, including Downtown Summerlin; and Ward Village, an urban master planned community in Honolulu, Hawaii. We made material progress in 2014 in advancing the development of these assets to maximize their value.

In selecting a name for our company in 2010, we chose Howard Hughes because not only is it historically linked to one of our great assets - Summerlin, which is named for Hughes' maternal grandmother, but because it is synonymous with the relentless pursuit of achievement. With passion, determination, and limitless imagination, Howard Hughes built one of the great American empires of the 20th century. We adopted his name to represent our brand because his values are a great reflection of our own.

Our numerous accomplishments in 2014, further discussed in the coming pages, would not be possible without the tireless efforts and dedication of our 1,100 employees and the invaluable guidance and support from our board of directors. Our employees, management team and board embody the values of our namesake and are believers that together we can make life extraordinary for all those who encounter The Howard Hughes Corporation. As we complete each development and open it to its local community, we are beginning to demonstrate the impact that first-class development can have on the communities we serve.

During 2014, we increased development investment by 182% compared to 2013, began construction on several major projects noted last year, and completed and opened projects that were underway in 2013. I note some of these highlights below:

The Woodlands and Bridgeland

- We completed the following projects in 2014 on time and on budget:

    - Two Hughes Landing, a 198,000 square foot Class A office building at Hughes Landing, that is 85% leased and at stabilization will generate $5.2 million in net operating income.
    - The Woodlands Resort & Conference Center redevelopment.
    - 3831 Technology Forest Drive build-to-suit office building 100% leased to Kiewit Energy Group.
    - Millennium Phase II, a 314-unit apartment building constructed in a joint venture with The Dinerstein Companies.
- We continued development of the following projects which we began in 2013, all of which are expected to be completed in 2015:
    - Two office buildings totaling 647,000 square feet, of which 478,000 is leased to Exxon Mobil Corporation, expected to be completed with Exxon taking occupancy in 2015.
    - Creekside Village Green, a 74,000 square foot mixed use property that is 59% leased.
    - Hughes Landing Retail, a 123,000 square foot Whole Foods-anchored project at Hughes Landing that is 78% pre-leased.
    - One Lakes Edge, a 390-unit apartment building being constructed in Hughes Landing. The project began pre-leasing in January 2015 and 9% of the units are currently pre-leased.
- During 2014 we began construction on the following projects:
    - Three Hughes Landing, a 324,000 square foot Class A office building at Hughes Landing, which is scheduled to be completed by the end of 2015.
    - The 302-key Westin Hotel in The Town Center will be completed by the end of 2015.
    - The 205-key Embassy Suites hotel at Hughes Landing will be completed by the end of 2015.
- We acquired 2,100 acres of raw land 13 miles north of The Woodlands in Conroe adjacent to Interstate 45 on which we expect to develop approximately 4,800 residential lots and 161 acres of land for sale or hold for commercial development. First lot deliveries are targeted for 2016 with sales beginning in the first quarter of 2017. This acreage will be developed by our experienced team at The Woodlands Development Company and will be our fifth master planned community.

Hawaii

- We completed the ONE Ala Moana condominium tower developed in a 50/50 joint venture, closed on sales of 203 of the 206 total units and, as of February 1, 2015, have received a total of $75.5 million cash distributions (including development and other related fees).
- In February, we launched pre-sales for the first two market-rate towers at Ward Village, Waiea and Anaha, and as of February 1, 2015, contracted for 393 of the 482 total units offered. We obtained $600 million of non-recourse financing for the project and began construction of both towers in 2014. Waiea will be completed by the end of 2016 and Anaha in the first half of 2017.
- We obtained approval for two additional towers, designed by Richard Meier & Partners that will frame a park space in the center of Ward Village and front Kewalo Basin Harbor.
- Whole Foods pre-leased ground floor space in a fifth, to-be-built condominium tower that also received approval in February 2015. This tower is designed by world-renowned architects Bohlin Cywinski Jackson.
- We entered into a long-term lease with the State of Hawaii to operate the Kewalo Basin Harbor, a harbor directly adjacent to Ward Village that currently has 143 boat slips. The Kewalo Basin Harbor will serve as the gateway to Ward Village and a direct connection to the Pacific Ocean at our front door.

Columbia

- We completed the renovation and repurposing of the 89,000 square foot Columbia Regional Building into a Whole Foods-anchored retail and office building.
- We completed The Metropolitan, a 380-unit apartment building developed in a 50/50 joint venture. 85% of the ground floor retail space and 67 units are leased.
- We began site work for the next residential project adjacent to The Metropolitan, a 437-unit apartment building.
- We acquired 700,000 square feet of office space in six buildings adjacent to our land in Downtown Columbia in connection with the settlement of The Tax Matters Agreement with GGP.

