UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

☒ Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2021

or

☐ Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission file number 001-34856

THE HOWARD HUGHES CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**36-4673192**
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification number)

9950 Woodloch Forest Drive, Suite 1100, The Woodlands, Texas 77380

(Address of principal executive offices, including zip code)

(281) 719-6100

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

☐ Yes ☒ No

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered:
Common stock, par value $0.01 per share	HHC	New York Stock Exchange

The number of shares of common stock, $0.01 par value, outstanding as of July 28, 2021 was 55,126,260.

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PART I

Item 1. Condensed Consolidated Financial Statements (Unaudited)

THE HOWARD HUGHES CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

thousands except par values and share amounts	**June 30, 2021**	December 31, 2020
ASSETS		
Investment in real estate:		
Master Planned Communities assets	**$ 1,743,502**	$ 1,687,519
Buildings and equipment	**4,170,506**	4,115,493
Less: accumulated depreciation	**(721,275)**	(634,064)
Land	**365,725**	363,447
Developments	**1,352,999**	1,152,674
Net property and equipment	**6,911,457**	6,685,069
Investment in real estate and other affiliates	**298,161**	377,145
Net investment in real estate	**7,209,618**	7,062,214
Net investment in lease receivable	**2,917**	2,926
Cash and cash equivalents	**1,063,261**	1,014,686
Restricted cash	**219,483**	228,311
Accounts receivable, net	**81,503**	66,726
Municipal Utility District receivables, net	**354,932**	314,394
Notes receivable, net	**3,235**	622
Deferred expenses, net	**111,491**	112,097
Operating lease right-of-use assets, net	**54,566**	56,255
Prepaid expenses and other assets, net	**208,063**	282,101
Total assets	**$ 9,309,069**	$ 9,140,332
LIABILITIES		
Mortgages, notes and loans payable, net	**$ 4,449,333**	$ 4,287,369
Operating lease obligations	**68,102**	68,929
Deferred tax liabilities	**167,105**	187,639
Accounts payable and accrued expenses	**925,845**	852,258
Total liabilities	**5,610,385**	5,396,195
Commitments and Contingencies (see Note 9)		
Redeemable noncontrolling interest	**26,781**	29,114
EQUITY		
Preferred stock: $0.01 par value; 50,000,000 shares authorized, none issued	**—**	—
Common stock: $0.01 par value; 150,000,000 shares authorized, 56,196,818 issued and 55,126,260 outstanding as of June 30, 2021, 56,042,814 shares issued and 54,972,256 outstanding as of December 31, 2020	**563**	562
Additional paid-in capital	**3,955,162**	3,947,278
Accumulated deficit	**(134,309)**	(72,556)
Accumulated other comprehensive loss	**(27,754)**	(38,590)
Treasury stock, at cost, 1,070,558 shares as of June 30, 2021, and 1,070,558 shares as of December 31, 2020	**(122,091)**	(122,091)
Total stockholders' equity	**3,671,571**	3,714,603
Noncontrolling interests	**332**	420
Total equity	**3,671,903**	3,715,023
Total liabilities and equity	**$ 9,309,069**	$ 9,140,332

See Notes to Condensed Consolidated Financial Statements.

THE HOWARD HUGHES CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
thousands except per share amounts	**2021**	2020	**2021**	2020
REVENUES				
Condominium rights and unit sales	**$ 12,861**	$ —	**$ 50,028**	$ 43
Master Planned Communities land sales	**58,342**	57,073	**95,819**	96,805
Rental revenue	**88,476**	78,706	**174,375**	171,450
Other land, rental and property revenues	**41,389**	11,447	**64,632**	46,344
Builder price participation	**11,389**	8,947	**18,183**	16,706
Total revenues	**212,457**	156,173	**403,037**	331,348
EXPENSES				
Condominium rights and unit cost of sales	**13,435**	6,348	**68,403**	104,249
Master Planned Communities cost of sales	**24,858**	25,875	**40,509**	42,661
Operating costs	**71,243**	45,885	**129,841**	110,491
Rental property real estate taxes	**13,716**	15,199	**27,707**	28,777
Provision for (recovery of) doubtful accounts	**(1,520)**	1,866	**(2,098)**	3,567
Demolition costs	**149**	—	**149**	—
Development-related marketing costs	**2,397**	1,813	**4,041**	4,629
General and administrative	**20,334**	22,233	**42,100**	61,314
Depreciation and amortization	**49,788**	46,963	**99,096**	108,600
Total expenses	**194,400**	166,182	**409,748**	464,288
OTHER				
Provision for impairment	**(13,068)**	—	**(13,068)**	(48,738)
Gain (loss) on sale or disposal of real estate and other assets, net	**21,333**	8,000	**21,333**	46,124
Other income (loss), net	**(663)**	1,607	**(10,971)**	(2,077)
Total other	**7,602**	9,607	**(2,706)**	(4,691)
Operating income (loss)	**25,659**	(402)	**(9,417)**	(137,631)
Interest income	**31**	404	**72**	1,550
Interest expense	**(31,439)**	(32,397)	**(65,649)**	(66,845)
Gain (loss) on extinguishment of debt	**(51)**	—	**(35,966)**	—
Equity in earnings (losses) from real estate and other affiliates	**7,867**	(8,552)	**23,663**	2,797
Income (loss) before taxes	**2,067**	(40,947)	**(87,297)**	(200,129)
Income tax expense (benefit)	**(1,550)**	(6,844)	**(22,755)**	(40,944)
Net income (loss)	**3,617**	(34,103)	**(64,542)**	(159,185)
Net (income) loss attributable to noncontrolling interests	**1,224**	19	**2,789**	(33)
Net income (loss) attributable to common stockholders	**$ 4,841**	$ (34,084)	**$ (61,753)**	$ (159,218)
Basic income (loss) per share	**$ 0.09**	$ (0.61)	**$ (1.11)**	$ (3.22)
Diluted income (loss) per share	**$ 0.09**	$ (0.61)	**$ (1.11)**	$ (3.22)

See Notes to Condensed Consolidated Financial Statements.

THE HOWARD HUGHES CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
thousands	**2021**	2020	**2021**	2020
Net income (loss)	**$ 3,617**	$ (34,103)	**$ (64,542)**	$ (159,185)
Other comprehensive income (loss):				
Interest rate swaps (a)	**1,905**	(838)	**8,261**	(31,739)
Share of investee's other comprehensive income (b)	**1,358**	—	**2,575**	—
Other comprehensive income (loss)	**3,263**	(838)	**10,836**	(31,739)
Comprehensive income (loss)	**6,880**	(34,941)	**(53,706)**	(190,924)
Comprehensive income (loss) attributable to noncontrolling interests	**1,224**	19	**2,789**	(33)
Comprehensive income (loss) attributable to common stockholders	**$ 8,104**	$ (34,922)	**$ (50,917)**	$ (190,957)

(a) Amounts are shown net of deferred tax expense of $0.5 million for the three months ended June 30, 2021, deferred tax benefit of $0.3 million for the three months ended June 30, 2020, deferred tax expense of $2.3 million for the six months ended June 30, 2021, and deferred tax benefit of $7.4 million for the six months ended June 30, 2020.
(b) The amount for 2021 is shown net of deferred tax expense of $0.4 million for the three months ended June 30, 2021 and $0.7 million for the six months ended June 30, 2021.

See Notes to Condensed Consolidated Financial Statements.

THE HOWARD HUGHES CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(Unaudited)

	Common Stock		Additional	Accumulated	Accumulated Other	Treasury Stock		Total		
thousands except shares	Shares	Amount	Paid-In Capital	Deficit	Comprehensive (Loss) Income	Shares	Amount	Stockholders' Equity	Noncontrolling Interests (a)	Total Equity
Balance, March 31, 2021	56,178,233	$ 563	$ 3,952,537	$ (139,150)	$ (31,017)	1,070,558	$ (122,091)	$ 3,660,842	$ 425	$ 3,661,267
Net income (loss) excluding a loss of $1,131 attributable to redeemable noncontrolling interest	—	—	—	4,841	—	—	—	4,841	(93)	4,748
Interest rate swaps, net of tax expense (benefit) of $524	—	—	—	—	1,905	—	—	1,905	—	1,905
Share of investee's other comprehensive income, net of tax expense (benefit) of $386	—	—	—	—	1,358	—	—	1,358	—	1,358
Stock plan activity	18,585	—	2,625	—	—	—	—	2,625	—	2,625
Balance, June 30, 2021	56,196,818	$ 563	3,955,162	$ (134,309)	$ (27,754)	1,070,558	$ (122,091)	$ 3,671,571	$ 332	$ 3,671,903
Balance, March 31, 2020	55,989,263	$ 561	$ 3,939,470	$ (171,537)	$ (60,273)	(1,050,260)	$ (120,530)	$ 3,587,691	$ 184,907	$ 3,772,598
Net income (loss)	—	—	—	(34,084)	—	—	—	(34,084)	(19)	(34,103)
Interest rate swaps, net of tax expense (benefit) of $(262)	—	—	—	—	(838)	—	—	(838)	—	(838)
Common stock offering costs	—	—	(85)	—	—	—	—	(85)	—	(85)
Stock plan activity	(7,703)	—	2,131	—	—	—	—	2,131	—	2,131
Balance, June 30, 2020	55,981,560	$ 561	$ 3,941,516	$ (205,621)	$ (61,111)	(1,050,260)	$ (120,530)	$ 3,554,815	$ 184,888	$ 3,739,703

(a) The three months ended June 30, 2021, excludes redeemable noncontrolling interest, which is reflected in temporary equity. See Note 2 - *Real Estate and Other Affiliates.*

See Notes to Condensed Consolidated Financial Statements.

THE HOWARD HUGHES CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(Unaudited)

	Common Stock		Additional Paid-In	Accumulated	Accumulated Other Comprehensive	Treasury Stock		Total Stockholders'	Noncontrolling	Total
thousands except shares	Shares	Amount	Capital	Deficit	(Loss) Income	Shares	Amount	Equity	Interests (a)	Equity
Balance, December 31, 2020	56,042,814	$ 562	$ 3,947,278	$ (72,556)	$ (38,590)	1,070,558	$ (122,091)	$ 3,714,603	$ 420	$ 3,715,023
Net income (loss) excluding a loss of $2,701 attributable to redeemable noncontrolling interest	—	—	—	(61,753)	—	—	—	(61,753)	(88)	(61,841)
Interest rate swaps, net of tax expense (benefit) of $2,314	—	—	—	—	8,261	—	—	8,261	—	8,261
Share of investee's other comprehensive income, net of tax expense (benefit) of $732	—	—	—	—	2,575	—	—	2,575	—	2,575
Issuance of common shares	—	—	(5)	—	—	—	—	(5)	—	(5)
Stock plan activity	154,004	1	7,889	—	—	—	—	7,890	—	7,890
Balance, June 30, 2021	56,196,818	$ 563	$ 3,955,162	$ (134,309)	$ (27,754)	1,070,558	$ (122,091)	$ 3,671,571	$ 332	$ 3,671,903
Balance, December 31, 2019	43,635,893	$ 437	$ 3,343,983	$ (46,385)	$ (29,372)	(1,050,260)	$ (120,530)	$ 3,148,133	$ 184,855	$ 3,332,988
Net income (loss)	—	—	—	(159,218)	—	—	—	(159,218)	33	(159,185)
Interest rate swaps, net of tax expense (benefit) of $(7,356)	—	—	—	—	(31,739)	—	—	(31,739)	—	(31,739)
Adoption of ASU 2016-13	—	—	—	(18)	—	—	—	(18)	—	(18)
Issuance of common shares	12,270,900	123	593,490	—	—	—	—	593,613	—	593,613
Stock plan activity	74,767	1	4,043	—	—	—	—	4,044	—	4,044
Balance, June 30, 2020	55,981,560	$ 561	$ 3,941,516	$ (205,621)	$ (61,111)	(1,050,260)	$ (120,530)	$ 3,554,815	$ 184,888	$ 3,739,703

(a) The six months ended June 30, 2021 excludes redeemable noncontrolling interest, which is reflected in temporary equity. See Note 2 - *Real Estate and Other Affiliates.*

See Notes to Condensed Consolidated Financial Statements.

THE HOWARD HUGHES CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

	Six Months Ended June 30,	
thousands	**2021**	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	**$ (64,542)**	$ (159,185)
Adjustments to reconcile net income (loss) to cash provided by (used in) operating activities:		
Depreciation	**89,516**	99,682
Amortization	**8,356**	8,517
Amortization of deferred financing costs	**5,086**	8,312
Amortization of intangibles other than in-place leases	**1,205**	340
Straight-line rent amortization	**(6,770)**	(6,183)
Deferred income taxes	**(23,581)**	(41,701)
Restricted stock and stock option amortization	**4,781**	3,346
Net gain on sale of properties	**(21,338)**	(8,000)
Net gain on sale of lease receivable	**—**	(38,124)
Proceeds from the sale of lease receivable	**—**	64,155
(Gain) loss on extinguishment of debt	**35,966**	—
Impairment charges	**13,799**	59,817
Equity in (earnings) losses from real estate and other affiliates, net of distributions	**925**	(2,057)
Provision for doubtful accounts	**(628)**	5,443
Master Planned Community development expenditures	**(126,302)**	(116,372)
Master Planned Community cost of sales	**39,499**	41,883
Condominium development expenditures	**(150,509)**	(114,660)
Condominium rights and units cost of sales	**65,951**	99,171
Net Changes:		
Accounts and notes receivable	**(12,063)**	(14,895)
Prepaid expenses and other assets	**22,176**	(38,214)
Condominium deposits received	**33,627**	94,644
Deferred expenses	**(5,316)**	(19,530)
Accounts payable and accrued expenses	**10,227**	(25,032)
Cash provided by (used in) operating activities	**(79,935)**	(98,643)
CASH FLOWS FROM INVESTING ACTIVITIES		
Property and equipment expenditures	**(931)**	(598)
Operating property improvements	**(20,664)**	(17,297)
Property development and redevelopment	**(121,839)**	(250,370)
Proceeds from sales of properties	**49,907**	—
Reimbursements under tax increment financings	**403**	2,671
Distributions from real estate and other affiliates	**83,014**	1,232
Investments in real estate and other affiliates, net	**(767)**	(3,127)
Cash provided by (used in) investing activities	**(10,877)**	(267,489)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from mortgages, notes and loans payable	**1,503,083**	392,714
Principal payments on mortgages, notes and loans payable	**(1,328,054)**	(51,008)
Proceeds from issuance of common stock	**—**	593,614
Debt extinguishment costs	**(29,669)**	—
Special Improvement District bond funds released from (held in) escrow	**4,384**	2,352
Deferred financing costs and bond issuance costs, net	**(20,904)**	(4,088)
Taxes paid on stock options exercised and restricted stock vested	**(2,183)**	(668)
Stock options exercised	**3,902**	1,365
Cash provided by (used in) financing activities	**130,559**	934,281
Net change in cash, cash equivalents and restricted cash	**39,747**	568,149
Cash, cash equivalents and restricted cash at beginning of period	**1,242,997**	620,135
Cash, cash equivalents and restricted cash at end of period	**$ 1,282,744**	$ 1,188,284

THE HOWARD HUGHES CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30,	
thousands	**2021**	2020
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	**$ 88,041**	$ 97,015
Interest capitalized	**34,801**	35,949
Income taxes paid (refunded), net	**1,789**	(2,408)
NON-CASH TRANSACTIONS		
Initial recognition of ASC 842 operating leases ROU asset	**—**	493
Initial recognition of ASC 842 operating lease obligation	**—**	493
Accrued property improvements, developments and redevelopments	**4,760**	(35,250)
Special Improvement District bond transfers associated with land sales	**1,010**	779
Accrued interest on construction loan borrowing	**—**	9,586
Capitalized stock compensation	**974**	907

See Notes to Condensed Consolidated Financial Statements.

1. Summary of Significant Accounting Policies

General The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), with intercompany transactions between consolidated subsidiaries eliminated. In accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X as issued by the Securities and Exchange Commission (the SEC), these Condensed Consolidated Financial Statements do not include all of the information and disclosures required by GAAP for complete financial statements. Readers of this quarterly report on Form 10-Q (Quarterly Report) should refer to The Howard Hughes Corporation (HHC or the Company) audited Consolidated Financial Statements, which are included in the Company's annual report on Form 10-K for the fiscal year ended December 31, 2020, filed with the SEC on February 25, 2021 (the Annual Report). In the opinion of management, all normal recurring adjustments necessary for a fair presentation of the financial position, results of operations, comprehensive income, cash flows and equity for the interim periods have been included. The results for the three and six months ended June 30, 2021, are not necessarily indicative of the results that may be expected for the year ending December 31, 2021, and future fiscal years.

Certain amounts in the 2020 results of operations have been reclassified to conform to the current presentation. Specifically, the Company reclassified minimum rents, tenant recoveries, and interest income from sales-type leases to Rental revenue. Certain amounts in the 2020 Condensed Consolidated Balance Sheet have been reclassified to conform to the current presentation. Specifically, the Company reclassified straight-line rent from Prepaid expenses and other assets, net to Accounts Receivable, net.

Management has evaluated for disclosure or recognition all material events occurring subsequent to the date of the Condensed Consolidated Financial Statements up to the date and time this Quarterly Report was filed.

COVID-19 Pandemic The 2020 outbreak of the novel strain of the coronavirus (COVID-19) resulted in a global slowdown of economic activity including worldwide travel restrictions, prohibitions of non-essential work activities, and the disruption and shutdown of businesses, all of which resulted in significant uncertainty in global financial markets and a material adverse impact on the Company's financial performance in fiscal 2020, particularly in the Operating Asset and Seaport segments. Many states began easing quarantine protocols near the end of the second quarter of 2020, which allowed most of the Company's retail and hospitality properties to resume operations on a limited basis. While COVID-19 has adversely impacted all business segments during 2020 and the first half of 2021, the Company's performance has notably improved during the second half of 2020 and through the first half of 2021.

The extent to which COVID-19 continues to impact the Company will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the actions taken to contain the pandemic or mitigate its impact, such as the speed and effectiveness of vaccine and treatment developments and their deployment, potential mutations of COVID-19, and the direct and indirect economic effects of the pandemic and containment measures.

Restricted Cash Restricted cash reflects amounts segregated in escrow accounts in the name of the Company, primarily related to escrowed condominium deposits by buyers and other amounts related to taxes, insurance and legally restricted security deposits and leasing costs.

Accounts Receivable, net On a quarterly basis, management reviews tenant rents, tenant recoveries and straight-line rent assets for collectability. As required under Accounting Standards Codification (ASC) 842 - Leases, this analysis includes a review of past due accounts and considers factors such as the credit quality of tenants, current economic conditions and changes in customer payment trends. When full collection of a lease receivable or future lease payment is not probable, a reserve for the receivable balance is charged against rental revenue and future rental revenue is recognized on a cash basis. Due to the continued impacts of COVID-19 on the collectability of tenant receivables, the Company determined full collection of outstanding tenant rents and recoveries was not probable for a number of retail tenants. In addition, the Company determined that a reserve for estimated losses under ASC 450 - Contingencies is required as the amount is probable and can be reasonably estimated.

The following table represents the components of Accounts Receivable, net of amounts considered uncollectible, in the accompanying Condensed Consolidated Balance Sheets:

thousands	**June 30, 2021**	December 31, 2020
Tenant receivables	**$ 8,531**	$ 4,339
Straight-line rent receivables	**68,231**	59,288
Other receivables	**4,741**	3,099
Accounts receivable, net (a)	**$ 81,503**	$ 66,726

(a) As of June 30, 2021, the total reserve balance for amounts considered uncollectible was $30.6 million, comprised of $27.2 million related to ASC 842 and $3.4 million related to ASC 450. As of December 31, 2020, the total reserve balance was $33.0 million, comprised of $27.3 million related to ASC 842 and $5.7 million related to ASC 450.

The following table summarizes the impacts of the ASC 842 and ASC 450 reserves in the accompanying Condensed Consolidated Statements of Operations:

		Three Months Ended June 30,		**Six Months Ended June 30,**	
thousands	**Income Statement Location**	**2021**	2020	**2021**	2020
ASC 842 reserve	Rental revenue	**$ 330**	$ 5,716	**$ 1,361**	$ 7,219
ASC 450 reserve	Provision for (recovery of) doubtful accounts	**(1,640)**	2,818	**(2,239)**	4,396
Total impact		**$ (1,310)**	$ 8,534	**$ (878)**	$ 11,615

Temporary Business Closures During the first half of 2020, the Company experienced closures of its Seaport retail and food and beverage assets as well as its three hotels in The Woodlands.

The Company reopened The Woodlands Resort in May 2020, the Embassy Suites at Hughes Landing in June 2020 and The Westin at The Woodlands in July 2020. As a result, occupancy levels rose throughout the second half of 2020 but remained lower than levels achieved prior to the pandemic. With the gradual return of leisure travel in the first half of 2021, occupancy levels have continued to rise at all properties. From the fourth quarter of 2020 to the second quarter of 2021, occupancy levels increased from 55% to 68% at the Embassy Suites, 28% to 49% at The Westin at The Woodlands and 27% to 31% at The Woodlands Resort.

Many of the Seaport retail and food and beverage assets resumed operations in the third quarter of 2020, on a limited basis. Most remaining restrictions were lifted in June of 2021; however, many businesses at the Seaport continue to operate at reduced levels primarily due to labor shortages. The 2020 Seaport summer concert series was cancelled and in its place a new concept at the Pier 17 rooftop was launched called The Greens, which continued through the end of first quarter of 2021. The Greens concept returned in May 2021 to complement the summer concert series, which began on July 30, 2021 and is expected to run through October 2021. The Greens concept and 2021 concert series continue to generate high customer demand for the outdoor venue.

Use of Estimates The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. The estimates and assumptions include, but are not limited to, capitalization of development costs, provision for income taxes, recoverable amounts of receivables and deferred tax assets, initial valuations of tangible and intangible assets acquired and the related useful lives of assets upon which depreciation and amortization is based. Estimates and assumptions have also been made with respect to future revenues and costs, debt and options granted. In particular, Master Planned Communities (MPC) cost of sales estimates are highly judgmental as they are sensitive to cost escalation, sales price escalation and lot absorption, which are subject to judgment and affected by expectations about future market or economic conditions. Actual results could differ from these and other estimates. In addition, these estimates may change in the near term due to the continued demands and constraints on the Company's supply chain resulting from the COVID-19 pandemic.

Noncontrolling Interests As of June 30, 2021 and December 31, 2020, noncontrolling interests are related to the Ward Village Homeowners' Associations (HOAs). All revenues and expenses related to the HOAs are attributable to noncontrolling interests and do not impact net income attributable to common stockholders.

Financial Instruments - Credit Losses The Company is exposed to credit losses through the sale of goods and services to the Company's customers. Receivables held by the Company primarily relate to short-term trade receivables and financing receivables, which include Municipal Utility District (MUD) receivables, Special Improvement District (SID) bonds, TIF receivables, net investments in lease receivables, and notes receivable. The Company assesses its exposure to credit loss based on historical collection experience and future expectations by portfolio segment. Historical collection experience is evaluated on a quarterly basis by the Company.

The amortized cost basis of financing receivables, consisting primarily of MUD receivables, totaled $411.9 million as of June 30, 2021, including accrued interest of $18.6 million. There has been no material activity in the allowance for credit losses for financing receivables for the six months ended June 30, 2021.

Financing receivables are considered to be past due once they are 30 days contractually past due under the terms of the agreement. The Company does not have significant receivables that are past due or on nonaccrual status. There have been no significant write-offs or recoveries of amounts previously written off during the current period for financing receivables.

Executive Transition In December 2020, the Company announced the appointment of David R. O'Reilly as the Company's Chief Executive Officer and the appointment of L. Jay Cross as the Company's President. On April 8, 2021, the Company announced that Correne Loeffler had been appointed to serve as the Company's Chief Financial Officer (CFO), effective April 19, 2021. Ms. Loeffler succeeded David O'Reilly as the Company's CFO, a position that he had held since joining HHC in 2016 and had continued to hold on an interim basis since being appointed Chief Executive Officer in December 2020. Ms. Loeffler joined HHC following her role as Chief Financial Officer of Whiting Petroleum, where she managed the company's Finance, Accounting, and Corporate Planning organizations. She also previously served as Vice President of Finance and Treasurer for the Callon Petroleum Company. In addition, she served as Callon's Interim Chief Financial Officer. Prior to that she spent over a decade at JPMorgan Securities before leaving as an Executive Director in the Corporate Client Banking group.

Recently Issued Accounting Standards The following is a summary of recently issued and other notable accounting pronouncements that relate to the Company's business.

ASU 2020-04, Reference Rate Reform The amendments in this Update provide optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform when certain criteria are met. The amendments in this Update apply only to contracts, hedging relationships, and other transactions that reference London Interbank Offered Rate (LIBOR) or another reference rate expected to be discontinued because of reference rate reform. The expedients and exceptions provided by the amendments do not apply to contract modifications made and hedging relationships entered into or evaluated after December 31, 2022, except for hedging relationships existing as of December 31, 2022, for which an entity has applied certain optional expedients that are retained through the end of the hedging relationship. The amendments in this Update are effective as of March 12, 2020, through December 31, 2022. The guidance in Accounting Standards Update (ASU) 2020-04 is optional and may be elected over time as reference rate reform activities occur. During the first quarter of 2020, the Company elected to apply the hedge accounting expedients related to probability and the assessments of effectiveness for future LIBOR-indexed cash flows to assume that the index upon which future hedge transactions will be based matches the index on the corresponding derivatives. Application of these expedients preserves the presentation of derivatives consistent with past presentation. The Company continues to evaluate the impact of the guidance and may apply other elections as applicable as additional changes in the market occur. An entity may elect to apply the amendments for contract modifications by Topic or Industry Subtopic as of any date from the beginning of an interim period that includes or is subsequent to March 12, 2020, or prospectively from a date within an interim period that includes or is subsequent to March 12, 2020, up to the date that the financial statements are available to be issued.

2. Real Estate and Other Affiliates

As of June 30, 2021, the Company is not the primary beneficiary of the investments listed below as it does not have the power to direct the activities that most significantly impact the economic performance of the ventures. As a result, the Company reports its interests in accordance with the equity method. As of June 30, 2021, approximately $610.2 million of indebtedness was secured by the properties owned by the Company's real estate and other affiliates, of which the Company's share was $291.3 million based on economic ownership. All of this indebtedness is without recourse to the Company, with the exception of $100.6 million related to 110 North Wacker.

Equity investments in real estate and other affiliates are reported as follows:

	Economic/Legal Ownership		Carrying Value		Share of Earnings/Dividends			
					Three Months Ended June 30,		Six Months Ended June 30,	
thousands except percentages	**June 30, 2021**	December 31, 2020	**June 30, 2021**	December 31, 2020	**2021**	2020	**2021**	2020
Equity Method Investments								
Operating Assets:								
110 North Wacker (a)	**see below**	see below	**$ 237,804**	$ 261,143	**$ (11,307)**	—	**$ (27,012)**	$ —
The Metropolitan Downtown Columbia (b)	**50 %**	50 %	**—**	—	**165**	195	**111**	422
Stewart Title of Montgomery County, TX	**50 %**	50 %	**4,034**	3,924	**383**	160	**634**	503
Woodlands Sarofim #1	**20 %**	20 %	**3,173**	3,120	**22**	29	**53**	64
m.flats/TEN.M	**50 %**	50 %	**834**	1,247	**318**	91	**636**	156
Master Planned Communities:								
The Summit (c)	**see below**	see below	**40,920**	96,300	**18,641**	(2,968)	**46,291**	5,966
Seaport								
Mr. C Seaport (d)	**— %**	— %	**—**	—	**—**	(6,249)	**—**	(6,900)
Ssäm Bar (Momofuku) (e)	**see below**	see below	**7,204**	7,101	**(336)**	(384)	**(688)**	(1,776)
Strategic Developments:								
Circle T Ranch and Power Center (f)	**— %**	— %	**—**	—	**—**	589	**—**	675
HHMK Development	**50 %**	50 %	**10**	10	**—**	—	**—**	—
KR Holdings	**50 %**	50 %	**230**	347	**(19)**	(15)	**(117)**	(37)
			294,209	373,192	**7,867**	(8,552)	**19,908**	(927)
Other equity investments (g)			**3,952**	3,953	**—**	—	**3,755**	3,724
Investments in real estate and other affiliates			**$ 298,161**	$ 377,145	**$ 7,867**	$ (8,552)	**$ 23,663**	$ 2,797

(a) During the third quarter of 2020, 110 North Wacker was completed and placed in service. This triggered a reconsideration event that resulted in the deconsolidation of 110 North Wacker and the recognition of the retained equity method investment at fair market value. Refer to the discussion below for additional details.
(b) The Metropolitan Downtown Columbia was in a deficit position of $5.5 million at June 30, 2021, and $5.0 million at December 31, 2020, due to distributions from operating cash flows in excess of basis. These deficit balances are presented in Accounts payable and accrued expenses at June 30, 2021, and December 31, 2020.
(c) The decrease in investment balance is primarily due to $100.5 million in distributions received during the second quarter of 2021. Refer to discussion below for details on the ownership structure.
(d) During the third quarter of 2020, the Company completed the sale of its 35% equity investment in Mr. C Seaport.
(e) During the first quarter of 2021, Bar Wayō was rebranded as Ssäm Bar. Refer to the discussion below for details on the ownership structure.
(f) During the fourth quarter of 2020, the Company completed the sale of its 50% equity investment in Circle T Ranch and Power Center.
(g) Other equity investments represent equity investments not accounted for under the equity method. The Company elected the measurement alternative as these investments do not have readily determinable fair values. There were no impairments, or upward or downward adjustments to the carrying amounts of these securities either during current year or cumulatively.

Significant activity for real estate and other affiliates and the related accounting considerations are described below.

110 North Wacker The Company formed a partnership with a local developer (the Partnership) during the second quarter of 2017. During the second quarter of 2018, the Partnership executed an agreement with USAA related to 110 North Wacker (collectively, the local developer and USAA are the Partners) to construct and operate the building at 110 North Wacker (the Venture).

The Partnership was determined to be a variable interest entity (VIE), and as the Company has the power to direct the activities of the Partnership that most significantly impact its economic performance, the Company is considered the primary beneficiary and consolidates the Partnership. Additionally, the noncontrolling interest holder has the right to require the Company to purchase its interest in the Partnership if the Venture has not been sold or refinanced (with distributions made to the local developer and Company sufficient to repay all capital contributions) at the later of (1) the third anniversary of the issuance of the certificate of occupancy for the project or (2) the fifth anniversary of the effective date of the Partnership's LLC agreement. Therefore, the local developer's redeemable noncontrolling interest in the Partnership is presented as temporary equity on the Condensed Consolidated Balance Sheets. As of June 30, 2021, the time restriction has not been met, and the Company believes it is not probable that the put will be redeemed. As such, the redeemable noncontrolling interest is measured at the initial carrying value plus net income (loss) attributable to the noncontrolling interest and is not adjusted to fair value. The following table presents changes in Redeemable noncontrolling interest:

thousands		**Redeemable Noncontrolling Interest**
Balance as of December 31, 2020	$	29,114
Net income (loss) attributable to noncontrolling interest		(2,701)
Share of investee's other comprehensive income		368
Balance as of June 30, 2021	$	26,781

Upon execution of the Venture in the second quarter of 2018, the Company contributed land with a carrying value of $33.6 million and an agreed upon fair value of $85.0 million, the local developer contributed $5.0 million in cash and USAA contributed $64.0 million in cash. USAA was required to fund up to $105.6 million in addition to its initial contribution. HHC and the local developer also had additional cash funding requirements and contributed $9.8 million and $1.1 million, respectively, during 2018. The Company and its Partners entered into a construction loan agreement further described in Note 6 - *Mortgages, Notes and Loans Payable, Net*. Any further cash funding requirements by the Partnership were eliminated when the construction loan was increased on May 23, 2019. Concurrently with the increase in the construction loan, USAA agreed to fund an additional $8.8 million, for a total commitment of $178.4 million. No changes were made to the rights of either the Company or the Partners under the construction loan agreement.

The Company concluded that the Venture was within the scope of the VIE model, and that it was the primary beneficiary of the Venture during the development phase of the project because it had the power to direct activities that most significantly impact the Venture's economic performance; however, upon the building's completion, the Company expected to recognize the investment under the equity method. As the primary beneficiary of the VIE during the development phase, the Company had consolidated 110 North Wacker and its underlying entities since the second quarter of 2018. During the third quarter of 2020, 110 North Wacker was completed and placed in service, triggering a reconsideration event. Upon development completion, the Company concluded it is no longer the primary beneficiary and as such, should no longer consolidate the Venture. As there have been no changes to the structure and control of the Partnership with the local developer, the Company will continue to consolidate the Partnership.

As of September 30, 2020, the Company derecognized all assets, liabilities and noncontrolling interest related to the Venture that were previously consolidated and recognized an equity method investment of $273.6 million based on the fair value of its interest in 110 North Wacker. The Company recognized a gain of $267.5 million attributable to the initial fair value step-up at the time of deconsolidation, which is included in Equity in earnings (losses) from real estate and other affiliates on the Condensed Consolidated Statements of Operations and reported in the Strategic Developments segment for the three months ended September 30, 2020. The Company utilized a third-party appraiser to measure the fair value of 110 North Wacker on an as-is basis at September 30, 2020, using the discounted cash flow approach and sales comparison approach, based on current market assumptions. Also as a result of the deconsolidation, the Company recognized an additional $15.4 million attributable to the recognition of previously eliminated development management fees, which is included in Other land, rental and property revenues on the Condensed Consolidated Statements of Operations and reported in the Strategic Developments segment for the three months ended September 30, 2020. As 110 North Wacker was placed in service, the equity method investment was transferred from the Strategic Development segment to the Operating Asset segment.

Given the nature of the Venture's capital structure and the provisions for the liquidation of assets, the Company's share of the Venture's income-producing activities will be recognized based on the Hypothetical Liquidation at Book Value (HLBV) method. Under this method, the Company will recognize income or loss in Equity in earnings from real estate and other affiliates based on the change in its underlying share of the Venture's net assets on a hypothetical liquidation basis as of the reporting date. After USAA receives a 9.0% preferred return on its capital contribution, the Partnership is entitled to cash distributions from the venture until it receives a 9.0% return on its capital account, calculated as the initial land contribution of $85.0 million and cash contribution of $5.0 million, plus subsequent cash contributions and less subsequent cash distributions. Subsequently, USAA is entitled to cash distributions equal to 11.11% of the amount distributed to the Partnership that resulted in a 9.0% return. Thereafter, the Partnership and USAA are entitled to distributions *pari passu* to their profit ownership interests of 90% and 10%, respectively.

Ssäm Bar (formerly Bar Wayō) During the first quarter of 2016, the Company formed Pier 17 Restaurant C101, LLC (Bar Wayō) with MomoPier, LLC (Momofuku), an affiliate of the Momofuku restaurant group, to construct and operate a restaurant and bar at Pier 17 in the Seaport. Under the terms of the agreement, the Company funded 89.75% of the costs to construct the restaurant, and Momofuku contributed the remaining 10.25%. In 2021, Bar Wayō was rebranded as the Ssäm Bar.

As of June 30, 2021, and December 31, 2020, Ssäm Bar is classified as a VIE because the equity holders, as a group, lack the characteristics of a controlling financial interest. The carrying value of Ssäm Bar as of June 30, 2021, is $7.2 million and is classified as Investments in real estate and other affiliates in the Condensed Consolidated Balance Sheets. The Company's maximum exposure to loss as a result of this investment is limited to the aggregate carrying value of the investment as the Company has not provided any guarantees or otherwise made firm commitments to fund amounts on behalf of this VIE.

After each member receives a 10.0% preferred return on its capital contributions, available cash will be allocated 75.0% to the Company and 25.0% to Momofuku, until each member's unreturned capital account has been reduced to zero. Any remaining cash will be distributed to the members in proportion to their respective percentage interests, or 50% each to the Company and Momofuku. Given the nature of Ssäm Bar's capital structure and the provisions for the liquidation of assets, the Company's share of Ssäm Bar's income-producing activities is recognized based on the HLBV method.

The Summit During the first quarter of 2015, the Company formed DLV/HHPI Summerlin, LLC (The Summit) with Discovery Land Company (Discovery). The Company contributed land with a carrying value of $13.4 million and transferred SID bonds related to such land with a carrying value of $1.3 million to The Summit at the agreed upon capital contribution value of $125.4 million, or $226,000 per acre and has no further capital obligations. Discovery is required to fund up to a maximum of $30.0 million of cash as their capital contribution, of which $3.75 million has been contributed. The gains on the contributed land are recognized in Equity in earnings from real estate and other affiliates as The Summit sells lots.

As of June 30, 2021, the Company has received cash distributions equal to its capital contribution of $125.4 million and a 5.0% preferred return on such capital contribution, and Discovery has received cash distributions equal to two times its equity contribution. Any further cash distributions and income-producing activities will be recognized according to equity ownership, with HHC receiving 50% and Discovery receiving 50%.

Summarized Financial Information Relevant financial statement information for significant equity method investments is summarized as follows:

thousands	The Summit (a) (b)	110 North Wacker (c)
Balance Sheet		
June 30, 2021		
Total assets	$ 234,684	$ 677,078
Total liabilities	180,597	470,950
Total equity	54,087	206,128
December 31, 2020		
Total assets	$ 310,855	$ 634,274
Total liabilities	209,968	415,452
Total equity	100,887	218,822
Income Statement		
Six Months Ended June 30, 2021		
Revenues	$ 199,505	$ 18,042
Gross margin	69,695	—
Operating income (loss)	—	12,390
Net income (loss)	69,372	(16,777)
Six Months Ended June 30, 2020		
Revenues	$ 58,672	$ —
Gross margin	10,256	—
Operating income	—	—
Net income (loss)	7,591	—

(a) The decrease in Total Equity for The Summit is primarily the result of distributions made in the second quarter of 2021.
(b) The increase in Revenues for The Summit is due to an increase in units closed, with 35 units closing during the six months ended June 30, 2021 compared to 7 units closing during the six months ended June 30, 2020.
(c) The income statement amounts for 110 North Wacker do not include activity for the six months ended June 30, 2020, as it was not accounted for under the equity method during this period.