Las Vegas, New Orleans and New York City

- In Downtown Summerlin, we completed and opened the 1.6 million square foot mixed use development on 106 acres of commercial land in the center of our master planned community. 73% of the retail space is leased and 28% of the 235,000 square foot Class A office building in the center of the development is leased.
- In New Orleans, we completed and opened the 250,000 square foot Outlet Collection at Riverwalk. The property is 100% leased and is the first outlet center in the country located in an urban location.
- In New York City, we continued renovation of the historic area and demolished the old Pier 17 building and its concrete pier. Opening of the historic area and the new Pier 17 building are targeted for 2016 and 2017, respectively.
- We contracted for and closed on the majority of a site and development rights adjacent to the Seaport called the Seaport District Assemblage that will ultimately create a 43,000 square foot lot capable of supporting an additional 818,000 square feet of mixed use development that is fully entitled for that density of development.

Master Planned Communities

The Howard Hughes Corporation owns a collection of the leading master planned communities in the United States. Our MPCs are well located near major urban centers and have experienced strong economic trends over the past several years. Their dominant market position and outstanding leadership from seasoned management teams have resulted in another year of significant revenue growth.

Houston Master Planned Communities

Our Houston, Texas MPCs, which include The Woodlands and Bridgeland, generated a combined $206 million of residential and commercial land sales in 2014, representing a 70.2% increase over the $121 million generated in 2013. Both MPCs benefit from their locations north and northwest of Houston in an area that is known as the Energy Corridor. ExxonMobil is completing a 385-acre corporate campus just south of The Woodlands, and in 2014 began moving approximately 10,000 employees to this location. In 2015, approximately 2,000 employees are relocating to the campus from Tysons Corner, Virginia.

The most frequently asked question of the company over the past few months is our view regarding the impact of lower oil prices on our Houston assets. In late 2014, the benchmark price for Texas oil, West Texas Intermediate, began declining from around $100 per barrel to its current price of approximately $50 per barrel. We expect there to be a slowdown in economic growth in the Houston area resulting from the rapid decline in oil prices as energy-related companies reduce headcount and defer capital expenditures. The impact of lower oil prices will ultimately depend on how low prices go, and how long they stay at that level. Slower economic growth in Houston will likely result in slower absorption of vacant commercial space, and may reduce demand for new homes resulting in slower velocity of land sales.

While the capital markets appear to be very focused on challenges to the Texas economy caused by low oil prices, I believe there will be a corresponding positive impact on every one of our other major assets. Lower energy costs immediately place more disposable income into consumers' pockets and provide a large boost to the economy. A rule of thumb suggests thatevery one cent decrease in gasoline prices translates into $1 billion in additional income that consumers can spend on other goods and services, pay down debt or increase savings.1 These are the same consumers who shop and eat at our properties, rent our apartments, purchase homes built on land we have sold and who will have more cash to spend on travel and entertainment.

We expect that more disposable income, for example, will lead to an increase in visitors to Las Vegas, arguably the entertainment capital of the world. More visitors to Las Vegas in turn create demand for more jobs and increase economic growth, more construction activity follows, and more residents create more demand for housing. Another example of where the benefits of lower energy costs will occur is at our Hawaii assets. Hawaii generates a majority of its energy from oil and the State must import virtually everything consumed by its residents using oil-powered transportation. The energy-related component of our construction materials, fabrication and transportation, for example, should decrease, and operating costs related to energy should also decrease.

While growth will likely be slower in Houston, as the owner of The Woodlands, the most established, and most highly regarded master planned community in Houston, and Bridgeland, one of the most highly regarded younger MPCs, we expect to be somewhat insulated from the impact of reduced growth in this economy.

The Woodlands

The Woodlands generated $168 million in land sales revenue during 2014. Commercial land sales totaled over $90 million, including a $71 million, 59-acre sale to a major hospital. Since acquiring The Woodlands, it has been our preference to sell land in locations in which we believe there is limited development opportunity or where the risk of development outweighs the return. We will continue to adhere to our strategy. It is important to note that the commercial sales executed last year are not a principal source of revenue for the company and may not recur with frequency.

Residential lot sales totaled approximately $78 million, with 466 lots sold at an average price of $167,000 per lot. While the number of lots sold has declined in each of the past two years, the average price per lot has increased by over 60%. The decline in lots sold can primarily be attributed to the declining residential acreage available for sale and our efforts to maximize the value of our remaining inventory. In addition, the remaining lots are typically larger and more customized and therefore often sell at a higher price point. The chart below shows the number of lots sold in The Woodlands since 2000. The current three-month supply of existing homes is several months less than the level considered necessary to represent an equilibrium-level of supply.