3. Dispositions

On May 7, 2021, the Company completed the sale of Monarch City, a property comprised of approximately 229 acres of undeveloped land in Collin County, Texas, for $51.4 million. The carrying value of the property was approximately $28.7 million at the time of sale. Gain on sale of $21.3 million is calculated as the difference between the sale price and the asset's carrying value, less related transaction costs of approximately $1.5 million. The gain on sale is included in Gain (loss) on sale or disposal of real estate and other assets, net in the Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2021.

On July 16, 2020, the Company completed the sale of its 35% equity investment in Mr. C Seaport, a 66-room boutique hotel located at 33 Peck Slip, New York, in close proximity to the Seaport District, for $0.8 million. Refer to Note 2 - *Real Estate and Other Affiliates* and Note 4 - *Impairment* for additional information.

On June 29, 2020, the Company entered into an agreement terminating a participation right contained in the contract for the sale of West Windsor in October 2019. As consideration, the Company received an $8.0 million termination payment in July 2020, which was included in Gain (loss) on sale or disposal of real estate and other assets, net on the Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2020.

In March 2020, the Company closed on the sale of its property at 100 Fellowship Drive, a 13.5-acre land parcel and 203,257-square-foot build-to-suit medical building with approximately 550 surface parking spaces in The Woodlands, Texas, for a total sales price of $115.0 million. The Company had previously entered into a lease agreement related to this property in November of 2019, and at lease commencement, the Company derecognized $63.7 million from Developments and recorded an initial net investment in lease receivable of $75.9 million on the Condensed Consolidated Balance Sheets, recognizing $13.5 million of Selling profit from the sales-type lease on the Condensed Consolidated Statements of Operations.

The sale of 100 Fellowship Drive resulted in an additional gain of $38.3 million in the first quarter of 2020, which was included in Gain (loss) on sale or disposal of real estate and other assets, net on the Condensed Consolidated Statements of Operations. The carrying value of the net investment in lease receivable was approximately $76.1 million at the time of sale. Gain on sale is calculated as the difference between the sale price of $115.0 million, and the asset's carrying value, less related transaction costs of approximately $0.2 million. Contemporaneous with the sale, the Company credited to the buyer approximately $0.6 million for operating account funds and the buyer's assumption of the related liabilities. After the sale, the Company had no continuing involvement in this lease. After repayment of debt associated with the property, the sale generated approximately $64.2 million in net proceeds, which are presented as cash inflows from operating activities in the Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2020.

4. Impairment

The Company reviews its long-lived assets for potential impairment indicators whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable.

During the second quarter of 2021, the Company recorded a $13.1 million impairment charge for Century Park, which is included in Provision for impairment on the Condensed Consolidated Statements of Operations. The Century Park asset includes both building and land components. The impairment relates to the building component, while the land component was not impaired. Century Park is a 63-acre, 1.3 million square foot campus with 17 office buildings in the West Houston Energy Corridor, a non-core asset acquired as part of the acquisition of The Woodlands Towers at The Waterway. The Company recognized an impairment due to decreases in estimated future cash flows as a result of the impact of a shorter than anticipated holding term. The Company used weighted market and income valuation techniques to estimate the fair value of Century Park. Market valuation was based on recent sales of similar commercial properties in and around Houston, Texas. For the income approach, the Company utilized a capitalization rate of 8.75%, and probability weighted scenarios assuming lease-up periods ranging from 24 months to 48 months, and management's estimate of future lease income and carry costs.

During the first quarter of 2020, the Company recorded a $48.7 million impairment charge for Outlet Collection at Riverwalk, which is included in Provision for impairment on the Condensed Consolidated Statements of Operations. The Outlet Collection at Riverwalk is a 273,270-square-foot urban upscale outlet center located along the Mississippi River in downtown New Orleans, Louisiana. The Company recognized the impairment due to decreases in estimated future cash flows as a result of the impact of a shorter than anticipated holding term due to management's plans to divest the non-core operating asset, decreased demand and reduced interest in brick and mortar retail due to the impact of COVID-19, as well as an increase in the capitalization rate used to evaluate future cash flows due to the impact of COVID-19. The $46.8 million net carrying value of Outlet Collection at Riverwalk, after the impairment, represents the estimated fair market value at March 31, 2020, at the time of the impairment assessment. The Company used a discounted cash flow analysis using a capitalization rate of 10% to determine fair value.

There can be no assurance that the Company will ultimately recover the fair value amounts of Century Park or Outlet Collection at Riverwalk through sales of these assets. Refer to Note 7 - *Fair Value* for additional information.

Each investment in real estate and other affiliates discussed in Note 2 - *Real Estate and Other Affiliates* is evaluated periodically for recoverability and valuation declines that are other-than-temporary. If the decrease in value of an investment in a real estate and other affiliate is deemed to be other-than-temporary, the investment in such real estate and other affiliates is reduced to its estimated fair value. No impairment charges were recorded for Investment in real estate and other affiliates during the three and six months ended June 30, 2021. During the three months ended June 30, 2020, the Company recorded a $6.0 million impairment of its equity investment in Mr. C Seaport, a 66-room boutique hotel located at 33 Peck Slip in close proximity to the Seaport District. The Company recognized the impairment due to a change in the anticipated holding period as the Company entered into a plan to sell its 35% equity investment in Mr. C Seaport to its venture partners for $0.8 million. In July 2020, the Company completed the sale of its interest in Mr. C Seaport. The impairment loss is presented in Equity in (losses) earnings from real estate and other affiliates. Refer to Note 2 - *Real Estate and Other Affiliates* for additional information.

The Company periodically evaluates its strategic alternatives with respect to each property and may revise the strategy from time to time, including the intent to hold the asset on a long-term basis or the timing of potential asset dispositions. For example, the Company may decide to sell property that is held for use, which may result in impairment charges if the current fair value of the property does not support the carrying amount. As a result, changes in strategy could result in impairment charges in future periods.

In addition to the impairments discussed above, during the three months ended June 30, 2020, the Company reduced the estimated net sales price of certain condominium units, including the remaining penthouse inventory, to better align the expected price with recent final sales prices, resulting in a loss of $5.1 million included in Condominium rights and unit cost of sales.

5. Other Assets and Liabilities

Prepaid Expenses and Other Assets The following table summarizes the significant components of Prepaid expenses and other assets:

thousands	**June 30, 2021**	December 31, 2020	$ Change
Special Improvement District receivable	**$ 49,864**	$ 54,770	$ (4,906)
In-place leases	**46,611**	49,161	(2,550)
Intangibles	**31,390**	32,595	(1,205)
Prepaid expenses	**20,909**	17,455	3,454
Security, escrow and other deposits (a)	**19,266**	48,576	(29,310)
Other	**19,086**	12,096	6,990
Condominium inventory (b)	**11,123**	55,883	(44,760)
Tenant incentives and other receivables	**7,420**	9,612	(2,192)
Food and beverage and lifestyle inventory	**1,457**	1,060	397
TIF receivable	**937**	893	44
Prepaid expenses and other assets, net	**$ 208,063**	$ 282,101	$ (74,038)

(a) The decrease in Security, escrow, and other deposits is primarily attributable to the settlement of the rate-lock agreement associated with the loans for 1201 Lake Robbins and The Woodlands Warehouse upon repayment in February 2021.
(b) The decrease in Condominium inventory is attributable to closing on inventory units at Waiea and Anaha.

Accounts Payable and Accrued Expenses The following table summarizes the significant components of Accounts payable and accrued expenses:

thousands	**June 30, 2021**	December 31, 2020	$ Change
Condominium deposit liabilities (a)	**$ 343,517**	$ 309,884	$ 33,633
Construction payables (b)	**295,997**	253,626	42,371
Deferred income	**68,548**	66,656	1,892
Accrued interest (c)	**45,561**	37,007	8,554
Interest rate swap liabilities (d)	**39,827**	51,920	(12,093)
Tenant and other deposits (e)	**38,197**	25,801	12,396
Accounts payable and accrued expenses	**31,786**	28,589	3,197
Accrued real estate taxes (f)	**27,878**	38,863	(10,985)
Accrued payroll and other employee liabilities	**22,674**	27,419	(4,745)
Other	**11,860**	12,493	(633)
Accounts payable and accrued expenses	**$ 925,845**	$ 852,258	$ 73,587

(a) The increase in Condominium deposit liabilities is attributable to contracted sales at Victoria Place, Kō'ula, and ʻAʻaliʻi.
(b) The increase in Construction payables is attributable to an increase of $78.2 million primarily related to increased construction spend at Ward Village, the Tin Building, and the Summerlin and Bridgeland MPC developments, and a $21.0 million charge for additional remediation costs at Waiea. These increases are partially offset by decreases of $35.8 million related to a reduction of construction spend for projects placed in service in 2020 or approaching completion, as well as costs incurred and paid for Waiea remediation activities during the first half of 2021.
(c) The increase in Accrued interest is primarily due to the accrual of interest due August 2021 on the Company's $1.3 billion Senior Notes issued in February 2021, as compared to accrued interest on the Company's $1.0 billion Senior Notes repurchased in the first quarter of 2021. See Note 6 - *Mortgages, Notes and Loans Payable, Net* for additional information.
(d) The decrease in Interest rate swap liabilities is due to an increase of the one-month LIBOR forward curve for the periods presented.
(e) The increase in Tenant and other deposits is primarily due to a $13.5 million deposit received in the second quarter of 2021 related to a 216-acre superpad sale in Summerlin. The sale is expected to close in the fourth quarter of 2021.
(f) The decrease in Accrued real estate taxes is primarily due to the payment of 2020 real estate taxes in the first quarter of 2021.

6. Mortgages, Notes and Loans Payable, Net

Mortgages, notes and loans payable, net are summarized as follows:

thousands	**June 30, 2021**	December 31, 2020
Fixed-rate debt:		
Unsecured 5.375% Senior Notes due 2025	**$ —**	$ 1,000,000
Unsecured 5.375% Senior Notes due 2028	**750,000**	750,000
Unsecured 4.125% Senior Notes due 2029	**650,000**	—
Unsecured 4.375% Senior Notes due 2031	**650,000**	—
Secured mortgages, notes and loans payable	**643,315**	590,517
Special Improvement District bonds	**32,807**	34,305
Variable-rate debt:		
Mortgages, notes and loans payable (a)	**1,768,062**	1,945,344
Unamortized bond discounts	**—**	(4,355)
Unamortized deferred financing costs (b)	**(44,850)**	(28,442)
Total mortgages, notes and loans payable, net	**$ 4,449,333**	$ 4,287,369

(a) As of June 30, 2021, $650.5 million of variable-rate debt has been swapped to a fixed rate for the term of the related debt. As of December 31, 2020, $649.9 million of variable-rate debt had been swapped to a fixed rate for the term of the related debt. As of June 30, 2021, $124.2 million of variable-rate debt was capped at a maximum interest rate. As of December 31, 2020, $75.0 million of variable-rate debt was capped at a maximum interest rate. See Note 8 - *Derivative Instruments and Hedging Activities* for additional information.
(b) Deferred financing costs are amortized to interest expense over the terms of the respective financing agreements using the effective interest method (or other methods which approximate the effective interest method).

Debt Collateral Certain of the Company's loans contain provisions which grant the lender a security interest in the operating cash flow of the property that represents the collateral for the loan. Certain mortgage notes may be prepaid subject to a prepayment penalty equal to a yield maintenance premium, defeasance or percentage of the loan balance. As of June 30, 2021, land, buildings and equipment and developments with a net book value of $4.4 billion have been pledged as collateral for HHC's mortgages, notes and loans payable.

Credit Facilities In 2018, the Company entered into a $700.0 million loan agreement, which provides for a $615.0 million term loan (the Term Loan) and an $85.0 million revolver loan (the Revolver Loan and together with the Term Loan, the Senior Secured Credit Facility). The Company has a one-time right to request an increase of $50.0 million in the aggregate amount of the Revolver Loan commitment. As of June 30, 2021, the Company had no outstanding borrowings under the Revolver Loan.

In 2019, the Company closed on a $250.0 million credit facility secured by land and certain other collateral in The Woodlands and Bridgeland MPCs. The loan provides for a $100.0 million term loan and a $150.0 million revolver loan. As of June 30, 2021, the Company had $50.0 million of outstanding borrowings under the revolver portion of the loan.

Special Improvement District Bonds The Summerlin MPC uses SID bonds to finance certain common infrastructure improvements. These bonds are issued by the municipalities and are secured by the assessments on the land. The majority of proceeds from each bond issued is held in a construction escrow and disbursed to the Company as infrastructure projects are completed, inspected by the municipalities and approved for reimbursement. Accordingly, the SID bonds have been classified as debt, and the Summerlin MPC pays the debt service on the bonds semi-annually. As Summerlin sells land, the buyers assume a proportionate share of the bond obligation at closing, and the residential sales contracts provide for the reimbursement of the principal amounts that the Company previously paid with respect to such proportionate share of the bond. In the six months ended June 30, 2021, no new SID bond was issued and obligations of $1.0 million were assumed by buyers.

Debt Compliance Due to the COVID-19 pandemic, the Company experienced a decline in operating results for certain retail and hospitality properties. As a result, as of December 31, 2020, and June 30, 2021, the Company did not meet the debt service coverage ratio for the $615.0 million Term Loan portion of the Senior Secured Credit Facility and as a result, $33.6 million of excess net cash flow after debt service from the underlying properties became restricted as of June 30, 2021. While the restricted cash cannot be used for general corporate purposes, it can continue to be used to fund operations of the underlying assets and does not have a material impact on the Company's liquidity.

As of June 30, 2021, apart from the Term Loan portion of the Senior Secured Credit Facility described above, the Company was in compliance with all remaining financial covenants included in the agreements governing its indebtedness.

Financing Activity During the Six Months Ended June 30, 2021

The Company's borrowing activity is summarized as follows:

thousands	Initial / Extended Maturity (a)	Interest Rate		Carrying Value
Balance at December 31, 2020				$ 4,287,369
Issuances:				
Senior Notes due 2029	February 2029	4.13 %	(c)	650,000
Senior Notes due 2031	February 2031	4.38 %	(c)	650,000
Borrowings:				
Victoria Place	September 2024/September 2026	5.25 %	(b),(d)	42,718
Tanager Apartments	May 2031	3.13 %	(e)	58,500
Draws on existing mortgages, notes and loans payable				101,864
Repayments:				
1201 Lake Robbins	June 2021	2.49 %	(b),(f)	(273,070)
The Woodlands Warehouse	June 2021	2.49 %	(b),(f)	(7,230)
Tanager Apartments	October 2021 / October 2024	2.50 %	(b),(e)	(39,992)
Repayments on existing mortgages, notes and loans payable				(7,762)
Redemptions				
Senior Notes due 2025	March 2025	5.38 %	(f)	(1,000,000)
Other:				
Special Improvement District bond assumptions	April 2049	4.00 %		(1,010)
Deferred financing costs, net				(12,054)
Balance at June 30, 2021				$ 4,449,333

(a) Maturity dates presented represent initial maturity dates and the extended or final maturity dates as contractually stated. HHC has the option to exercise extension periods at the initial maturity date, subject to extension terms that are based on current property performance projections. Extension terms may include minimum debt service coverage, minimum occupancy levels or condominium sales levels, as applicable and other performance criteria. In certain cases, due to property performance not meeting covenants, HHC may have to pay down a portion of the loan to obtain the extension.

(b) The interest rate presented is based on the one-month LIBOR, three-month LIBOR or Prime rate, as applicable, which was 0.10%, 0.15% and 3.25%, respectively, at June 30, 2021. Interest rates associated with loans that have been paid off reflect the interest rate at December 31, 2020.

(c) In February 2021, the Company issued $650 million in 4.125% Senior Notes due 2029 and $650 million in 4.375% Senior Notes due 2031. These notes will pay interest semi-annually in February and August of each year, beginning in August 2021. These notes will be unsecured senior obligations of the Company and will be guaranteed by certain subsidiaries of the Company.

(d) In March 2021, the Company closed on a $368.2 million construction loan for the development of Victoria Place in Ward Village. The loan bears interest at one-month LIBOR plus 5.00%, subject to a LIBOR cap of 2.00% and a LIBOR floor of 0.25%, with an initial maturity of September 2024 and 2 one-year extension options. Concurrent with the funding of the loan, the Company entered into interest rate cap agreements with a total notional amount of $368.2 million and interest rate of 2.00%.

(e) In April 2021, the Company closed on a $58.5 million loan to replace the existing construction loan for Tanager Apartments in Downtown Summerlin. The loan bears interest at 3.13% fixed with a maturity of May 2031.

(f) The Company used the net proceeds from the February 2021 issuance of Senior Notes due 2029 and 2031, as well as available cash on hand, as follows: (1) repurchased its $1.0 billion 5.375% Senior Notes due 2025; resulting in a $35.1 million loss on extinguishment of debt and (2) repaid $280.3 million outstanding under its loans for 1201 Lake Robbins and The Woodlands Warehouse maturing June 2021, resulting in a $10.0 million loss on the settlement of the rate-lock agreement associated with these loans.

Additional Financing Activity In April 2021, the Company closed on an $82.6 million construction loan for the development of Marlow, a multi-family development in Columbia. The loan bears interest at LIBOR plus 2.95% with an initial maturity of April 2025 and a one-year extension option, with no amounts drawn as of June 30, 2021.

In April 2021, the Company closed on a $42.7 million construction loan for the development of Starling at Bridgeland. The loan bears interest at LIBOR plus 2.75%, subject to an overall interest rate floor of 3.75%, and an initial maturity date of May 2026, and a one-year extension option, with no amounts drawn as of June 30, 2021.

In June 2021, the Company closed on an extension of the $35.5 million loan for 8770 New Trails, extending the final maturity date to January 2032.

In July 2021, the Company closed on a $35.5 million loan to replace the existing construction loan for Lakeside Row in Bridgeland. The loan bears interest at 3.15% fixed with a maturity date of September 2031.

7. Fair Value

ASC 820, *Fair Value Measurement*, emphasizes that fair value is a market-based measurement that should be determined using assumptions market participants would use in pricing an asset or liability. The standard establishes a hierarchical disclosure framework that prioritizes and ranks the level of market price observability used in measuring assets or liabilities at fair value. Market price observability is impacted by a number of factors, including the type of investment and the characteristics specific to the asset or liability. Assets or liabilities with readily available active quoted prices, or for which fair value can be measured from actively quoted prices, generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

The following table presents the fair value measurement hierarchy levels required under ASC 820 for the Company’s liabilities that are measured at fair value on a recurring basis:

	June 30, 2021 Fair Value Measurements Using				December 31, 2020 Fair Value Measurements Using			
thousands	**Total**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:								
Interest rate derivative assets	**$ 164**	**$ —**	**$ 164**	**$ —**	$ —	$ —	$ —	$ —
Liabilities:								
Interest rate derivative liabilities	**$ 39,827**	**$ —**	**$ 39,827**	**$ —**	$ 51,920	$ —	$ 51,920	$ —

The fair values of interest rate derivatives are determined using the market standard methodology of netting the discounted future fixed cash payments and the discounted expected variable cash receipts. The variable cash receipts are based on an expectation of future interest rates derived from observable market interest rate curves.