The Woodlands Operating Assets

We carefully calibrate the pace of our new commercial development activity and consider a number of factors when deciding to move forward with a new development. These factors include market demand, vacancy rates, availability and terms of project-level financing and overall business activity that we see as a result of our deep relationships and extensive involvement in the community. Given our unique position of controlling virtually all of the remaining commercial land, we do not feel the competitive pressures to stay ahead of the market that one-off developers may feel, and will only begin a new development when our existing portfolio is well leased and unmet demand exists for new commercial offerings.

At the beginning of 2014, our portfolio of operating assets at The Woodlands totaled approximately 925,000 square feet of office and retail space and 393 multifamily units. The portfolio is over 95% leased and generates approximately $28 million of net operating income. In 2014, we delivered an additional 367,000 square feet of retail and office space, a 393-unit multifamily development and completed a redevelopment of the expanded 406-key Woodlands Resort and Conference Center. These new operating assets are expected to generate an additional $32 million in net operating income upon stabilization, bringing the total Woodlands portfolio net operating income of developed assets as of year-end 2014 to $60 million by the end of 2016.

In addition, in 2015, we expect to deliver 507 new hotel rooms, 390 multifamily units, 100,000 square feet of retail space anchored by Whole Foods and an additional one million square feet of office space, half of which is leased to ExxonMobil. The 302-room Westin will be located in the heart of The Woodlands Town Center, which has adjacent demand generators for its room nights comprised of over 30 million square feet of commercial space in The Woodlands. The 205-room Embassy Suites is located at the Hughes Landing mixed-use development, which currently has 942,000 square feet of leased or pre-leased office and retail space. When fully stabilized and leased, these developments are forecasted to generate stabilized annual net operating income of approximately $48 million.

When fully stabilized, the current portfolio and assets under construction will generate a combined $108 million in net operating income:

The Woodlands

Operating Assets

	Asset Type	Square Feet/ # of Units	% Leased as of 12/31/14		Year Stabilized(1)	Projected Stabilized NOI ($MM)	
Existing Operating Assets							
One Hughes Landing	Office	197,719	100	%	2015	$	5.5
3 Waterway Square	Office	232,021	100	%	2013		6.5
4 Waterway Square	Office	218,551	100	%	N/A		5.8
9303 New Trails	Office	97,553	94	%	N/A		1.9
1400 Woodloch Forest	Office	95,667	92	%	N/A		1.2
1501 Lake Robbins (Waterway Garage Retail)	Retail	21,513	100	%	N/A		0.8
20/25 Waterway	Retail	50,022	100	%	N/A		1.5
1701 Lake Robbins	Retail	12,376	100	%	N/A		0.4
Millennium Waterway Apartments	Multi-family	393	91	%	N/A		4.4
Two Hughes Landing	Office	197,714	85	%	2015		5.2
3831 Technology Forest	Office	95,078	100	%	2015		2.2
Creekside Park Village Center	Retail	74,352	59	%	2015		2.2
Millennium Six Pines (Phase II)(2)	Multi-family	314	27	%	2015		4.0
The Woodlands Resort and Conference Center	Hospitality	406	N/A		N/A		16.4
Other Assets	Various				N/A		2.1
Subtotal - Existing Operating Assets						$	60.1
Operating Assets Completed in 2015							
Hughes Landing Hotel - Embassy Suites	Hospitality	205	N/A		2017	$	4.1
Waterway Hotel - Westin	Hospitality	302	N/A		2017		9.6
Three Hughes Landing	Office	324,000	0	%	2017		9.1
One Lake's Edge(3)	Multifamily	390	9	%	2016		6.9
Exxon Mobil(4)	Office	647,000	74	%	2018		14.5
Hughes Landing Retail - Whole Foods	Retail	123,000	78	%	2016		3.5
Subtotal - Operating Assets Completed in 2015						$	47.7
Total - Operating Assets						$	107.8

N/A = Not Applicable
(1) Applicable to assets developed and placed in service subsequent to 2011.
(2) Millennium Six Pines is held in a JV. HHC's ownership is 81.43%.
(3) Opens in the second quarter of 2015.

(4) ExxonMobil has executed leases to occupy the entire West Building for 12 years, and 160,000 square feet in the East Building for eight years with an option to lease the remaining space before the building opens.

As the owner and developer of one of the country's leading master planned communities, we use a prudent approach when planning new residential villages or developing a new commercial district. With an uncertain Houston economic climate due to volatility in energy prices, we will continue to be nimble and stay the course. We will only sell land when homebuilder pricing meets our return expectations and will only develop new commercial product when demand is not matched with existing supply.

Bridgeland

In my 2013 Shareholder Letter, I noted that after considerable delay, we had received a development permit from the U.S. Army Corp of Engineers in early 2014. I am pleased to announce that 401 lots were developed and sold to homebuilders during the second half of 2014. The 401 lots sold generated over $38 million in residential land sales revenue, more than tripling 2013's land sales revenue of $11 million. More importantly, the price per lot increased almost 25% from $77,000 in 2013 to $96,000 in 2014. The increase in lot price can be partially attributed to the completion of the Grand Parkway Section E, which bisects the future downtown of Bridgeland and reduces the commute time between Bridgeland, Houston and other communities, including The Woodlands. As the Houston region continues to grow north and west and as other master planned communities sell out, Bridgeland will benefit from the ability to deliver lots while maintaining control of lot supply in order to maintain value.

Similar to our approach at The Woodlands, as the Bridgeland community grows and the demand arises for amenities such as neighborhood retail and office space, we will identify opportunities to develop new commercial assets. Now that we have established a critical mass of over 2,100 rooftops in Bridgeland, we have begun development of the first neighborhood retail and office center, Lakeland Village. Complete with a tree-lined main street and a CVS Pharmacy, Lakeland Village will include approximately 83,000 square feet of retail, restaurant and professional office space. We are confident that as the first commercial offering in Bridgeland, Lakeland Village will serve as a catalyst for additional lot sales and future commercial growth.

Conroe Land Acquisition

In 2014 and early 2015, the company completed the assemblage of 2,100 acres of undeveloped land, at a cost of $101 million, along Interstate 45 in Montgomery County approximately 13 miles north of The Woodlands. Ideally located between the towns of Conroe and Willis, the rolling terrain and dense tree cover provides a “Woodlands” feel and is in the direct path of future commercial and residential development north of The Woodlands. With this acquisition, the company is well-positioned to benefit as land in and around The Woodlands becomes scarce. While not yet formally named, the future master planned community will keep our long-tenured, Woodlands-based residential and commercial development teams busy for several years.

One of our principal reasons for acquiring this asset was to continue to spur commercial activity at The Woodlands. The uniqueness of our MPC business is that residents can “live, work and play” in their own community. By delivering 5,000 additional lots, we continue to provide future employers in this market with an employee base of ready and willing talent to serve their needs.

Under the current master plan, approximately 1,488 acres will be allocated toward residential use producing over 4,900 lots, while 161 acres will be used for commercial purposes. The remaining acreage will be allocated toward civic uses such as schools, police and fire stations, parks and utilities. Based on the current development pace, we expect to deliver the first lots in 2016 and begin selling in the first quarter of 2017. With our attractive acquisition basis, we have the luxury of developing and selling lots at many different price points based on homebuilder demand for certain product types. Similar to our other Operating Properties and Master Planned Communities, this asset must stand on its own as a separate business. Therefore, we do not anticipate adding financial leverage until the operations become cash-flow positive after debt service. This unique ability to fund development with existing cash on the balance sheet places us at a distinct competitive advantage and allows us to maintain value and only sell land when prices meet our return expectations.

Summerlin

Summerlin followed 2013 with another strong year of land sales and the opening of a long-awaited downtown for this community of over 100,000 residents. Summerlin generated $145 million of land sales in 2014 compared with $112 million in 2013. In addition to the revenue from land sales, Summerlin received in excess of $13 million in price participation revenue from the sale of homes by its homebuilders because of the better-than-expected appreciation in home prices. The average price per superpad acre sold increased by 48% to $478,000 in 2014. Summerlin sold 77 finished lots, six superpads (totaling 242 acres) and 20 custom lots. At December 31, 2014, Summerlin had 14 active subdivisions containing 915 lots, up from 10 at the end of 2013.

The average price per superpad acre achieved in 2014 is the highest price achieved since the housing downturn. During 2014, the velocity of land sales slowed to 280 acres from 316 acres in 2013, primarily because of increased land prices. As our land is a scarce asset, we are focused on maximizing its value from increasing price when appropriate. We expect land prices in Summerlin to stabilize after several years of double-digit growth from the bottom of the market, and are pleased that the current level appears to be sustainable.

In October, we opened Downtown Summerlin, a mixed use development designed for 1.6 million square feet of retail and restaurant space and containing a 235,000 square foot Class A office building in the center of the project. It is worth mentioning that Downtown Summerlin is the largest retail development to open in the US since the economic downturn. Downtown Summerlin is but one of many examples where The Howard Hughes Corporation has played a role in the local economic recovery. We are especially pleased about the impact Downtown Summerlin has had in creating jobs for the residents of Las Vegas - some 2,000 jobs during construction and now 2,500 jobs and counting.