The estimated fair values of the Company's financial instruments that are not measured at fair value on a recurring basis are as follows:

		June 30, 2021		December 31, 2020	
thousands	**Fair Value Hierarchy**	**Carrying Amount**	**Estimated Fair Value**	Carrying Amount	Estimated Fair Value
Assets:					
Cash and Restricted cash	Level 1	**$ 1,282,744**	**$ 1,282,744**	$ 1,242,997	$ 1,242,997
Accounts receivable, net (a)	Level 3	**81,503**	**81,503**	66,726	66,726
Notes receivable, net (b)	Level 3	**3,235**	**3,235**	622	622
Liabilities:					
Fixed-rate debt (c)	Level 2	**2,726,121**	**2,766,762**	2,374,822	2,461,155
Variable-rate debt (c)	Level 2	**1,768,062**	**1,768,062**	1,945,344	1,945,344

(a) Accounts receivable, net is shown net of an allowance of $30.6 million at June 30, 2021, and $33.0 million at December 31, 2020. Refer to Note 1 - *Summary of Significant Accounting Policies* for additional information on the allowance.
(b) Notes receivable, net is shown net of an allowance of $0.2 million at June 30, 2021, and $0.2 million at December 31, 2020. Refer to Note 1 - Summary of Significant Accounting Policies for additional information on the allowance.
(c) Excludes related unamortized financing costs.

The carrying amounts of Cash and Restricted cash, Accounts receivable, net and Notes receivable, net approximate fair value because of the short-term maturity of these instruments.

The fair value of the Company's Senior Notes, included in fixed-rate debt in the table above, is based upon the trade price closest to the end of the period presented. The fair value of other fixed-rate debt in the table above was estimated based on a discounted future cash payment model, which includes risk premiums and risk-free rates derived from the current LIBOR or U.S. Treasury obligation interest rates. Please refer to Note 6 - *Mortgages, Notes and Loans Payable, Net* for additional information. The discount rates reflect the Company's judgment as to what the approximate current lending rates for loans or groups of loans with similar maturities and credit quality would be if credit markets were operating efficiently and assuming that the debt is outstanding through maturity.

The carrying amounts for the Company's variable-rate debt approximate fair value given that the interest rates are variable and adjust with current market rates for instruments with similar risks and maturities.

The below table includes non-financial assets that were measured at fair value on a non-recurring basis resulting in the properties being impaired:

			Fair Value Measurements Using		
thousands	**Segment**	**Total Fair Value Measurement**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
2021					
Century Park (a)	Strategic Developments	$ 32,000	$ —	$ —	$ 32,000
2020					
Outlet Collection at Riverwalk (b)	Operating Assets	46,794	—	—	46,794

(a) The fair value was measured using weighted income and market valuation techniques as of the impairment date in the second quarter of 2021. Refer to Note 4 -*Impairment* for additional information.
(b) The fair value was measured as of the impairment date in 2020 based on a discounted cash flow analysis using a capitalization rate of 10.0% and is shown net of transaction costs. Refer to Note 4 -*Impairment* for additional information.

8. Derivative Instruments and Hedging Activities

The Company is exposed to interest rate risk related to its variable interest rate debt, and it manages this risk by utilizing interest rate derivatives. The Company uses interest rate swaps and caps to add stability to interest costs by reducing the Company's exposure to interest rate movements. Interest rate swaps designated as cash flow hedges involve the receipt of variable amounts from a counterparty in exchange for the Company's fixed-rate payments over the life of the agreements without exchange of the underlying notional amount. Interest rate caps designated as cash flow hedges involve the receipt of variable amounts from a counterparty if interest rates rise above the strike rate on the contract in exchange for an up-front premium. The Company's interest rate caps are not currently designated as hedges, and therefore, any gains or losses are recognized in current-period earnings. These derivatives are recorded on a gross basis at fair value on the balance sheet.

Assessments of hedge effectiveness are performed quarterly using regression analysis. The change in the fair value of derivatives designated and qualifying as cash flow hedges is recorded in Accumulated Other Comprehensive Income (AOCI) and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings within the same income statement line item being hedged. Derivatives accounted for as cash flow hedges are classified in the same category in the Condensed Consolidated Statements of Cash Flows as the items being hedged. Gains and losses from derivative financial instruments are reported in Cash (used in) provided by operating activities within the Condensed Consolidated Statements of Cash Flows.

The Company is exposed to credit risk in the event of non-performance by its derivative counterparties. The Company evaluates counterparty credit risk through monitoring the creditworthiness of counterparties, which includes review of debt ratings and financial performance. To mitigate its credit risk, the Company enters into agreements with counterparties that are considered creditworthy, such as large financial institutions with favorable credit ratings. There were no events of default as of June 30, 2021, or as of December 31, 2020.

If the derivative contracts are terminated prior to their maturity, the amounts previously recorded in AOCI are recognized into earnings over the period that the hedged transaction impacts earnings. If the hedging relationship is discontinued because it is probable that the forecasted transaction will not occur in accordance with the original strategy, any related amounts previously recorded in AOCI are recognized in earnings immediately. During the six months ended June 30, 2021, and the year ended December 31, 2020, there were no termination events. The Company recorded a $0.8 million reduction in Interest expense during the three months ended June 30, 2021 and a $1.5 million reduction in Interest expense during the six months ended June 30, 2021, related to the amortization of terminated swaps.

The Company did not settle any derivatives during the six months ended June 30, 2021 or the year ended December 31, 2020.

Amounts reported in AOCI related to derivatives will be reclassified to Interest expense as interest payments are made on the Company's variable-rate debt. Over the next 12 months, the Company estimates that an additional $16.9 million of net loss will be reclassified to Interest expense.

The following table summarizes certain terms of the Company's derivative contracts:

thousands		Balance Sheet Location	Notional Amount	Fixed Interest Rate (a)	Effective Date	Maturity Date	Fair Value Asset (Liability) June 30, 2021	Fair Value Asset (Liability) December 31, 2020
Derivative instruments not designated as hedging instruments:								
Interest rate cap	(b)	Prepaid expenses and other assets, net	285,000	2.00 %	3/12/2021	9/15/2023	**$ 126**	$ —
Interest rate cap	(b)	Prepaid expenses and other assets, net	83,200	2.00 %	3/12/2021	9/15/2023	**38**	—
Interest rate cap	(c)	Prepaid expenses and other assets, net	75,000	5.00 %	8/31/2020	10/17/2022	**—**	—
Total fair value derivative assets							**164**	—
Derivative instruments designated as hedging instruments:								
Interest rate swap	(d)	Accounts payable and accrued expenses	615,000	2.96 %	9/21/2018	9/18/2023	**(36,219)**	(46,613)
Interest rate swap	(e)	Accounts payable and accrued expenses	35,487	4.89 %	11/1/2019	1/1/2032	**(3,608)**	(5,307)
Total fair value derivative liabilities							**(39,827)**	(51,920)
Total fair value derivatives, net							**$ (39,663)**	$ (51,920)

(a) These rates represent the strike rate on HHC's interest swaps and caps.

(b) In March 2021, the Company entered into two new interest rate caps, which are not designated as hedging instruments. Interest expense included in the Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2021, related to these contracts was not material.
(c) In the third quarter of 2020, the Company executed an agreement to extend the maturing position of this cap. Interest expense included in the Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2021, and the year ended December 31, 2020, related to this contract was not material.
(d) Concurrent with the funding of the $615.0 million term loan in September 2018, the Company entered into this interest rate swap which is designated as a cash flow hedge.
(e) Concurrent with the closing of the $35.5 million construction loan for 8770 New Trails in June 2019, the Company entered into this interest rate swap, which is designated as a cash flow hedge.

The tables below present the effect of the Company's derivative financial instruments on the Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2021, and 2020:

Derivatives in Cash Flow Hedging Relationships	**Amount of Gain (Loss) Recognized in AOCI on Derivatives**			
	Three Months Ended June 30,		**Six Months Ended June 30,**	
thousands	**2021**	2020	**2021**	2020
Interest rate derivatives	**$ (1,136)**	$ (4,197)	**$ 2,247**	$ (36,248)

Location of Gain (Loss) Reclassified from AOCI into Operations	**Amount of Gain (Loss) Reclassified from AOCI into Operations**			
	Three Months Ended June 30,		**Six Months Ended June 30,**	
thousands	**2021**	2020	**2021**	2020
Interest expense	**$ (3,041)**	$ (3,359)	**$ (6,014)**	$ (4,509)

Interest Expense Presented in Results of Operations	**Total Interest Expense Presented in the Results of Operations in which the Effects of Cash Flow Hedges are Recorded**			
	Three Months Ended June 30,		**Six Months Ended June 30,**	
thousands	**2021**	2020	**2021**	2020
Interest expense	**$ 31,439**	$ 32,397	**$ 65,649**	$ 66,845

Credit-risk-related Contingent Features The Company has agreements with certain derivative counterparties that contain a provision where if the Company defaults on any of its indebtedness, including default where repayment of the indebtedness has not been accelerated by the lender, then the Company could also be declared in default on its derivative obligations. The Company also has agreements with certain derivative counterparties that contain a provision where the Company could be declared in default on its derivative obligations if repayment of the underlying indebtedness is accelerated by the lender due to the Company's default on the indebtedness.

The fair value of derivatives in a net liability position, which includes accrued interest but excludes any adjustment for nonperformance risk, related to these agreements was $50.0 million as of June 30, 2021, and $54.6 million as of December 31, 2020. If the Company had breached any of these provisions at June 30, 2021, it could have been required to settle its obligations under the agreements at their termination value of $50.0 million.

9. Commitments and Contingencies

In the normal course of business, from time to time, the Company is involved in legal proceedings relating to the ownership and operations of its properties. In management's opinion, the liabilities, if any, that may ultimately result from normal course of business legal actions, including The Woodlands legal proceeding discussed below, are not expected to have a material effect on the Company's consolidated financial position, results of operations or liquidity.

Litigation On June 14, 2018, the Company was served with a petition involving approximately 500 individuals or entities who claim that their properties, located in the Timarron Park neighborhood of The Woodlands, were damaged by flood waters that resulted from the unprecedented rainfall that occurred throughout Harris County and surrounding areas during Hurricane Harvey in August 2017. The complaint was filed in State Court in Harris County of the State of Texas. In general, the plaintiffs allege negligence in the development of Timarron Park and violations of Texas' Deceptive Trade Practices Act and name as defendants The Howard Hughes Corporation, The Woodlands Land Development Company and two unaffiliated parties involved in the planning and engineering of Timarron Park. The plaintiffs are seeking restitution for damages to their property and diminution of their property values. The Company intends to vigorously defend the matter as it believes that these claims are without merit and that it has substantial legal and factual defenses to the claims and allegations contained in the complaint. Based upon the present status of this matter, the Company does not believe it is probable that a loss will be incurred. Accordingly, the Company has not recorded a charge as a result of this action.

The Company entered into a settlement agreement with the Waiea homeowners association related to certain construction defects at the tower. Pursuant to the settlement agreement, the Company will pay for the repair of the defects. The Company believes that the general contractor is ultimately responsible for the defects and expects to recover all the repair costs from the general contractor, other responsible parties and insurance proceeds; however, the Company can provide no assurances that all or any portion of these costs will be recovered. The Company recorded total expenses of $99.2 million for the estimated repair costs related to this matter during 2020. An additional $21.0 million was charged during the six months ended June 30, 2021, related to additional anticipated costs. These amounts were included in Condominium rights and unit cost of sales in the accompanying Condensed Consolidated Statements of Operations. As of June 30, 2021, a total of $112.0 million remains in Construction payables for the estimated repair costs related to this matter, which is included in Accounts payable and accrued expenses in the accompanying Condensed Consolidated Balance Sheet.

Environmental Matters The Company purchased its 250 Water Street property in the Seaport in June 2018. The site is currently used as a parking lot while the Company continues to move forward with redevelopment planning. The Company engaged a third-party specialist to perform a Phase I Environmental Site Assessment (ESA), and the ESA identified, among other findings, the existence of mercury in the soil at levels above New York State regulatory criteria. The site is in the State Brownfield Cleanup Program and is proposed to be remediated under this program. The normal operations of the parking lot do not require the property to be remediated, and the Company has not started any redevelopment activities as of June 30, 2021. As a result, the potential remediation has no financial impact for the three and six months ended June 30, 2021.

Letters of Credit and Surety Bonds As of June 30, 2021, the Company had outstanding letters of credit totaling $5.1 million and surety bonds totaling $347.3 million. As of December 31, 2020, the Company had outstanding letters of credit totaling $5.2 million and surety bonds totaling $272.4 million. These letters of credit and surety bonds were issued primarily in connection with insurance requirements, special real estate assessments and construction obligations.

Operating Leases The Company leases land or buildings at certain properties from third parties, which are recorded in Operating lease right-of-use assets, net and Operating lease obligations on the Condensed Consolidated Balance Sheets. See Note 15 - *Leases* for further discussion. Contractual rental expense, including participation rent, was $1.9 million for the three months ended June 30, 2021 and $3.7 million for the six months ended June 30, 2021, compared to $1.5 million for the three months ended June 30, 2020 and $3.3 million for the six months ended June 30, 2020. The amortization of above and below-market ground leases and straight-line rents included in the contractual rent amount was not significant.

Guarantee Agreements In conjunction with the execution of the ground lease for the Seaport, the Company executed a completion guarantee for the redevelopment of the Tin Building. The completion guaranty is for the core and shell construction, which is nearing completion.

The Company's wholly owned subsidiaries agreed to complete defined public improvements and to indemnify Howard County, Maryland, for certain matters as part of the Downtown Columbia Redevelopment District TIF bonds. To the extent that increases in taxes do not cover debt service payments on the TIF bonds, the Company's wholly owned subsidiary is obligated to pay special taxes. Management has concluded that as of June 30, 2021, any obligations to pay special taxes are not probable.

As part of the Company's development permits with the Hawai'i Community Development Authority for the condominium towers at Ward Village, the Company is required to reserve 20% of the residential units for local residents who meet certain maximum income and net worth requirements. This requirement, which is triggered once the necessary permits are granted and construction commences, was satisfied for the Company's three condominium towers, Waiea, Anaha and Ae'o, with the opening of the Company's fourth tower, Ke Kilohana, which is a workforce tower fully earmarked to fulfill this obligation. For the three towers under construction, the reserved units for the 'A'ali'i tower are included in the tower, and the units for Kō'ula and Victoria Place will either be built off site or fulfilled by paying a cash-in-lieu fee. As a result of this guarantee, the Company expects that future reserved housing towers will be delivered on a break-even basis.

The Company evaluates the likelihood of future performance under these guarantees and did not record an obligation as of June 30, 2021, and December 31, 2020.

10. Income Taxes

	Three Months Ended June 30,			Six Months Ended June 30,		
thousands except percentages	**2021**	2020	$ Change	**2021**	2020	$ Change
Income tax expense (benefit)	**$ (1,550)**	$ (6,844)	$ 5,294	**$ (22,755)**	$ (40,944)	$ 18,189
Income (loss) before income taxes	**2,067**	(40,947)	43,014	**(87,297)**	(200,129)	112,832
Effective tax rate	**NM**	16.7 %	NM	**26.1 %**	20.5 %	5.6 %

NM—Not Meaningful

The Company's tax provision for interim periods is determined using an estimate of its annual current and deferred effective tax rates, adjusted for discrete items. The Company's effective tax rate is typically impacted by non-deductible executive compensation and other permanent differences as well as state income taxes, which cause the Company's effective tax rate to deviate from the federal statutory rate. For the three and six months ended June 30, 2020, the effective rate was also impacted by a valuation allowance on the Company's charitable contribution carryover.

11. Warrants

On October 7, 2016, the Company entered into a warrant agreement with David R. O'Reilly, (the O'Reilly Warrant) prior to his appointment to the position of Chief Financial Officer. Upon exercise of his warrant, Mr. O'Reilly may acquire 50,125 shares of common stock at an exercise price of $112.08 per share. The O'Reilly Warrant was issued at fair value in exchange for a $1.0 million payment in cash from Mr. O'Reilly. The O'Reilly Warrant becomes exercisable on April 6, 2022, subject to earlier exercise upon certain change in control, separation and termination provisions, and will expire on October 2, 2022.

On June 16, 2017, and October 4, 2017, the Company entered into warrant agreements with its Chief Executive Officer, David R. Weinreb, (the Weinreb Warrant) and President, Grant Herlitz, (the Herlitz Warrant) to acquire 1,965,409 shares and 87,951 shares of common stock for the purchase price of $50.0 million and $2.0 million, respectively. The Weinreb Warrant would have become exercisable on June 15, 2022, at an exercise price of $124.64 per share, and the Herlitz Warrant would have become exercisable on October 3, 2022, at an exercise price of $117.01 per share, subject in each case to earlier exercise upon certain change in control, separation and termination provisions. The Weinreb Warrant expires June 15, 2023, and the Herlitz Warrant expires October 3, 2023. The purchase prices paid by the respective executives for the O'Reilly Warrant, the Weinreb Warrant and the Herlitz Warrant, which qualify as equity instruments, are included within Additional paid-in capital in the Condensed Consolidated Balance Sheets at June 30, 2021, and December 31, 2020.

On October 21, 2019, Mr. Weinreb and Mr. Herlitz stepped down from their roles as Chief Executive Officer and President of the Company, respectively. The Company and each of Mr. Weinreb and Mr. Herlitz have agreed to treat their terminations of employment as terminations without "cause" under their respective employment and warrant agreements with the Company. Thus, effective October 21, 2019, the Weinreb Warrant and Herlitz Warrant became exercisable by the terms of their respective warrant agreements in connection with their respective terminations of employment. The warrant expiration dates remain unchanged. Neither of these warrants have been exercised as of June 30, 2021.

12. Accumulated Other Comprehensive Income

The following tables summarize changes in accumulated other comprehensive income (AOCI) by component, all of which are presented net of tax:

thousands		
Balance as of March 31, 2021	$	(31,017)
Other comprehensive income (loss) before reclassifications		(1,136)
(Gain) loss reclassified from accumulated other comprehensive loss to net income		3,041
Share of investee's other comprehensive income, net of tax expense (benefit) of $386		1,358
Net current-period other comprehensive income		3,263
Balance as of June 30, 2021	$	(27,754)
Balance as of March 31, 2020	$	(60,273)
Other comprehensive income (loss) before reclassifications		(4,197)
(Gain) loss reclassified from accumulated other comprehensive loss to net income		3,359
Net current-period other comprehensive loss		(838)
Balance as of June 30, 2020	$	(61,111)

thousands		
Balance as of December 31, 2020	$	(38,590)
Other comprehensive income (loss) before reclassifications		2,247
(Gain) loss reclassified from accumulated other comprehensive loss to net income		6,014
Share of investee's other comprehensive income, net of tax expense (benefit) of $732		2,575
Net current-period other comprehensive loss		10,836
Balance as of June 30, 2021	$	(27,754)
Balance as of December 31, 2019	$	(29,372)
Other comprehensive income (loss) before reclassifications		(36,248)
(Gain) loss reclassified from accumulated other comprehensive loss to net income		4,509
Net current-period other comprehensive loss		(31,739)
Balance as of June 30, 2020	$	(61,111)

The following table summarizes the amounts reclassified out of AOCI:

Accumulated Other Comprehensive Income (Loss) Components	**Amounts reclassified from Accumulated Other Comprehensive Income (Loss)**				
	Three Months Ended June 30,		**Six Months Ended June 30,**		**Affected line items in the Statements of Operations**
thousands	**2021**	2020	**2021**	2020	
(Gains) losses on cash flow hedges	**$ 3,888**	$ 4,103	**$ 7,689**	$ 5,510	Interest expense
Income taxes on (gains) losses on cash flow hedges	**(847)**	(744)	**(1,675)**	(1,001)	Provision for income taxes
Total reclassifications of (income) loss, net of tax for the period	**$ 3,041**	$ 3,359	**$ 6,014**	$ 4,509	

13. Earnings Per Share

Basic earnings per share (EPS) is computed by dividing net income available to common stockholders by the weighted-average number of common shares outstanding. Diluted EPS is computed after adjusting the numerator and denominator of the basic EPS computation for the effects of all potentially dilutive common shares. The dilutive effect of options and non-vested stock issued under stock-based compensation plans is computed using the treasury stock method. The dilutive effect of the warrants is computed using the if-converted method.