Our vision for Downtown Summerlin is to serve as a link between a storied Las Vegas legacy and the 21st century downtown experience that will engage both local residents and visitors from around the region, continually drawing them to return again and again. The grand opening of Downtown Summerlin marked such a meaningful moment for Las Vegas that the Governor of Nevada, Brian Sandoval, joined us and opened the festivities, stating that our downtown is a “destination like no other in the country” and that “all roads in Nevada lead to Downtown Summerlin.” From its opening through year-end 2014, we estimate the project has had over 3.3 million visitors. The vast majority of the retailers have reported they are exceeding their internal sales projections. The retail portion of the project is currently 73% leased, and the office building, which has not yet officially opened, is 28% pre-leased. We expect that total incremental project costs for this development will be approximately $418 million and estimate that it will generate an 8.9% initial yield on its annual net operating income when fully leased and stabilized in 2017.

The successful opening of this development will be a catalyst for future commercial real estate development on the 200 acres of land that we own adjacent to the project. The first commercial development will be a 124-unit luxury apartment complex to be called The Constellation located just east of Downtown Summerlin. Earlier this year, we launched the development of this project in a joint venture with The Calida Group. The Constellation will be the first multi-family property developed in Downtown Summerlin. In addition to The Constellation, our approved development plan entitles us to develop approximately 2.8 million square feet of commercial space, and 4,000 residential units on this acreage, and envision that the ultimate build out of the Downtown Summerlin site will be similar to the development of The Woodlands Town Center. Over time, just like The Woodlands, Summerlin will leverage its leading position in the Las Vegas Valley to build commercial real estate density serving the needs of the MPC’s residents.

During 2014, we announced a joint venture with Discovery Land Company, the leading developer of private clubs and luxury communities, to develop an exclusive luxury community on approximately 555 acres of land within the Summerlin MPC. The community will have approximately 270 homes, an 18-hole Tom Fazio-designed golf course and other amenities for residents. Individual custom lot prices are anticipated to start at $1.5 million. This development will not compete with our production homebuilder activity. We will contribute our land to the joint venture at the agreed upon value of $226,000 per acre of raw land, or $125 million. Upon realization of lot and home sales, we expect proceeds from the Discovery project to be substantially higher than the agreed upon land value of our land contribution. Our development models did not anticipate that this land would be developed until the end of this decade at the earliest. The development of this project will require no cash from us and will accelerate infrastructure improvements such as roads, water and sewer that will benefit adjacent land parcels we own. Discovery Land is the manager on the project, and development is expected to begin in the second quarter 2015 with the first lot and home sales closings expected to begin in early 2016.

Columbia

James Rouse, the founder of Columbia, is widely recognized as the father of the MPC business. Predicting his approach for developing Columbia back in 1963, Rouse gave a speech entitled “It Can Happen Here” at the University of California Berkeley. In his speech, Rouse said, “I would visualize a series of small communities separated by topography, highways, public institutions, or greenbelts and united by a center that provided cultural, educational, recreational facilities for many small towns around it.” Since the company’s inception, our goal has been to transform Columbia into a vibrant, 21st century community. In 2014, we continued to make progress toward that goal and are enthusiastic about the future.

In Columbia, we have the opportunity to develop up to 13 million square feet of commercial properties. This opportunity is fully entitled and subject to site development and other administrative approvals. We have the ability to determine use and, in some cases, can create density of up to 20 stories. Much of this opportunity lies in the redevelopment of older structures and surface lots along with construction on previously undeveloped land sites. Similar to our other Master Planned Communities, we will take a pragmatic approach to developing only when market demand exists for a certain product type.

To date, we have acquired or developed more than one million square feet of commercial properties in the area. In 2014, we completed the development of two new properties and acquired six office buildings. Combined with our existing operating assets, the current Columbia portfolio is projected to generate $17.2 million in net operating income upon stabilization:

Columbia
Operating Assets and Strategic Developments

	Asset Type	Square Feet/ # of Units	Year Stabilized(1)	Projected Stabilized NOI ($MM)
Strategic Development				
Columbia Regional Building	Retail/Office	89,000	2015	$ 2.1

70 Columbia Corporate Center	Office	170,000	N/A		2.4
Columbia Operating Properties	Various	220,000	N/A		0.5
The Metropolitan(2)	Multifamily	380	2016		3.4
10-60 Columbia Corporate Center	Office	700,000	N/A		8.8
Total - Columbia Completed Development and Acquisitions				$	17.2

N/A = Not Applicable

(1) Applicable to assets developed and placed in service subsequent to 2011.

(2) HHC owns a 50% equity interest in the Metropolitan. NOI represents HHC's pro rata share.

In November, we completed construction and began leasing The Metropolitan, a 380-unit multifamily development, with our joint venture partner. Also, in December, we acquired six office buildings located adjacent to 70 Corporate Center in Downtown Columbia. 10-60 Columbia Corporate Center includes 700,000 square feet and generates approximately $9 million of net operating income today. The Class A office buildings are 93% leased. More importantly, there exists an opportunity to redevelop some of the existing buildings into higher and better uses over the next three to seven years.

We acquired the 10-60 Columbia Corporate Center buildings as part of a settlement with General Growth Properties to resolve The Tax Matters Agreement (an agreement that originally primarily indemnified us for approximately $303 million in MPC taxes for land sold prior to March 2010) in exchange for $138 million in cash and $130 million in value for the office buildings. In so doing, we have exchanged a non-income producing asset for an income producing asset, 700,000 square feet of office space in the heart of our community.

In 2014, we made significant progress in our effort to develop nearly five million square feet in the area of Columbia known as the Crescent, by receiving site plan approval for the next 437-unit multifamily development which will be built adjacent to The Metropolitan, and having renegotiated our Merriweather Post Pavilion CEPPA (Community Enhancement, Programs and Public Amenities) obligations with Howard County. In 2015, we will continue advancing the infrastructure planning and predevelopment activities in the Crescent area and Downtown Columbia. In line with our “making it happen here” tagline, this includes pursuing a public/private partnership with Howard County, designing the first residential and retail project and beginning construction of our first office building in the Crescent.

We believe our development activities will be a catalyst for continued growth in Columbia. As the region begins to see our vision become reality, we expect more corporations to consider the Crescent and Downtown Columbia their home. Relocations will result in an increase in daytime employment, creating new demand for commercial offerings and amenities. As the master developer for Downtown Columbia, we are in a unique position to capitalize on this demand and continue to transform Columbia into a community for the 21st century.

Hawaii

2014 was a momentous year in the evolution of Ward Village, our urban master planned community in the heart of Honolulu. We reached important milestones as we transitioned from project planning into active pre-sales and commenced construction on our first two residential projects, Waiea and Anaha. We began public pre-sales in February and the response from the market has been outstanding. We have contracted and received binding deposits for over 80% of the 482 units available for sale in these two projects.

We are also encouraged by the broad base of buyers in these projects, anchored by over 50% local buyers who intend to make Ward Village their primary residence. The remaining buyers are comprised of approximately 25% from Japan and approximately 10% from the U.S. mainland, with the remainder of buyers coming from Canada, China, Taiwan, Korea and Australia.

The sales to date demonstrate the pent-up demand for quality residential product in the urban core of Honolulu, and the broader undersupply of housing on the island of Oahu. Despite the increase in recent development activity in Oahu, current housing production remains near historic lows. According to the University of Hawaii Economic Research Organization, Oahu needs to produce approximately 4,000 units annually simply to meet existing demand. Honolulu single family housing permits in 2014 totaled only 809, resulting in an ongoing shortfall that is difficult to close due to the lack of available land for development.

In response to this shortfall of housing, state and city government continue to intensify their focus on delivery of affordable housing in Hawaii, and we are looking forward to making an important contribution to that effort with our 988 Halekauwila project. In 2014, we made significant progress in advancing the design of our workforce housing project that will deliver 424 units, 375 of which will be offered at restricted income levels, with an architectural design and quality complementary to the market-rate towers.

Developing a community in Hawaii means that we have a responsibility to support the community beyond just bricks and mortar. The Ward Village Foundation is an initiative we launched in January 2014, supporting forward thinking non-profits and programs with a focus on culture, community and environment that will contribute to making Honolulu a great 21st century city. To date, we have supported dozens of local charities who are making an important impact on the greater community surrounding Ward Village.

2014 was also a seminal year in progressing the next phase of projects at Ward Village. In November, we obtained approval of the Ward Village Gateway, two towers designed by Richard Meier & Partners that will frame the initial portion of our four-acre community park space, connecting the core of the community from the harbor to a planned rail stop in the heart of our site. We also made progress on plans to bring a major grocery store to the neighborhood. In May, we executed a lease with Whole Foods Market for a 50,000 square foot store that will become its Honolulu flagship. In addition to Whole Foods, our plans for this block include additional retail and over 400 residential units, designed by internationally renowned architects Bohlin Cywinski Jackson who are probably best known for their work creating flagship Apple stores, including the cube on 5th Avenue in Manhattan. We received approval for this project in February 2015.

Our focus on bringing the top architectural talent from around the globe to Hawaii is something that we believe will further separate Ward Village from its competition, creating a community that is unique not just in Hawaii, but benchmarked against other great urban master plans across the globe like Hudson Yards in Manhattan and Battersea Power Station in London.