Information related to the Company's EPS calculations is summarized as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
thousands except per share amounts	**2021**	2020	**2021**	2020
Net income (loss)				
Net income (loss)	**$ 3,617**	$ (34,103)	**$ (64,542)**	$ (159,185)
Net (income) loss attributable to noncontrolling interests	**1,224**	19	**2,789**	(33)
Net income (loss) attributable to common stockholders	**$ 4,841**	$ (34,084)	**$ (61,753)**	$ (159,218)
Shares				
Weighted-average common shares outstanding - basic	**55,704**	55,530	**55,691**	49,455
Restricted stock and stock options	**53**	—	**—**	—
Weighted-average common shares outstanding - diluted	**55,757**	55,530	**55,691**	49,455
Net income (loss) per common share				
Basic income (loss) per share	**$ 0.09**	$ (0.61)	**$ (1.11)**	$ (3.22)
Diluted income (loss) per share	**$ 0.09**	$ (0.61)	**$ (1.11)**	$ (3.22)

For the three months ended June 30, 2021, the diluted EPS computation excludes 231,500 shares of stock options and 326,958 shares of restricted stock because their effect is anti-dilutive. For the six months ended June 30, 2021, the diluted EPS computation excludes 285,487 shares of stock options and 472,116 shares of restricted stock because their effect is anti-dilutive.

For the three and six months ended June 30, 2020, the diluted EPS computation excludes 518,750 shares of stock options and 440,283 shares of restricted stock because their effect is anti-dilutive.

Common Stock Offering On March 27, 2020, the Company offered 2,000,000 shares of common stock to the public at $50.00 per share and granted the underwriters an option to purchase up to an additional 300,000 shares of common stock at the same price. The underwriters exercised most of their option and purchased an additional 270,900 shares. Concurrently, the Company entered into a share purchase agreement with a related party, Pershing Square Capital Management, L.P., acting as investment advisor to funds that it manages, to issue and sell 10,000,000 shares of common stock in a private placement at $50.00 per share. The total issuance of 12,270,900 shares closed on March 31, 2020, and the Company received $593.6 million in net proceeds. The Company used the net proceeds for general corporate purposes including strengthening the Company's balance sheet and enhancing liquidity.

14. Revenues

Revenues from contracts with customers (excluding lease-related revenues) are recognized when control of the promised goods or services is transferred to the Company's customers in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services. Revenue and cost of sales for condominium units sold are not recognized until the construction is complete, the sale closes and the title to the property has transferred to the buyer (point in time). Additionally, certain real estate selling costs, such as the costs related to the Company's condominium model units, are either expensed immediately or capitalized as property and equipment and depreciated over their estimated useful life.

The following table presents the Company's revenues disaggregated by revenue source:

	Three Months Ended June 30,		Six Months Ended June 30,	
thousands	**2021**	2020	**2021**	2020
Revenues from contracts with customers				
Recognized at a point in time:				
Condominium rights and unit sales	**$ 12,861**	$ —	**$ 50,028**	$ 43
Master Planned Communities land sales	**58,342**	57,073	**95,819**	96,805
Builder price participation	**11,389**	8,947	**18,183**	16,706
Total	**82,592**	66,020	**164,030**	113,554
Recognized at a point in time or over time:				
Other land, rental and property revenues	**41,389**	11,447	**64,632**	46,344
Rental and lease-related revenues				
Rental revenue	**88,476**	78,706	**174,375**	171,450
Total revenues	**$ 212,457**	$ 156,173	**$ 403,037**	$ 331,348
Revenues by segment				
Operating Assets revenues	**$ 113,422**	$ 84,277	**$ 209,861**	$ 198,534
Master Planned Communities revenues	**74,578**	68,913	**122,865**	119,359
Seaport revenues	**10,898**	2,272	**18,351**	11,966
Strategic Developments revenues	**13,466**	624	**51,766**	1,384
Corporate revenues	**93**	87	**194**	105
Total revenues	**$ 212,457**	$ 156,173	**$ 403,037**	$ 331,348

Contract Assets and Liabilities Contract assets are the Company's right to consideration in exchange for goods or services that have been transferred to a customer, excluding any amounts presented as a receivable. Contract liabilities are the Company's obligation to transfer goods or services to a customer for which the Company has received consideration.

There were no contract assets for the period. The contract liabilities primarily relate to escrowed condominium deposits, MPC land sales deposits and deferred MPC land sales related to unsatisfied land improvements. The beginning and ending balances of contract liabilities and significant activity during the period are as follows:

thousands		Contract Liabilities
Balance as of December 31, 2020	$	360,416
Consideration earned during the period		(71,778)
Consideration received during the period		127,030
Balance as of June 30, 2021	$	415,668
Balance as of December 31, 2019	$	246,010
Consideration earned during the period		(30,200)
Consideration received during the period		122,526
Balance as of June 30, 2020	$	338,336

Remaining Unsatisfied Performance Obligations The Company's remaining unsatisfied performance obligations as of June 30, 2021, represent a measure of the total dollar value of work to be performed on contracts executed and in progress. These performance obligations primarily relate to the completion of condominium construction and transfer of control to a buyer, as well as the completion of contracted MPC land sales and related land improvements. These obligations are associated with contracts that generally are noncancelable by the customer after 30 days; however, purchasers of condominium units have the right to cancel the contract should the Company elect not to construct the condominium unit within a certain period of time or materially change the design of the condominium unit. The aggregate amount of the transaction price allocated to the Company's remaining unsatisfied performance obligations as of June 30, 2021, is $2.0 billion. The Company expects to recognize this amount as revenue over the following periods:

thousands	Less than 1 year	1-2 years	3 years and thereafter
Total remaining unsatisfied performance obligations	$ 713,231	$ 544,582	$ 737,106

The Company's remaining performance obligations are adjusted to reflect any known project cancellations, revisions to project scope and cost, and deferrals, as appropriate. These amounts exclude estimated amounts of variable consideration that are constrained, such as builder price participation.

15. Leases

Lessee Arrangements The Company determines whether an arrangement is a lease at inception. Operating leases are included in Operating lease right-of-use assets, net and Operating lease obligations on the Condensed Consolidated Balance Sheets. Right-of-use assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Operating lease right-of-use assets and liabilities are recognized at commencement date based on the present value of future minimum lease payments over the lease term. As most of the Company's leases do not provide an implicit rate, the Company uses an estimate of the incremental borrowing rate based on the information available at the lease commencement date in determining the present value of future lease payments. The Operating lease right-of-use asset also includes any lease payments made, less any lease incentives and initial direct costs incurred. The Company does not have any finance leases as of June 30, 2021.

The Company's lessee agreements consist of operating leases primarily for ground leases and other real estate. The Company's leases have remaining lease terms of less than one year to 52 years. Most leases include one or more options to renew, with renewal terms that can extend the lease term from two to 40 years, and some of which may include options to terminate the leases within one year. The Company considers its strategic plan and the life of associated agreements in determining when options to extend or terminate lease terms are reasonably certain of being exercised. Leases with an initial term of 12 months or less are not recorded on the balance sheet; the Company recognizes lease expense for these leases on a straight-line basis over the lease term. Certain of the Company's lease agreements include variable lease payments based on a percentage of income generated through subleases, changes in price indices and market rates, and other costs arising from operating, maintenance, and taxes. The Company's lease agreements do not contain residual value guarantees or restrictive covenants. The Company leases certain buildings and office space constructed on its ground leases to third parties.

The Company's leased assets and liabilities are as follows:

thousands	**June 30, 2021**	December 31, 2020
Assets		
Operating lease right-of-use assets, net	$ 54,566	$ 56,255
Liabilities		
Operating lease obligations	68,102	68,929

The components of lease expense are as follows:

	Three Months Ended June 30,		**Six Months Ended June 30,**	
thousands	**2021**	2020	**2021**	2020
Operating lease cost	$ 2,180	$ 2,179	$ 4,363	$ 4,358
Variable lease costs	324	117	440	290
Net lease cost	$ 2,504	$ 2,296	$ 4,803	$ 4,648

Future minimum lease payments as of June 30, 2021, are as follows:

thousands	**Operating Leases**
Remainder of 2021	$ 3,349
2022	6,507
2023	6,464
2024	6,432
2025	5,047
Thereafter	261,806
Total lease payments	289,605
Less: imputed interest	(221,503)
Present value of lease liabilities	$ 68,102

Other information related to the Company's lessee agreements is as follows:

Supplemental Condensed Consolidated Statements of Cash Flows Information	**Six Months Ended June 30,**	
thousands	**2021**	2020
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows on operating leases	$ 3,531	$ 3,849

Other Information	**June 30, 2021**	June 30, 2020
Weighted-average remaining lease term (years)		
Operating leases	37.3	37.0
Weighted-average discount rate		
Operating leases	7.8 %	7.8 %

Lessor Arrangements The Company receives rental income from the leasing of retail, office, multi-family and other space under operating leases, as well as certain variable tenant recoveries. Such operating leases are with a variety of tenants and have a remaining average term of approximately five years. Lease terms generally vary among tenants and may include early termination options, extension options and fixed rental rate increases or rental rate increases based on an index. The decrease in total minimum rent payments for the six months ended June 30, 2021, as compared to the same period in 2020, is due to slowing of new lease activity caused by the COVID-19 pandemic coupled with the natural attrition of lease payments as leases move toward expiration. The minimum rentals based on operating leases of the consolidated properties held as of June 30, 2021, are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
thousands	**2021**	2020	**2021**	2020
Total minimum rent payments	$ 54,658	$ 54,114	$ 108,000	$ 113,213

Total future minimum rents associated with operating leases are as follows as of June 30, 2021:

thousands	Total Minimum Rent
Remainder of 2021	$ 118,036
2022	246,736
2023	242,933
2024	238,289
2025	211,057
Thereafter	1,296,561
Total	$ 2,353,612

Minimum rent revenues are recognized on a straight-line basis over the terms of the related leases when collectability is reasonably assured and the tenant has taken possession of, or controls, the physical use of the leased asset. Percentage rent in lieu of fixed minimum rent is recognized as sales are reported from tenants. Minimum rent revenues reported on the Condensed Consolidated Statements of Operations also include amortization related to above and below-market tenant leases on acquired properties.

In response to the COVID-19 pandemic, the Company granted rent deferrals to certain tenants. Under the accounting elections provided by the Financial Accounting Standards Board (FASB) in response to the COVID-19 pandemic, the Company has elected to not assess whether COVID-19 related deferrals are lease modifications and will account for the deferrals as if contemplated in the original lease. Rent deferrals are treated as variable lease payments resulting in a decrease in straight-line rent revenue during the deferral period and additional revenue upon payment in subsequent periods. COVID-19 related rent deferrals were $3.8 million as of June 30, 2021, net of subsequent collections.

In 2020, the Company sold 100 Fellowship Drive, one of its sales-type leases. The Net investment in lease receivable, interest income and future minimum rents for the remaining sales-type lease are not significant.

16. Segments

The Company has four business segments that offer different products and services. HHC's four segments are managed separately because each requires different operating strategies or management expertise and are reflective of management's operating philosophies and methods. As further discussed in Item 2. - *Management's Discussion and Analysis of Financial Condition and Results of Operations*, one common operating measure used to assess operating results for the Company's business segments is earnings before taxes (EBT). The Company's segments or assets within such segments could change in the future as development of certain properties commences or other operational or management changes occur. All operations are within the United States. The Company's reportable segments are as follows:

- ***Operating Assets*** – consists of developed or acquired retail, office, hospitality and multi-family properties along with other real estate investments. These properties are currently generating revenues and may be redeveloped, repositioned, or sold to improve segment performance or to recycle capital.
- ***MPC*** – consists of the development and sale of land in large-scale, long-term community development projects in and around Las Vegas, Nevada; Houston, Texas; and Columbia, Maryland.
- ***Seaport*** – consists of approximately 453,000 square feet of restaurant, retail and entertainment properties situated in three primary locations in New York, New York: Pier 17, Historic Area/Uplands and Tin Building. While the latter is still under development and will comprise about 53,000 square feet when completed, the two operating locations consist of third-party tenants, tenants either directly or jointly owned and operated by the Company and businesses owned and operated by the Company under licensing agreements.
- ***Strategic Developments*** – consists of residential condominium and commercial property projects currently under development and all other properties held for development which have no substantial operations.

Segment operating results are as follows:

thousands	Operating Assets Segment (a)	MPC Segment	Seaport Segment	Strategic Developments Segment	Total
Three Months Ended June 30, 2021					
Total revenues	$ 113,422	$ 74,578	$ 10,898	$ 13,466	$ 212,364
Total operating expenses	(53,191)	(33,905)	(15,996)	(18,640)	(121,732)
Segment operating income (loss)	60,231	40,673	(5,098)	(5,174)	90,632
Depreciation and amortization	(39,975)	(98)	(7,004)	(1,597)	(48,674)
Interest income (expense), net	(18,152)	10,615	187	659	(6,691)
Other income (loss), net	(156)	—	(618)	14	(760)
Equity in earnings (losses) from real estate and other affiliates	(10,419)	18,641	(336)	(19)	7,867
Gain (loss) on sale or disposal of real estate and other assets, net	—	—	—	21,333	21,333
Gain (loss) on extinguishment of debt	(46)	—	—	—	(46)
Provision for impairment	—	—	—	(13,068)	(13,068)
Segment EBT	$ (8,517)	$ 69,831	$ (12,869)	$ 2,148	$ 50,593
Corporate income, expenses and other items					(46,976)
Net income (loss)					3,617
Net (income) loss attributable to noncontrolling interests					1,224
Net income (loss) attributable to common stockholders					$ 4,841
Three Months Ended June 30, 2020					
Total revenues	$ 84,277	$ 68,913	$ 2,272	$ 624	$ 156,086
Total operating expenses	(42,222)	(31,970)	(8,464)	(12,517)	(95,173)
Segment operating income (loss)	42,055	36,943	(6,192)	(11,893)	60,913
Depreciation and amortization	(36,995)	(91)	(6,776)	(1,650)	(45,512)
Interest income (expense), net	(23,103)	8,303	(4,626)	1,057	(18,369)
Other income (loss), net	226	—	(409)	1,668	1,485
Equity in earnings (losses) from real estate and other affiliates	475	(2,968)	(6,633)	574	(8,552)
Gain (loss) on sale or disposal of real estate and other assets, net	—	—	—	8,000	8,000
Segment EBT	$ (17,342)	$ 42,187	$ (24,636)	$ (2,244)	$ (2,035)
Corporate income, expenses and other items					(32,068)
Net income (loss)					(34,103)
Net (income) loss attributable to noncontrolling interests					19
Net income (loss) attributable to common stockholders					$ (34,084)

(a) Total revenues includes hospitality revenues of $13.9 million for the three months ended June 30, 2021, and $2.5 million for the three months ended June 30, 2020. Total operating expenses includes hospitality operating costs of $11.0 million for the three months ended June 30, 2021, and $4.4 million for the three months ended June 30, 2020.

thousands	Operating Assets Segment (a)	MPC Segment	Seaport Segment	Strategic Developments Segment	Total
Six Months Ended June 30, 2021					
Total revenues	$ 209,861	$ 122,865	$ 18,351	$ 51,766	$ 402,843
Total operating expenses	(100,425)	(57,172)	(28,502)	(78,263)	(264,362)
Segment operating income (loss)	109,436	65,693	(10,151)	(26,497)	138,481
Depreciation and amortization	(79,626)	(170)	(13,839)	(3,195)	(96,830)
Interest income (expense), net	(37,152)	21,372	289	1,760	(13,731)
Other income (loss), net	(10,254)	—	(954)	14	(11,194)
Equity in earnings (losses) from real estate and other affiliates	(21,823)	46,291	(688)	(117)	23,663
Gain (loss) on sale or disposal of real estate and other assets, net	—	—	—	21,333	21,333
Gain (loss) on extinguishment of debt	(882)	—	—	—	(882)
Provision for impairment	—	—	—	(13,068)	(13,068)
Segment EBT	$ (40,301)	$ 133,186	$ (25,343)	$ (19,770)	$ 47,772
Corporate income, expenses and other items					(112,314)
Net income (loss)					(64,542)
Net (income) loss attributable to noncontrolling interests					2,789
Net income (loss) attributable to common stockholders					$ (61,753)
Six Months Ended June 30, 2020					
Total revenues	$ 198,534	$ 119,359	$ 11,966	$ 1,384	$ 331,243
Total operating expenses	(94,462)	(55,692)	(22,775)	(116,816)	(289,745)
Segment operating income (loss)	104,072	63,667	(10,809)	(115,432)	41,498
Depreciation and amortization	(74,084)	(182)	(27,651)	(3,411)	(105,328)
Interest income (expense), net	(49,296)	16,857	(9,679)	2,988	(39,130)
Other income (loss), net	167	—	(3,777)	1,293	(2,317)
Equity in earnings (losses) from real estate and other affiliates	4,869	5,966	(8,676)	638	2,797
Gain (loss) on sale or disposal of real estate and other assets, net	38,124	—	—	8,000	46,124
Provision for impairment	(48,738)	—	—	—	(48,738)
Segment EBT	$ (24,886)	$ 86,308	$ (60,592)	$ (105,924)	$ (105,094)
Corporate income, expenses and other items					(54,091)
Net income (loss)					(159,185)
Net (income) loss attributable to noncontrolling interests					(33)
Net income (loss) attributable to common stockholders					$ (159,218)

(a) Total revenues includes hospitality revenues of $21.6 million for the six months ended June 30, 2021, and $19.8 million for the six months ended June 30, 2020. Total operating expenses includes hospitality operating costs of $18.9 million for the six months ended June 30, 2021, and $17.2 million for the six months ended June 30, 2020.

The assets by segment and the reconciliation of total segment assets to the Total assets in the Condensed Consolidated Balance Sheets are summarized as follows:

thousands	**June 30, 2021**	December 31, 2020
Operating Assets	**$ 3,949,294**	$ 3,936,119
Master Planned Communities	**2,327,151**	2,285,896
Seaport	**972,512**	924,245
Strategic Developments	**1,212,919**	1,132,231
Total segment assets	**8,461,876**	8,278,491
Corporate	**847,193**	861,841
Total assets	**$ 9,309,069**	$ 9,140,332

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis by management should be read in conjunction with the unaudited Condensed Consolidated Financial Statements and Notes included in this quarterly report on Form 10-Q (the Quarterly Report) and in The Howard Hughes Corporation’s (HHC or the Company) annual report on Form 10-K for the fiscal year ended December 31, 2020, filed with the Securities and Exchange Commission (SEC) on February 25, 2021 (the Annual Report). All references to numbered Notes are to specific notes to our unaudited Condensed Consolidated Financial Statements included in this Quarterly Report.