We also made a significant addition to the area with the execution of a ground lease with the State of Hawaii in August to operate Kewalo Basin Harbor, a 143-slip harbor directly adjacent to Ward Village. Our lease includes a 35-year term with a 10-year extension option. We plan to begin work towards the end of 2015 on improvements to the slips, including the addition of new slips and improvement of infrastructure for all harbor users. We look forward to transforming this harbor into a gathering place for Honolulu, a place where the community can re-connect with the ocean. In 2015, we look forward to making progress on construction of our current projects, beginning construction on our workforce housing and harbor improvements, and launching sales on our next phase of residences. As momentum builds for Ward Village, our team in Honolulu continues their passionate drive to create one of the great communities of the 21st Century.

Seaport District

The South Street Seaport continues to be the gathering place for residents and workers of Lower Manhattan and an important destination for visitors to the city. During 2014, we made progress in transforming this area into what ultimately will be known as the Seaport District, a premier destination for locals and tourists for entertainment, food, culture, shopping and living.

Similar to Ward Village, our role as stewards of the Seaport District goes far beyond bricks and mortar as our commitment to the vitality of the area played a central role in the Seaport's revitalization following Superstorm Sandy. Throughout 2014, we enhanced our innovative See/Change program that in 2014 included dynamic programming such as music, outdoor movies, an ice rink and a televised tree-lighting event that attracted both locals and tourists and strengthened the Seaport's position as a much-needed local gathering place for the community. In 2014, we also continued our leadership in drawing emerging fashion and culinary talent to the Seaport by partnering with Women's Wear Daily in announcing the Ten of Tomorrow which recognizes up-and-coming leaders in fashion and retail innovation. As the city's original commercial hub and birthplace of innovation, it is especially fitting for the Seaport to be home to fashion's rising stars.

Our first project in this transformation is the redevelopment of Pier 17 and the renovation of the historic area west of the FDR Drive. In 2014, we completely demolished the old pier building and concrete pier structure in order to begin construction of a new pier in 2015. After completion of the new pier, we will construct a glass-enclosed structure which takes advantage of the unparalleled sight lines along the East River north to the Brooklyn Bridge, east to the Brooklyn waterfront, south to the tip of Manhattan and the Statue of Liberty, and west to the downtown Manhattan skyline. On the rooftop will be an unmatched 1.5-acre entertainment venue that will hold corporate, private, concert, sporting and a variety of other events year round. Furthermore, as part of this development, all New Yorkers will be able to enjoy year round open spaces with breathtaking views. The 182,000 square feet of leasable space inside the structure will have retail, restaurant and entertainment tenants.

During 2014, we evaluated several programming and sponsorship opportunities for the roof and expect to make significant progress in finalizing the business plan for this unique venue in 2015. The rooftop will be an important determining factor in curating the tenant mix of this destination entertainment venue. Renovation of the historic area buildings also continued throughout 2014, including build-out of the iPic movie theater in the second story of the Fulton Market Building. We believe that iPic provides the ultimate cinematic experience available to moviegoers. Each theater features screening rooms outfitted with the latest digital technology, premium sound systems, and 3D offerings in an intimate, luxurious seating environment so you can experience the movie the way the producers and directors intended. iPic will open in May 2016.

Our second project in the Seaport District is a proposed 700,000 square foot redevelopment plan to revitalize the district that includes over $300 million of infrastructure improvements and community benefits, including the replacement of deteriorating piers adjacent to Pier 17, the restoration of the historic Tin Building, a middle school and an extension of the East River Esplanade to the Brooklyn Bridge. This transformative investment in New York's oldest new neighborhood is made possible by our proposed 494-foot mixed use building on the New Market Site. Despite broad community support for the project we have faced some local opposition, particularly regarding the location of the mixed use building. We look forward to continuing to work with the community in order to obtain a workable solution that enables us to bring substantial benefits to the community while maintaining an economically feasible project.

On December 29, 2014, in two separate transactions, we acquired a 48,000 square foot commercial building on a 16,000 square foot lot and certain air rights with total residential and commercial development rights of 622,000 square feet for $136.7 million. We are under contract to purchase another 58,000 square foot commercial building and three additional air rights parcels during the first half of 2015 which will ultimately create a 43,000 square foot lot capable of supporting an additional 818,000 square feet of mixed use development. These properties are collectively referred to as the Seaport District Assemblage and are located in close proximity to our South Street Seaport property.

The Outlet Collection at Riverwalk

The Outlet Collection at Riverwalk, our 250,000 square foot retail project in New Orleans, Louisiana opened in May after closing in June 2013 for redevelopment, and is 100% leased. We are pleased to have successfully opened the first upscale urban outlet center in the U.S. in this underserved and dynamic market. I discussed the unique and complex nature of this asset in my last two letters, the collaborative, creative and development efforts of our team, and the strong tenant base we recruited for the project, including retailers such as Neiman Marcus Last Call Studio, Forever XXI and Coach. Adjacent to the Hilton Convention Center and the cruise ship terminal, our project is well located to capture convention and cruise passenger customers that are estimated to total four million out of the estimated nine million visitors to New Orleans each year, as well as locals who previously had no similar shopping options. The project had over one million visitors in the first ten weeks after opening and had over 2.5 million visitors through the end of 2014. Tenant sales are on pace to exceed $100 million annually, based on actual results to date. Built on budget at an incremental cost of $82 million, we expect this project will generate a 9.5% initial annual yield on its net operating income when fully stabilized in early 2017.

The Evolution of HHC

While we made substantial progress increasing the value of our assets in 2014, we don't judge our progress by the volume of transactions we execute, but by the quality, scale and success of those ventures. We approach our new acquisitions with the same high return on investment standards as our existing holdings, focusing our resources on assets that are adjacent to these holdings, where our market knowledge and infrastructure give us a significant competitive advantage.

In 2014, we acquired the land in Conroe, 10-60 Columbia Corporate Center and completed the 80 South Street assemblage. All three acquisitions meet our criteria for scale, quality and returns and have the added benefit that they will not add undue burden to our corporate overhead. While we are always seeking potential opportunities to deploy capital intelligently, our existing portfolio will keep us busy for many years. We currently have one of the largest development pipelines in the industry, exceeding 45 million square feet – more than 25 million square feet in our strategic developments and over 20 million square feet embedded in vertical opportunities in our master planned community business.

Communicating the value of our company is complicated given that future development value potential varies based on input assumptions such as rental rates, absorption, construction costs and others. We use the cash flow generated from our MPC segment to reinvest at much higher rates of return into our Strategic Development segment in order to develop properties that will ultimately convert to Operating Assets. This business will continue to grow materially over the coming years as assets are placed into service and reach stabilization. The growth in net operating income over the past four years is evidence of our track record:

The Howard Hughes Corporation
Net Operating Income Growth
(exclusive of South Street Seaport)

	($MM) 2011	2012	2013	2014	Future
In-place NOI(1)	49.8	57.8	54.0	46.7	50.8
Incremental NOI From Completed Development	0.4	0.2	1.2	18.5	88.5
Incremental NOI from Acquisitions	-	2.7	5.2	6.7	16.7
Incremental NOI from Strategic Development	-	-	-	-	49.4
Total NOI	$ 50.2	$ 60.8	$ 60.5	$ 72.0	$ 205.4

1. Net operating income from 2011-2014 are reported amounts. Future net operating income represents projected stabilized net operating income.

The Howard Hughes Corporation in 2014 moved its major developments closer to realizing their full potential. During the year, we were further inspired by the overwhelming success of the opening of our first two major developments, Downtown Summerlin and the Outlet Collection at Riverwalk, yet we are keenly aware that headwinds can arise from even the most unlikely of places. Despite these new challenges, we are confident that the leading market positions of our assets will enable us to withstand market stresses. We value and are grateful for the support, feedback and confidence that you have given us over the past year and look forward to making EXTRAORDINARY in 2015.

Warm Regards,

David R. Weinreb

Chief Executive Officer

1 The Wall Street Journal Online October 28, 2014: Gas at $3 Carries Rewards - and Risks

FORWARD-LOOKING STATEMENTS AND NON-GAAP FINANCIAL MEASURES

FORWARD-LOOKING STATEMENTS

Statements made in this letter 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 Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934. These statements are based on management’s expectations, estimates, assumptions and projections as of the date of this letter 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 our filings with the Securities and Exchange Commission, including its Quarterly and Annual Reports. We caution you not to place undue reliance on the forward-looking statements contained in this letter and do 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 letter except as required by law.

NON-GAAP FINANCIAL MEASURES

The Company believes that net operating income, or NOI, a non-GAAP financial measure, 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 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 and tenant incentives amortization, net interest expense, depreciation, ground rent, demolition costs, other amortization expenses, development-related marketing costs and equity in earnings from real estate and other 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 mix, 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 net income (loss).

No reconciliation of projected NOI is included in this letter because we are unable to quantify certain amounts that would be required to be included in the GAAP measure without unreasonable efforts and we believe such reconciliations would imply a degree of precision that would be confusing or misleading to investors.

The Howard Hughes Corporation

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Source: The Howard Hughes Corporation