FORWARD-LOOKING INFORMATION

Certain statements contained in or incorporated by reference into this Quarterly Report, including, without limitation, those related to our future operations and those related to our expectations concerning the impact of the ongoing coronavirus pandemic (COVID-19) on our future operations and balance sheet, constitute “forward-looking statements” within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. All statements other than statements of historical fact included in this Quarterly Report are forward-looking statements and may include words such as “anticipate,” “believe,” “estimate,” “expect,” “forecast,” “intend,” “likely,” “may,” “plan,” “project,” “realize,” “should,” “transform,” “would,” and other statements of similar expression.

These forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause our actual results, performance or achievements, or industry results, to differ materially from any predictions of future results, performance or achievements that we express or imply in this Quarterly Report or in the information incorporated herein by reference. Currently, one of the most significant factors is the unknown future adverse impact of COVID-19 on our financial condition, results of operations, cash flows and performance, on our industry, and on the global economy and financial markets. The extent to which COVID-19 will continue to impact us depends on future developments that remain uncertain and cannot be predicted with confidence, including the scope and duration of the pandemic, actions taken by governments and authorities to contain or mitigate the impact of the virus, the speed of distribution and effectiveness of vaccines, the impact of ongoing and future mutations of the virus, and the short and long-term economic and consumer behavior impact caused by the pandemic. In addition, you should interpret many of the risks identified below and set forth in our 2020 Annual Report on Form 10-K (2020 Annual Report), as being heightened as a result of the ongoing and numerous adverse impacts of COVID-19.

Some of the risks, uncertainties and other important factors that may affect future results or cause actual results to differ materially from those expressed or implied by forward-looking statements include:

– the impact of COVID-19 on our business, our tenants and the economy in general, including as described above;
– a prolonged recession in the national economy, including any adverse business or economic conditions in the homebuilding, condominium development, retail, office and hospitality sectors;
– potential changes in the financial markets and interest rates;
– our continuing ability to obtain operating and development capital on favorable terms, or at all;
– our ability to compete effectively, including the potential impact of heightened competition for tenants and potential decreases in occupancy at our properties;
– our ability to successfully dispose of non-core assets on terms favorable to us;
– our ability to lease new or redeveloped space;
– our ability to successfully identify, acquire, develop and/or manage properties on terms that are favorable to us;
– our ability to obtain the necessary governmental permits for the development of our properties and necessary regulatory approvals pursuant to an extensive entitlement process involving multiple and overlapping regulatory jurisdictions, which often require discretionary action by local governments;
– potential increases in real estate construction costs, including construction cost increases as the result of trade disputes and tariffs on goods imported in the United States;
– impact of construction costs exceeding our original estimates, delays or overruns, claims for construction defects, or other factors affecting our ability to develop, redevelop or construct our properties;
– regulation of the portion of our business that is dedicated to the formation and sale of condominiums, including regulatory filings to state agencies, additional entitlement processes and requirements to transfer control to a condominium association’s board of directors in certain situations;
– potential defaults by purchasers on their obligations to purchase our condominiums;
– fluctuations in regional and local economies, the residential housing and condominium markets, local real estate conditions, and competition from competing retail properties and the internet;
– natural disasters, terrorist activity, acts of violence, contamination of our properties by hazardous or toxic substances, or other similar disruptions, as well as losses that are not insured or exceed the applicable insurance limits;
– our inability to control certain of our properties due to the joint ownership of such property and our inability to successfully attract desirable strategic partners;
– catastrophic events or geo-political conditions, such as the COVID-19 pandemic, that may disrupt our business;
– inherent risks related to disruption of information technology networks and related systems, including cyber security attacks;
– our ability to attract and retain key personnel; and
– other risks and uncertainties described herein, as well as those risks and uncertainties discussed from time to time in our other reports and other public filings with the SEC.

Although we presently believe that the plans, expectations and anticipated results expressed in or suggested by the forward-looking statements contained in or incorporated by reference into this Quarterly Report are reasonable, all forward-looking statements are inherently subjective, uncertain and subject to change, as they involve substantial risks and uncertainties, including those beyond our control. New factors emerge from time to time, and it is not possible for us to predict the nature, or assess the potential impact, of each new factor on our business. Given these uncertainties, we caution you not to place undue reliance on these forward-looking statements. We undertake no obligation to update or revise any of our forward-looking statements for events or circumstances that arise after the statement is made, except as otherwise may be required by law.

The above list of risks and uncertainties is only a summary of some of the most important factors and is not intended to be exhaustive. Additional information regarding risk factors that may affect us is included in our 2020 Annual Report. The risk factors contained in our 2020 Annual Report are updated by us from time to time in Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other filings that we make with the SEC.

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EXECUTIVE OVERVIEW

Description of Business

We strive to create timeless places and extraordinary experiences that inspire people while driving sustainable, long-term growth and value for our stockholders. We operate in four business segments: Operating Assets, MPC, Seaport and Strategic Developments. The operational synergies of combining our three main business segments, Operating Assets, MPC and Strategic Developments, create a unique and continuous value-creation cycle. We sell land to residential homebuilders in our MPCs, and the new homes attract residents to our cities looking for places to live, work and shop. New homeowners create demand for commercial developments, such as retail, office, self-storage and hospitality offerings. We build these commercial properties through Strategic Developments when the timing is right using the cash flow harvested from our operating properties Net Operating Income (NOI) and from the sale of land to homebuilders. Once these strategic developments are completed and stabilized, they transition to Operating Assets, which are located across the United States and increase recurring NOI, further funding the equity requirements in Strategic Developments. New office, retail and other commercial amenities make our MPC residential land more appealing to buyers and increase the velocity of land sales at premiums that exceed the broader market. Increased demand for residential land generates more cash flow from MPC, thus continuing the cycle. Our fourth business segment, the Seaport, is one of the only privately controlled districts in New York City and is being transformed into a culinary and entertainment destination. The Seaport spans across approximately 453,000 square feet and several city blocks, including Pier 17, the Tin Building, the Historic District as well as the 250 Water Street parking lot.

In addition to the required presentations using GAAP, we use certain non-GAAP performance measures, such as earnings before taxes (EBT) and NOI. See the Earnings Before Taxes, Operating Assets and Seaport sections below for the reconciliation of GAAP to non-GAAP financial measures and a statement indicating why management believes the non-GAAP financial measure provides useful information for investors.

Executive Transition In December 2020, the Company announced the appointment of David R. O’Reilly as the Company’s Chief Executive Officer and the appointment of L. Jay Cross as the Company’s President. On April 8, 2021, the Company announced that Correne Loeffler had been appointed to serve as the Company's Chief Financial Officer (CFO), effective April 19, 2021. Ms. Loeffler succeeded David O'Reilly as the Company's CFO, a position that he had held since joining HHC in 2016 and had continued to hold on an interim basis since being appointed Chief Executive Officer in December 2020. Ms. Loeffler joined HHC following her role as Chief Financial Officer of Whiting Petroleum, where she managed the company’s Finance, Accounting, and Corporate Planning organizations. She also previously served as Vice President of Finance and Treasurer for the Callon Petroleum Company. In addition, she served as Callon's Interim Chief Financial Officer. Prior to that she spent over a decade at JPMorgan Securities before leaving as an Executive Director in the Corporate Client Banking group.

COVID-19 Pandemic The outbreak of COVID-19 impacted global economic activity in early 2020 and caused significant volatility and negative pressure in financial markets. The impact of COVID-19 and the wide variety of government-issued control measures, including states of emergency, required business and school closures, shelter-in-place orders and travel restrictions, resulted in a negative impact on our financial performance in 2020, particularly in our Operating Asset and Seaport segments. Many states began easing quarantine protocols near the end of the second quarter of 2020, which allowed most of our retail and hospitality properties to resume operations on a limited basis. The extent to which COVID-19 continues to impact us will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the actions taken to contain the pandemic or mitigate its impact, such as the speed and effectiveness of vaccine and treatment developments and their deployment, potential mutations of COVID-19, and the direct and indirect economic effects of the pandemic and containment measures.

While the impact of COVID-19 affected all of our business segments throughout 2020 and continues to impact the Company in 2021, we saw significant performance improvement during the second half of the 2020 that has continued throughout the first half of 2021. Notably, during the second quarter of 2021, we achieved Operating Asset NOI of $56.2 million, MPC EBT of $69.8 million and contracted to sell 45 condominium units at Ward Village. This represents a $17.3 million increase in Operating Asset NOI, a $27.6 million increase in MPC EBT and a 246% increase in condominium units sold at Ward Village, as compared to the second quarter of 2020.

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Second Quarter 2021 Highlights

Comparison of the three months ended June 30, 2021, to the three months ended June 30, 2020

Total Company

- Net income attributable to common stockholders increased to $4.8 million, or $0.09 per diluted share, for the three months ended June 30, 2021, compared to a loss of $34.1 million, or $(0.61) per diluted share, for the three months ended June 30, 2020.
- We continue to maintain a strong liquidity position with $1.1 billion of cash and cash equivalents and available capacity of $185 million on the revolver portion of our credit facilities as of June 30, 2021, with limited near-term debt maturities.

Capital and Financing Activities

- In April 2021, the Company closed on an $82.6 million construction loan for the development of Marlow in Columbia. The loan bears interest at LIBOR plus 2.95% with an initial maturity of April 2025 and a one-year extension option.
- In April 2021, the Company closed on a $42.7 million construction loan for the development of Starling at Bridgeland. The loan bears interest at LIBOR plus 2.75%, subject to an overall interest rate floor of 3.75%, and an initial maturity date of May 2026, and a one-year extension option.

Operating Assets

- Operating Assets NOI totaled $56.2 million in the current quarter, a $17.3 million or 44% increase compared to $38.9 million in the prior-year period.
- Retail NOI increased $6.2 million, primarily due to improving rent collections of 79.7% and strong leasing activity primarily in Downtown Summerlin and Ward Village.
- Hospitality NOI increased $4.6 million, primarily due to an increase in the volume of leisure travelers during the early summer months, resulting in an overall occupancy of 45% in the current quarter.
- Other property NOI increased $4.4 million, primarily due to the return of the Las Vegas Aviators 2021 baseball season. The Las Vegas Ballpark generated $3.1 million of NOI during the quarter as the Las Vegas Aviators began the 2021 minor league baseball season. This compares to a $1.1 million loss in the prior-year period when the impacts of COVID-19 resulted in the cancellation of the entire 2020 minor league baseball season.
- Multi-family NOI increased $3.6 million, primarily due to faster than expected lease-up at Juniper Apartments, Two Lakes Edge and The Lane at Waterway.
- Office NOI decreased $1.4 million, primarily due to the expiration of a short-term lease at The Woodlands Towers at the Waterway in June 2020.

MPC

- MPC EBT totaled $69.8 million in the current quarter, a $27.6 million or 66% increase compared to $42.2 million in the prior-year period.
- The increase in EBT was primarily due to higher Equity in earnings (losses) from real estate and other affiliates at The Summit due to an increased number of unit closings during the second quarter of 2021 and higher land sales revenues at Summerlin due to an increase in superpad, custom lot and commercial land sales. These increases were partially offset by lower land sales revenues at Bridgeland due to a reduction in acres sold as greater than expected demand accelerated lot sales into the third and fourth quarter of 2020 that were originally expected to occur in the second quarter of 2021. In addition, The Woodlands experienced a decrease in residential acres sold, with only 26 acres remaining to be sold as the development of residential land nears completion.
- New home sales, a leading indicator of future land sales, continued to increase, with 687 homes sold in our MPCs during the quarter, a 23% increase compared to the prior-year period.

Seaport

- Seaport EBT increased $11.8 million to a loss of $12.9 million, primarily due to an impairment charge of $6.0 million for the Company's equity investment in Mr. C Seaport in the second quarter of 2020, that did not reoccur in 2021 and a decrease in interest expense due to the retirement of a $250 million Seaport loan in August 2020.
- Seaport NOI decreased $0.8 million to a loss of $4.3 million, primarily due to a $2.2 million decrease in our landlord entities, partially offset by a $1.0 million increase in our managed business entities and $0.4 million increase in our events, sponsorships and catering business. The decreases in NOI were primarily due to increased operating expenses in our landlord operations, partially offset by increased revenue in our managed business entities, as business resumes after the onset of the COVID-19 pandemic in 2020.

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Strategic Developments

- Strategic Developments EBT totaled income of $2.1 million in the current quarter, a $4.4 million increase compared to a loss of $2.2 million in the prior-year period.
- The increase in EBT was primarily due to a $13.3 million increase in Gain (loss) on sale or disposal of real estate and other assets, net and a $5.1 million write down of condominium inventory during the second quarter of 2020 that did not reoccur in the current period, partially offset by a $13.1 million impairment of Century Park in the second quarter of 2021. The increase in Gain (loss) on sale or disposal of real estate and other assets, net was driven by a gain of $21.3 million recognized in the second quarter of 2021 related to the sale of Monarch City, compared to the receipt of an $8.0 million termination payment in the second quarter of 2020, related to the October 2019 sale of West Windsor.
- We continued to experience strong condominium unit sales in Ward Village, evidenced by the 45 condominium units we contracted to sell during the second quarter of 2021. Victoria Place, which began construction in February 2021, accounted for 28 of the units contracted during the quarter and was 93.4% presold as of June 30, 2021.
- We closed on the final unit at Anaha, totaling $12.9 million in net revenue. As a result, Anaha is completely sold.

Overview of Business Segments

Operating Assets

Office and Multi-family Throughout the pandemic, we have seen continued strength in our office and multi-family assets. We continue to closely monitor our rental revenue, and for the three months ended June 30, 2021, we collected 98.6% of our office portfolio billings, 98.6% of our multi-family portfolio billings, and 92.5% of our other portfolio billings. Multi-family net operating income (NOI) increased 94% or $3.6 million, from $3.8 million for the three months ended June 30, 2020, to $7.4 million for the three months ended June 30, 2021, due to our newly completed multi-family assets continuing to lease at or above our expectations. Office NOI decreased 5% or $1.4 million, from $27.7 million for the three months ended June 30, 2020 to $26.3 million for the three months ended June 30, 2021, primarily due to the expiration of a short-term lease at The Woodlands Towers at the Waterway in June 2020; however, leasing velocity in The Woodlands and Summerlin continues to increase throughout 2021.

Retail Retail locations at our properties were significantly negatively impacted by the pandemic in 2020. Beginning in April 2020, we experienced the temporary closure of all non-essential retail in Summerlin, Houston and Ward Village, and the complete closure of the Outlet Collection at Riverwalk. Several of our tenants were able to resume limited operations in May and June 2020, and the majority of our tenants had reopened by the end of the third quarter of 2020. As a result of these closures, collections of our retail portfolio billings reached a low of 49.7% during the three months ended June 2020. Despite these negative impacts, we began to see notable improvements in the performance of our retail assets during the fourth quarter of 2020 and collections of our retail billings increased to 77.5% for the three months ended March 31, 2021, and continued to increase to 79.7% for the three months ended June 30, 2021. Additionally, NOI increased 72% or $6.2 million, from $8.6 million for the three months ended June 30, 2020, to $14.8 million for the three months ended June 30, 2021.

Hospitality At the onset of the pandemic in March 2020, we temporarily closed all three of our hotel properties. The Woodlands Resort reopened in May 2020, the Embassy Suites reopened in June 2020 and The Westin at The Woodlands reopened in July 2020. As a result of these re-openings, occupancy levels rose throughout 2020 but remained lower than levels achieved prior to the pandemic. However, with the gradual return of leisure travel in the first half of 2021, we have continued to see occupancy levels rise at all of our properties. From the fourth quarter of 2020 to the second quarter of 2021, occupancy levels increased from 55% to 68% at the Embassy Suites, 28% to 49% at The Westin at The Woodlands and 27% to 31% at The Woodlands Resort. As a result of this increased occupancy, NOI increased $4.6 million, from a loss of $1.8 million for the three months ended June 30, 2020, to income of $2.7 million for the three months ended June 30, 2021.

Las Vegas Aviators The Minor League Baseball season was canceled for 2020, which impacted the Las Vegas Aviators, our Triple-A professional baseball team. Following the 2021 restructuring of Minor League Baseball, the Las Vegas Aviators are participating in the Triple-A West Professional Development League and began the 2021 season on May 6, 2021. As a result, NOI has increased substantially from a loss of $1.1 million for the three months ended June 30, 2020, to income of $3.1 million for the three months ended June 30, 2021.

MPC At the onset of the pandemic, we took steps to reduce expenses and preserve cash, including ceasing development of MPC land that was not under contract for sale or where we did not have a post-closing requirement, and reducing or postponing voluntary capital expenditures.

New home sales in our MPC locations, a leading indicator of land sales, dropped considerably in April of 2020 as a result of stay-at-home orders, but experienced large upticks in May through December of 2020. In response, we restarted horizontal development to maintain a sufficient supply of lots and superpads to keep up with the strong home sales. This trend has continued through the first half of 2021, with 1,616 new homes sold in our MPCs year to date, representing a 29.5% increase compared to the first half of 2020. In addition, the price per acre of residential land across all our MPCs increased 5% year to date to $618 thousand per acre compared to $589 thousand per acre in the prior-year period.

Seaport In response to the pandemic, we completely closed the Seaport and halted construction on the Tin Building in March 2020. Social distancing restrictions also resulted in cancellation of our 2020 Seaport summer concert series. While restrictions remained in place throughout 2020 and into 2021, many of the businesses within the Seaport were able to resume operations, on a limited basis, in the third quarter of 2020. Most restrictions were lifted in June of 2021; however, many businesses at the Seaport continued to operate at reduced levels primarily due to labor shortages. Construction on the Tin Building resumed in May 2020 and is expected to be substantially complete in the fourth quarter of 2021 and open in early 2022, with an expanded focus on in-person dining, retail shopping, mobile ordering and delivery. We are closely monitoring our revenues, and based on collections for the three months ended June 30, 2021, we have collected 99.0% of our $1.2 million of office portfolio billings and a nominal amount of our $1.1 million of retail portfolio billings as we have restructured many leases as a result of the impacts of the pandemic.

In place of the 2020 summer concert series, we launched a new concept at the Pier 17 rooftop called The Greens, which allowed people to reserve socially distanced, mini-lawn spaces. These lawn spaces were converted to individual dining cabins for guests to enjoy in the winter months. The Greens concept returned in May 2021 to complement the 2021 summer concert series, which began on July 30, 2021, and is expected to run through October 2021. The Greens concept continues to generate high customer demand for the outdoor venue, as evidenced by us hosting a variety of rooftop events, including ESPN's The ESPYS in July 2021, and the launch of the 2021 summer concert series.

In April 2021, Momofuku reopened the Ssäm Bar in the space previously occupied by its former concept, Bar Wayō. Additionally, Andrew Carmellini's Noho Hospitality opened Mister Dips in May 2021 and Carne Mare in June 2021.

We have also announced the future opening of two new concepts at the Fulton Market Building in the space previously occupied by 10 Corso Como. In early 2022, in a joint partnership with Endorphin Ventures, we expect to launch The Lawn Club, a new concept that will transform 20,000 square feet of the Fulton Market Building into an immersive indoor and outdoor experience that includes a massive expanse of indoor grass, a stylish clubhouse bar and a wide variety of lawn games. We also expect to launch a new restaurant concept by Josh Eden and Wylie Dufresne at 1 Fulton Street featuring an all-day menu with many specialty to-go items and an expansive outdoor café in early 2022.

In October 2020, we announced our comprehensive proposal for the redevelopment of 250 Water Street, which includes the transformation of this underutilized full-block surface parking lot into a mixed-use development that would include affordable housing, condominium units, community-oriented spaces and office space. In May 2021, we received approval from the New York City Landmarks Preservation Commission on our proposed design for the 250 Water Street building. This favorable ruling confirms that the proposed architecture is appropriate for the South Street Seaport Historic District and allows us to proceed with the formal New York City Uniform Land Use Review Procedure known as ULURP, which will be required to complete the necessary transfer of development rights to the parking lot site. Although this ruling is currently being contested in court, we believe this ruling will be upheld. This project, which includes approximately 540,000 zoning square feet, presents a unique opportunity at the Seaport to transform this last available development site into a vibrant mixed-use asset. The plan as proposed will provide long-term viability to the South Street Seaport Museum and deliver much-needed affordable housing and economic stimulus to the area. We will continue working with the City to advance this process over the coming calendar year with the goal of bringing these benefits to this one-of-a-kind neighborhood.

Strategic Developments Given the challenges presented by the pandemic, we launched digital sales efforts in early 2020, including virtual tours to sell condominiums in Hawai'i, which we will continue to maintain until social distancing recommendations are lifted. We also implemented new model home practices by adding 3D virtual tours of interactive floor plans, live chat capabilities with sales staff, and increased photographs on our websites conducive to social distancing recommendations. As a result, overall progress at our condominium projects remains strong as of June 30, 2021, with our four completed towers 99.8% sold and our three under-construction towers 86.4% presold.

We have not experienced any delays in our existing construction as a result of COVID-19, other than the brief delay of construction on the Tin Building discussed above. In December 2020, we began construction on Starling at Bridgeland, a luxury multi-family development in Bridgeland. During the first quarter of 2021, we began construction on Marlow, a multi-family development in Columbia, and Victoria Place, our seventh condominium project in Ward Village. During the second quarter of 2021 in Downtown Summerlin, we began construction on 1700 Pavilion, an office building and Tanager Echo, a luxury apartment complex.

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Earnings Before Taxes

In addition to the required presentations using GAAP, we use certain non-GAAP performance measures, as we believe these measures improve the understanding of our operational results and make comparisons of operating results among peer companies more meaningful. Management continually evaluates the usefulness, relevance, limitations and calculation of our reported non-GAAP performance measures to determine how best to provide relevant information to the public, and thus such reported measures could change.

Because our four segments, Operating Assets, MPC, Seaport and Strategic Developments, are managed separately, we use different operating measures to assess operating results and allocate resources among them. The one common operating measure used to assess operating results for our business segments is earnings before taxes (EBT). EBT, as it relates to each business segment, represents the revenues less expenses of each segment, including interest income, interest expense, depreciation and amortization and equity in earnings of real estate and other affiliates. EBT excludes corporate expenses and other items that are not allocable to the segments. See discussion herein at Corporate income, expenses and other items for further details. We present EBT for each segment because we use this measure, among others, internally to assess the core operating performance of our assets.

EBT should not be considered an alternative to GAAP net income attributable to common stockholders or GAAP net income, as it has limitations as an analytical tool, and should not be considered in isolation, or as a substitute for analysis of our results as reported under GAAP. Some of the limitations of EBT are that it does not include the following in our calculations:

- cash expenditures, or future requirements for capital expenditures or contractual commitments
- corporate general and administrative expenses
- interest expense on our corporate debt
- income taxes that we may be required to pay
- any cash requirements for replacement of fully depreciated or amortized assets
- limitations on, or costs related to, the transfer of earnings from our real estate and other affiliates to us

A reconciliation between EBT and Net income is presented below:

thousands	Operating Assets Segment (a)	MPC Segment	Seaport Segment	Strategic Developments Segment	Total
Three Months Ended June 30, 2021					
Total revenues	$ 113,422	$ 74,578	$ 10,898	$ 13,466	$ 212,364
Total operating expenses	(53,191)	(33,905)	(15,996)	(18,640)	(121,732)
Segment operating income (loss)	60,231	40,673	(5,098)	(5,174)	90,632
Depreciation and amortization	(39,975)	(98)	(7,004)	(1,597)	(48,674)
Interest income (expense), net	(18,152)	10,615	187	659	(6,691)
Other income (loss), net	(156)	—	(618)	14	(760)
Equity in earnings (losses) from real estate and other affiliates	(10,419)	18,641	(336)	(19)	7,867
Gain (loss) on sale or disposal of real estate and other assets, net	—	—	—	21,333	21,333
Gain (loss) on extinguishment of debt	(46)	—	—	—	(46)
Provision for impairment	—	—	—	(13,068)	(13,068)
Segment EBT	$ (8,517)	$ 69,831	$ (12,869)	$ 2,148	$ 50,593
Corporate income, expenses and other items					(46,976)
Net income (loss)					3,617
Net (income) loss attributable to noncontrolling interests					1,224
Net income (loss) attributable to common stockholders					$ 4,841
Three Months Ended June 30, 2020					
Total revenues	$ 84,277	$ 68,913	$ 2,272	$ 624	$ 156,086
Total operating expenses	(42,222)	(31,970)	(8,464)	(12,517)	(95,173)
Segment operating income (loss)	42,055	36,943	(6,192)	(11,893)	60,913
Depreciation and amortization	(36,995)	(91)	(6,776)	(1,650)	(45,512)
Interest income (expense), net	(23,103)	8,303	(4,626)	1,057	(18,369)
Other income (loss), net	226	—	(409)	1,668	1,485
Equity in earnings (losses) from real estate and other affiliates	475	(2,968)	(6,633)	574	(8,552)
Gain (loss) on sale or disposal of real estate and other assets, net	—	—	—	8,000	8,000
Segment EBT	$ (17,342)	$ 42,187	$ (24,636)	$ (2,244)	$ (2,035)
Corporate income, expenses and other items					(32,068)
Net income (loss)					(34,103)
Net (income) loss attributable to noncontrolling interests					19
Net income (loss) attributable to common stockholders					$ (34,084)

(a) Total revenues includes hospitality revenues of $13.9 million for the three months ended June 30, 2021, and $2.5 million for the three months ended June 30, 2020. Total operating expenses includes hospitality operating costs of $11.0 million for the three months ended June 30, 2021, and $4.4 million for the three months ended June 30, 2020.

thousands	Operating Assets Segment (a)	MPC Segment	Seaport Segment	Strategic Developments Segment	Total
Six Months Ended June 30, 2021					
Total revenues	$ 209,861	$ 122,865	$ 18,351	$ 51,766	$ 402,843
Total operating expenses	(100,425)	(57,172)	(28,502)	(78,263)	(264,362)
Segment operating income (loss)	109,436	65,693	(10,151)	(26,497)	138,481
Depreciation and amortization	(79,626)	(170)	(13,839)	(3,195)	(96,830)
Interest income (expense), net	(37,152)	21,372	289	1,760	(13,731)
Other income (loss), net	(10,254)	—	(954)	14	(11,194)
Equity in earnings (losses) from real estate and other affiliates	(21,823)	46,291	(688)	(117)	23,663
Gain (loss) on sale or disposal of real estate and other assets, net	—	—	—	21,333	21,333
Gain (loss) on extinguishment of debt	(882)	—	—	—	(882)
Provision for impairment	—	—	—	(13,068)	(13,068)
Segment EBT	$ (40,301)	$ 133,186	$ (25,343)	$ (19,770)	$ 47,772
Corporate income, expenses and other items					(112,314)
Net income (loss)					(64,542)
Net (income) loss attributable to noncontrolling interests					2,789
Net income (loss) attributable to common stockholders					$ (61,753)
Six Months Ended June 30, 2020					
Total revenues	$ 198,534	$ 119,359	$ 11,966	$ 1,384	$ 331,243
Total operating expenses	(94,462)	(55,692)	(22,775)	(116,816)	(289,745)
Segment operating income (loss)	104,072	63,667	(10,809)	(115,432)	41,498
Depreciation and amortization	(74,084)	(182)	(27,651)	(3,411)	(105,328)
Interest income (expense), net	(49,296)	16,857	(9,679)	2,988	(39,130)
Other income (loss), net	167	—	(3,777)	1,293	(2,317)
Equity in earnings (losses) from real estate and other affiliates	4,869	5,966	(8,676)	638	2,797
Gain (loss) on sale or disposal of real estate and other assets, net	38,124	—	—	8,000	46,124
Provision for impairment	(48,738)	—	—	—	(48,738)
Segment EBT	$ (24,886)	$ 86,308	$ (60,592)	$ (105,924)	$ (105,094)
Corporate income, expenses and other items					(54,091)
Net income (loss)					(159,185)
Net (income) loss attributable to noncontrolling interests					(33)
Net income (loss) attributable to common stockholders					$ (159,218)

(a) Total revenues includes hospitality revenues of $21.6 million for the six months ended June 30, 2021, and $19.8 million for the six months ended June 30, 2020. Total operating expenses includes hospitality operating costs of $18.9 million for the six months ended June 30, 2021, and $17.2 million for the six months ended June 30, 2020.

RESULTS OF OPERATIONS

Net income attributable to common stockholders increased $38.9 million to income of $4.8 million for the three months ended June 30, 2021, and increased $97.5 million to a loss of $61.8 million for the six months ended June 30, 2021, compared to the prior-year periods. Refer to the Second Quarter 2021 Highlights section above for information on the variances for three months ended June 30, 2021.

For the six months ended June 30, 2021:

Total segment EBT increased $152.9 million compared to the prior-year period primarily due to the following:

- higher Strategic EBT driven by a decrease in charges related to our expected funding of costs to correct alleged construction defects at Waiea and a decrease in Condominium rights and unit cost of sales related to a write down of inventory units in 2020 that did not reoccur in 2021
- higher MPC EBT primarily due to higher Equity in earnings (losses) from real estate and other affiliates at The Summit resulting from an increased number of unit closings and higher land sales revenues at Summerlin due to an increase in custom lot, super pad and commercial land sales, partially offset by lower land sales revenues at Bridgeland and The Woodlands due to reductions in acres sold
- higher Seaport EBT primarily due to the write off of retail inventory and building improvements related to the permanent closure of 10 Corso Como Retail and Café in the first quarter of 2020 and the impairment of our equity method investment in Mr. C Seaport in the second quarter of 2020 that did not reoccur in 2021 and a decrease in interest expense due to the retirement of a $250 million Seaport loan in August 2020
- lower Operating Assets EBT primarily due to lower Equity in earnings (losses) from real estate and other affiliates at 110 North Wacker related to losses during the lease-up period and an increase in Operating expenses primarily due to the steady return of business operations across our portfolio after the onset of the COVID-19 pandemic in 2020, partially offset by an increase in our Other land, rental and property revenues primarily related to return of the Las Vegas Aviators 2021 baseball season after cancellation in 2020 as a result of the COVID-19 pandemic
- lower impairment charge of Century Park during the current quarter, compared to the impairment on the Outlet Collection at Riverwalk in the first quarter of 2020
- loss on the settlement of the rate-lock agreement associated with the loans for 1201 Lake Robbins and The Woodlands Warehouse upon repayment in February 2021
- lower Gain on sale or disposal of real estate, net due to the sale Monarch City in the current quarter, compared to the sale of 100 Fellowship Drive in the first quarter of 2020 and the receipt of a termination payment in the second quarter of 2020 related to the sale of West Windsor

Net expenses related to Corporate income, expenses and other items increased $58.2 million compared to the prior-year period primarily due to the following:

- loss on extinguishment of debt related to the repurchase of the Company's $1.0 billion 5.375% Senior Notes due 2025 during the first quarter of 2021
- higher corporate interest expense, net primarily due to the issuance of $750 million 5.375% Senior Notes in August 2020, as well as the issuance of $650 million 4.125% Senior Notes and $650 million 4.375% Senior Notes in the first quarter of 2021, offset by the repurchase its $1.0 billion 5.375% Senior Notes in the first quarter of 2021
- decrease in income tax benefit primarily due to a decrease in the loss before income taxes, partially offset by a valuation allowance recorded in 2020 on our charitable contribution carryover

See segment discussions for more detail of the changes described above.

Operating Assets

The Operating Assets segment consists of retail, office, hospitality and multi-family properties along with other real estate investments, excluding the properties located at the Seaport, which are reported in the Seaport segment for all periods presented.

Segment EBT Segment EBT for Operating Assets is presented below:

Operating Assets Segment EBT	**Three Months Ended June 30,**			**Six Months Ended June 30,**		
thousands	**2021**	2020	$ Change	**2021**	2020	$ Change
Rental Revenue	**$ 86,149**	$ 77,664	$ 8,485	**$ 169,648**	$ 167,163	$ 2,485
Other land, rental and property revenues	**27,273**	6,613	20,660	**40,213**	31,371	8,842
Total revenues	**113,422**	84,277	29,145	**209,861**	198,534	11,327
Operating costs	**(42,379)**	(27,338)	(15,041)	**(77,522)**	(66,110)	(11,412)
Rental property real estate taxes	**(12,426)**	(13,029)	603	**(25,148)**	(24,897)	(251)
(Provision for) recovery of doubtful accounts	**1,614**	(1,855)	3,469	**2,245**	(3,455)	5,700
Total operating expenses	**(53,191)**	(42,222)	(10,969)	**(100,425)**	(94,462)	(5,963)
Segment operating income (loss)	**60,231**	42,055	18,176	**109,436**	104,072	5,364
Depreciation and amortization	**(39,975)**	(36,995)	(2,980)	**(79,626)**	(74,084)	(5,542)
Interest income (expense), net	**(18,152)**	(23,103)	4,951	**(37,152)**	(49,296)	12,144
Other income (loss), net	**(156)**	226	(382)	**(10,254)**	167	(10,421)
Equity in earnings (losses) from real estate and other affiliates	**(10,419)**	475	(10,894)	**(21,823)**	4,869	(26,692)
Gain (loss) on sale or disposal of real estate and other assets, net	**—**	—	—	**—**	38,124	(38,124)
Gain (loss) on extinguishment of debt	**(46)**	—	(46)	**(882)**	—	(882)
Provision for impairment	**—**	—	—	**—**	(48,738)	48,738
Segment EBT	**$ (8,517)**	$ (17,342)	$ 8,825	**$ (40,301)**	$ (24,886)	$ (15,415)

For the three months ended June 30, 2021:

Operating Assets segment EBT increased $8.8 million compared to the prior-year period primarily due to the following:
- increase in Rental revenue primarily due to increased rental income in Summerlin and Columbia as well as reserve reductions due an increase in collections at Summerlin
- increase in Other land, rental and property revenues, net of related Operating costs, primarily due to higher occupancy at our hospitality properties in 2021 and the return of the Las Vegas Aviators 2021 baseball season after cancellation in 2020 as a result of the COVID-19 pandemic
- decrease in interest expense due to the retirement or refinancing of various loans
- partially offset by a decrease in equity earnings, primarily due to losses incurred at 110 North Wacker during the lease-up period that were not present in the second quarter of 2020 as the property was in the development phase. Upon completion of construction in the third quarter of 2020, 110 North Wacker was deconsolidated and recorded as an equity method investment.

For the six months ended June 30, 2021:

Operating Assets segment EBT decreased $15.4 million compared to the prior-year period primarily due to the following:
- gain on the sale of 100 Fellowship Drive, in The Woodlands, Texas, in the first quarter of 2020
- decrease in equity earnings, primarily due to losses incurred at 110 North Wacker during the lease-up period that were not present in the first half of 2020 as the property was in the development phase. Upon completion of construction in the third quarter of 2020, 110 North Wacker was deconsolidated and recorded as an equity method investment.
- loss on the settlement of the rate-lock agreement upon repayment of $280.3 million outstanding on our loans for 1201 Lake Robbins and The Woodlands Warehouse in February 2021
- increase in Operating expenses primarily due to the steady return of business operations across our portfolio after the onset of the COVID-19 pandemic in 2020, partially offset by an increase in our Other land, rental and

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property revenues primarily related to return of the Las Vegas Aviators 2021 baseball season after cancellation in 2020 as a result of the COVID-19 pandemic

– partially offset by an impairment on the Outlet Collection at Riverwalk in the first quarter of 2020 and a decrease in interest expense due to the retirement or refinancing of various loans

Net Operating Income We believe that NOI is a useful supplemental measure of the performance of our Operating Assets and Seaport segments 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 rental and occupancy rates and operating costs as variances between years in NOI typically result from changes in rental rates, occupancy, tenant mix and operating expenses. We define NOI as operating revenues (rental income, tenant recoveries and other revenue) less operating expenses (real estate taxes, repairs and maintenance, marketing and other property expenses). NOI excludes straight-line rents and amortization of tenant incentives, net; interest expense, net; ground rent amortization; demolition costs; other (loss) income; amortization; depreciation; development-related marketing cost; gain on sale or disposal of real estate and other assets, net; provision for impairment 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 property-specific factors such as lease structure, lease rates and tenant base have on our operating results, gross margins and investment returns.

Although we believe that NOI provides useful information to investors about the performance of our Operating Assets and Seaport segments, due to the exclusions noted above, NOI should only be used as an additional measure of the financial performance of such assets and not as an alternative to GAAP net income. A reconciliation of Operating Assets segment EBT to Operating Assets NOI is presented in the table below. Refer to the Seaport section for a reconciliation of Seaport segment EBT to Seaport NOI.

Operating Assets NOI	**Three Months Ended June 30,**			**Six Months Ended June 30,**		
thousands	**2021**	2020	$ Change	**2021**	2020	$ Change
Total Operating Assets segment EBT	**$ (8,517)**	$ (17,342)	$ 8,825	**$ (40,301)**	$ (24,886)	$ (15,415)
Add back:						
Depreciation and amortization	**39,975**	36,995	2,980	**79,626**	74,084	5,542
Interest (income) expense, net	**18,152**	23,103	(4,951)	**37,152**	49,296	(12,144)
Equity in (earnings) losses from real estate and other affiliates	**10,419**	(475)	10,894	**21,823**	(4,869)	26,692
(Gain) loss on sale or disposal of real estate and other assets, net	**—**	—	—	**—**	(38,124)	38,124
(Gain) loss on extinguishment of debt	**46**	—	46	**882**	—	882
Provision for impairment	**—**	—	—	**—**	48,738	(48,738)
Impact of straight-line rent	**(3,987)**	(3,248)	(739)	**(9,094)**	(6,351)	(2,743)
Other	**100**	(119)	219	**10,239**	54	10,185
Operating Assets NOI	**$ 56,188**	$ 38,914	$ 17,274	**$ 100,327**	$ 97,942	$ 2,385

The below table presents Operating Assets NOI by property type:

Operating Assets NOI by Property Type	**Three Months Ended June 30,**			**Six Months Ended June 30,**		
thousands	**2021**	2020	$ Change	**2021**	2020	$ Change
Office	**$ 26,283**	$ 27,731	$ (1,448)	**$ 52,115**	$ 63,291	$ (11,176)
Retail	**14,799**	8,599	6,200	**26,802**	23,089	3,713
Multi-family	**7,410**	3,815	3,595	**13,145**	8,362	4,783
Hospitality	**2,721**	(1,844)	4,565	**2,574**	2,537	37
Other	**4,975**	613	4,362	**5,691**	663	5,028
Operating Assets NOI	**$ 56,188**	$ 38,914	$ 17,274	**$ 100,327**	$ 97,942	$ 2,385

For the three months ended June 30, 2021:

Operating Assets NOI increased $17.3 million compared to the prior-year period primarily due to the following:

- increase at our retail and hospitality properties as business rebounds from the COVID-19 pandemic
- increase at our multi-family properties primarily related to the lease-up of Juniper Apartments and Two Lakes Edge which opened in 2020
- increase at our other properties primarily related to the return of the Las Vegas Aviators 2021 baseball season after cancellation in 2020 as a result of the COVID-19 pandemic
- partially offset by a decrease in revenue on our office properties primarily related to the expiration of a short-term lease at The Woodlands Towers at the Waterway in June 2020

For the six months ended June 30, 2021:

Operating Assets NOI increased $2.4 million compared to the prior-year period primarily due to the following:

- increase at our other properties primarily related to the return of the Las Vegas Aviators 2021 baseball season after cancellation in 2020 as a result of the COVID-19 pandemic
- increase at our multi-family properties primarily related to the lease-up of Juniper Apartments and Two Lakes Edge which opened in 2020
- increase at our retail properties as business rebounds from the COVID-19 pandemic
- partially offset by a decrease in revenue on our office properties primarily related to the expiration of a short-term lease at The Woodlands Towers at the Waterway in June 2020

In addition, Operating Assets NOI for the three and six months ended June 30, 2021, includes NOI from the following assets that were transferred from Strategic Developments to Operating Assets:

- 8770 New Trails and Juniper Apartments transferred during the first quarter of 2020
- Two Lakes Edge transferred during the second quarter of 2020
- Merriweather District Area 3 Standalone Restaurant transferred during the third quarter of 2020
- The Lane at Waterway transferred during the fourth quarter of 2020
- Creekside Park The Grove transferred during the second quarter of 2021

Master Planned Communities

Segment EBT Segment EBT for MPC Assets is presented below:

MPC Segment EBT	**Three Months Ended June 30,**			**Six Months Ended June 30,**		
thousands	**2021**	2020	$ Change	**2021**	2020	$ Change
Master Planned Community land sales (a)	**$ 58,342**	$ 57,073	$ 1,269	**$ 95,819**	$ 96,805	$ (986)
Other land, rental and property revenues	**4,847**	2,893	1,954	**8,863**	5,848	3,015
Builder price participation (b)	**11,389**	8,947	2,442	**18,183**	16,706	1,477
Total revenues	**74,578**	68,913	5,665	**122,865**	119,359	3,506
Master Planned Communities cost of sales	**(24,858)**	(25,875)	1,017	**(40,509)**	(42,661)	2,152
Operating costs	**(9,047)**	(6,095)	(2,952)	**(16,663)**	(13,031)	(3,632)
Total operating expenses	**(33,905)**	(31,970)	(1,935)	**(57,172)**	(55,692)	(1,480)
Segment operating income (loss)	**40,673**	36,943	3,730	**65,693**	63,667	2,026
Depreciation and amortization	**(98)**	(91)	(7)	**(170)**	(182)	12
Interest income (expense), net	**10,615**	8,303	2,312	**21,372**	16,857	4,515
Equity in earnings (losses) from real estate and other affiliates	**18,641**	(2,968)	21,609	**46,291**	5,966	40,325
MPC segment EBT	**$ 69,831**	$ 42,187	$ 27,644	**$ 133,186**	$ 86,308	$ 46,878

(a) Master Planned Community land sales include deferred revenue from land sales closed in a previous period that met criteria for recognition in the current period.
(b) Builder price participation revenue is based on an agreed-upon percentage of the sales price of homes closed relative to the base lot price that was paid by the homebuilders to us. This revenue fluctuates based upon the number and the prices of homes closed that qualify for builder price participation payments.

For the three months ended June 30, 2021:

MPC segment EBT increased $27.6 million compared to the prior-year period. Performance was positively impacted by higher Equity in earnings (losses) from real estate and other affiliates at The Summit due to the impact of unit closings during the period compared the second quarter of 2020. In addition, higher MPC land sales revenues were primarily attributable to an increase in Summerlin superpad, custom lot and commercial land sales, partially offset by fewer acres sold for the first half of 2021 in The Woodlands, where only 26 residential acres remain to be sold as the development of residential land nears completion, and a reduction in acres sold at Bridgeland as greater than expected demand accelerated lot sales into the third and fourth quarter of 2020 that were originally expected to occur in the first half of 2021. Additional highlights for the period included:

- Summerlin experienced an increase in superpad land sales, 47.2 acres sold at a price of $729,000 per acre in the second quarter of 2021 versus 36.4 acres sold at a price of $687,000 per acre for the same period of 2020.
- Summerlin realized an increase of $4.3 million in commercial land sales driven by the sale of 6.3 acres of industrial/warehouse land in the second quarter of 2021, compared to no commercial land sales in the second quarter of 2020.
- The Woodlands Hills' residential land sales realized an increase of $3.7 million due to an increase in the quantity of acres sold, 18.5 acres at an average price of $327,000 per acre in the second quarter of 2021, compared to 7.6 acres at an average price of $311,000 per acre in the second quarter of 2020.

For the six months ended June 30, 2021:

MPC segment EBT increased $46.9 million compared to the prior-year period. Performance was positively impacted by higher Equity in earnings (losses) from real estate and other affiliates at The Summit due to the impact of unit closings during the period compared to the six months ended 2020. In addition, higher MPC land sales revenues were primarily attributable to an increase in Summerlin custom lot, superpad and commercial land sales, partially offset by fewer acres sold for the first half of 2021 in The Woodlands, where only 26 residential acres remain to be sold as the development of residential land nears completion, and a reduction in acres sold at Bridgeland as greater than expected demand accelerated lot sales into the third and fourth quarter of 2020 that were originally expected to occur in the first half of 2021. Additional highlights for the period included:

- Summerlin experienced an increase in custom lot sales, 11.7 acres sold at a price of $1.9 million per acre in the first half of 2021 versus 1.6 acres sold at a price of $1.4 million per acre for the same period of 2020.
- The Woodlands Hills' residential land sales realized an increase of $6.1 million due to an increase in the quantity of lots sold, 34.8 acres at an average price of $318,000 per acre in the first half of 2021 compared to 16.1 acres at an average price of $307,000 per acre in the first quarter of 2020.

MPC Net Contribution In addition to MPC segment EBT, we believe that certain investors measure the value of the assets in this segment based on their contribution to liquidity and capital available for investment. MPC Net Contribution is defined as MPC segment EBT, plus MPC cost of sales, Depreciation and amortization, and net collections from SID bonds and MUD receivables, reduced by MPC development expenditures, land acquisitions and Equity in earnings from real estate and other affiliates, net of distributions. MPC Net Contribution is not a GAAP-based operational metric and should not be used to measure operating performance of the MPC assets as a substitute for GAAP measures of such performance nor should it be used as a comparison metric with other comparable businesses. A reconciliation of segment EBT to MPC Net Contribution is presented below.

The following table sets forth the MPC Net Contribution:

MPC Net Contribution	**Three Months Ended June 30,**			**Six Months Ended June 30,**		
thousands	**2021**	2020	$ Change	**2021**	2020	$ Change
MPC Segment EBT	**$ 69,831**	$ 42,187	$ 27,644	**$ 133,186**	$ 86,308	$ 46,878
Plus:						
Cost of sales - land	**24,858**	25,875	(1,017)	**40,509**	42,661	(2,152)
Depreciation and amortization	**98**	91	7	**170**	182	(12)
MUD and SID bonds collections, net (a)	**(291)**	4,935	(5,226)	**2,603**	6,058	(3,455)
Distributions from real estate and other affiliates	**100,528**	1,173	99,355	**101,672**	2,345	99,327
Less:						
MPC development expenditures	**(73,322)**	(51,488)	(21,834)	**(126,302)**	(116,384)	(9,918)
Equity in (earnings) losses in real estate and other affiliates	**(18,641)**	2,968	(21,609)	**(46,291)**	(5,966)	(40,325)
MPC Net Contribution	**$ 103,061**	$ 25,741	$ 77,320	**$ 105,547**	$ 15,204	$ 90,343

(a) SID collections are shown net of SID transfers to buyers in the respective periods.

MPC Net Contribution increased $77.3 million for the three months ended June 30, 2021, compared to the same period in 2020, primarily due to an increase in distributions from real estate and other affiliates. MPC Net Contribution increased $90.3 million for the six months ended June 30, 2021, compared to the same period in 2020, primarily due to an increase in distributions from The Summit.

The following table sets forth MPC land inventory activity for the six months ended June 30, 2021:

thousands	Bridgeland	Columbia	Summerlin	The Woodlands	The Woodlands Hills	Total MPC
Balance December 31, 2020	$ 486,867	$ 16,625	$ 888,954	$ 177,341	$ 117,732	$ 1,687,519
Acquisitions	—	—	—	—	—	—
Development expenditures (a)	54,564	—	61,164	3,598	6,976	126,302
MPC Cost of sales	(6,313)	—	(29,413)	(361)	(4,422)	(40,509)
MUD reimbursable costs (b)	(35,137)	—	—	(127)	(2,978)	(38,242)
Transfer to Strategic Developments	(402)	—	—	—	—	(402)
Other (c)	3,204	—	5,432	(602)	800	8,834
Balance June 30, 2021	$ 502,783	$ 16,625	$ 926,137	$ 179,849	$ 118,108	$ 1,743,502

(a) Development expenditures are inclusive of capitalized interest and property taxes.
(b) MUD reimbursable costs represent land development expenditures transferred to MUD Receivables.
(c) Primarily consists of changes in accrued development expenditures payable.

Seaport

The Seaport is part non-stabilized operating asset, part development project and part operating business. As such, the Seaport has a greater range of possible outcomes than our other projects. The greater uncertainty is largely the result of: (i) seasonality; (ii) potential sponsorship revenue; (iii) potential event revenue; and (iv) business operating risks from various start-up businesses. We operate and own, either directly, through license agreements or in joint ventures, many of the tenants in the Seaport, including retail stores such as SJP by Sarah Jessica Parker and restaurants such as The Fulton by Jean-Georges, Ssäm Bar (formerly Bar Wayō), Malibu Farm, two concepts by Andrew Carmellini, R17 and the marketplace operated by Jean-Georges. As a result, the revenues and expenses of these businesses, as well as the underlying market conditions affecting these types of businesses, will directly impact the NOI of the Seaport. This is in contrast to our other retail properties where we primarily receive lease payments and are not as directly impacted by the operating performance of the underlying businesses. This causes the financial results and eventual stabilized yield of the Seaport to be less predictable than our other operating real estate assets with traditional lease structures. Further, as we open new operating businesses, either owned entirely or in partnership with third parties, we expect to incur pre-opening expenses and operating losses until those businesses stabilize, which likely will not happen until the Seaport reaches its critical mass of offerings. We expect the time to stabilize the Seaport will be primarily driven by the construction, interior finish work and stabilization to occur at the Jean-Georges marketplace in the Tin Building. As a result of impacts related to COVID-19, there were delays in construction on the Tin Building; however, construction is still on track for completion in the fourth quarter of 2021, with an expanded focus on experiences including in-person dining, retail shopping, mobile ordering and delivery. Given the factors and uncertainties listed above combined with the continued impacts related to COVID-19, we do not currently provide guidance on our expected NOI yield and stabilization date for the Seaport. As we move closer to opening a critical mass of offerings at the Seaport, we will re-establish goals for yield on costs and stabilization dates when the uncertainties and range of possible outcomes are clearer.

In October 2020, we announced our comprehensive proposal for the redevelopment of 250 Water Street, which includes the transformation of this underutilized full-block surface parking lot into a mixed-use development that would include affordable housing, condominium units, community-oriented spaces and office space. In May 2021, we received approval from the New York City Landmarks Preservation Commission on our proposed design for the 250 Water Street building. This favorable ruling confirms that the proposed architecture is appropriate for the South Street Seaport Historic District and allows us to proceed with the formal New York City Uniform Land Use Review Procedure known as ULURP, which will be required to complete the necessary transfer of development rights to the parking lot site. Although this ruling is currently being contested in court, we believe this ruling will be upheld. This project, which includes approximately 540,000 zoning square feet, presents a unique opportunity at the Seaport to transform this last available development site into a vibrant mixed-use asset. The plan as proposed will provide long-term viability to the South Street Seaport Museum and deliver much-needed affordable housing and economic stimulus to the area. We will continue working with the City to advance this process over the coming calendar year with the goal of bringing these benefits to this one-of-a-kind neighborhood.

We primarily categorize the businesses in the Seaport segment into three groups: landlord operations, managed businesses, and events and sponsorships. Landlord operations represents physical real estate we have developed and own, and is inclusive of our office, retail and multi-family properties.

Managed businesses represents retail and food and beverage businesses that HHC owns, either wholly or through partnerships with third parties, and operates, including license and management agreements. Our managed businesses include, among others, The Fulton, SJP by Sarah Jessica Parker, R17, Cobble & Co. and Malibu Farm. In July 2020, Seaport entered into management agreements with Creative Culinary Management Company, LLC (Creative Culinary), a Jean-Georges company, to manage and operate the food and beverage operations for the Fulton, R17, Cobble & Co. and Malibu Farm. Creative Culinary is responsible for employment and supervision of all employees providing services for the food and beverage operations and restaurant as well as day-to-day operations and accounting for food and beverage operations. In early 2022, we plan to expand our managed business portfolio with the launch of The Lawn Club, a new concept that will transform 20,000 square feet of the Fulton Market Building into an immersive indoor and outdoor experience that includes a massive expanse of indoor grass, a stylish clubhouse bar and a wide variety of lawn games. We also expect to launch a new restaurant concept by Josh Eden and Wylie Dufresne at 1 Fulton Street featuring an all-day menu with many specialty to-go items and an expansive outdoor café in early 2022.

Our events and sponsorship businesses have historically included our concert series, Winterland skating and bar, event catering, private events and sponsorships. With the cancellation of the 2020 summer concert series and the Winterland skating and bar, we launched a new concept at the Pier 17 rooftop called The Greens, which continued through the end of the first quarter of 2021. The Greens concept returned in May 2021 to compliment the 2021 summer concert series, which began on July 30, 2021 and is expected to run through October 2021. The Greens concept continues to generate high customer demand for the outdoor venue, as evidenced by us hosting a variety of rooftop events, including ESPN’s The ESPYS in July 2021, and the launch of the 2021 summer concert series.

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Segment EBT Segment EBT for Seaport is presented below:

Seaport Segment EBT	**Three Months Ended June 30,**			**Six Months Ended June 30,**		
thousands	**2021**	2020	$ Change	**2021**	2020	$ Change
Rental Revenue	**$ 2,139**	$ 944	$ 1,195	**$ 4,367**	$ 4,080	$ 287
Other land, rental and property revenues	**8,759**	1,328	7,431	**13,984**	7,886	6,098
Total revenues	**10,898**	2,272	8,626	**18,351**	11,966	6,385
Operating costs	**(15,522)**	(8,099)	(7,423)	**(27,681)**	(21,956)	(5,725)
Rental property real estate taxes	**(380)**	(354)	(26)	**(674)**	(707)	33
(Provision for) recovery of doubtful accounts	**(94)**	(11)	(83)	**(147)**	(112)	(35)
Total operating expenses	**(15,996)**	(8,464)	(7,532)	**(28,502)**	(22,775)	(5,727)
Segment operating income (loss)	**(5,098)**	(6,192)	1,094	**(10,151)**	(10,809)	658
Depreciation and amortization	**(7,004)**	(6,776)	(228)	**(13,839)**	(27,651)	13,812
Interest income (expense), net	**187**	(4,626)	4,813	**289**	(9,679)	9,968
Other income (loss), net	**(618)**	(409)	(209)	**(954)**	(3,777)	2,823
Equity in earnings (losses) from real estate and other affiliates	**(336)**	(6,633)	6,297	**(688)**	(8,676)	7,988
Segment EBT	**$ (12,869)**	$ (24,636)	$ 11,767	**$ (25,343)**	$ (60,592)	$ 35,249

For the three months ended June 30, 2021:

Seaport segment EBT loss decreased $11.8 million compared to the prior-year period primarily due to the following:

- $6.0 million impairment of the Company’s equity investment in Mr. C Seaport in the second quarter of 2020. Please refer to Note 4 - *Impairment* in the Company’s Condensed Consolidated Financial Statements for further details.
- decrease in interest expense due to the retirement of a $250 million Seaport loan in August 2020

For the six months ended June 30, 2021:

Seaport segment EBT loss decreased $35.2 million compared to the prior-year period primarily due to the following:

- charges in the first quarter of 2020 related to write-offs of retail inventory recorded within Other income (loss), net and building improvements recorded within Depreciation and amortization due to the permanent closure of 10 Corso Como Retail and Café that did not reoccur in 2021
- $6.0 million impairment of the Company’s equity investment in Mr. C Seaport in the second quarter of 2020
- decrease in interest expense due to the retirement of a $250 million Seaport loan in August 2020

Net Operating Income A reconciliation of Seaport segment EBT to Seaport NOI is presented in the table below:

Seaport NOI	**Three Months Ended June 30,**			**Six Months Ended June 30,**		
thousands	**2021**	2020	$ Change	**2021**	2020	$ Change
Total Seaport segment EBT	**$ (12,869)**	$ (24,636)	$ 11,767	**$ (25,343)**	$ (60,592)	$ 35,249
Add back:						
Depreciation and amortization	**7,004**	6,776	228	**13,839**	27,651	(13,812)
Interest (income) expense, net	**(187)**	4,626	(4,813)	**(289)**	9,679	(9,968)
Equity in (earnings) losses from real estate and other affiliates	**336**	6,633	(6,297)	**688**	8,676	(7,988)
Impact of straight-line rent	**463**	1,208	(745)	**867**	1,333	(466)
Other (income) loss, net (a)	**978**	1,953	(975)	**1,719**	5,923	(4,204)
Seaport NOI	**$ (4,275)**	$ (3,440)	$ (835)	**$ (8,519)**	$ (7,330)	$ (1,189)

(a) Includes miscellaneous development-related items as well as the loss related to the write-off of inventory due to the permanent closure of 10 Corso Como Retail and Café in the first quarter of 2020.

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The below table presents Seaport NOI by category:

Seaport NOI by Category	**Three Months Ended June 30,**			**Six Months Ended June 30,**		
thousands	**2021**	2020	$ Change	**2021**	2020	$ Change
Landlord Operations - Historic District & Pier 17	**$ (3,834)**	$ (1,611)	$ (2,223)	**$ (7,074)**	$ (3,472)	$ (3,602)
Multi-family	**44**	110	(66)	**136**	214	(78)
Hospitality	**—**	(12)	12	**—**	(12)	12
Managed Businesses - Historic District & Pier 17	**(256)**	(1,256)	1,000	**(916)**	(3,336)	2,420
Events, Sponsorships & Catering Business	**(229)**	(671)	442	**(665)**	(724)	59
Seaport NOI	**$ (4,275)**	$ (3,440)	$ (835)	**$ (8,519)**	$ (7,330)	$ (1,189)

Seaport NOI decreased for the three and six months ended June 30, 2021, compared to the prior-year period, primarily due to increased operating expenses in our landlord operations, partially offset by increased revenue in our managed business entities, as business resumes after the onset of the COVID-19 pandemic in 2020.

Including managed businesses, events, sponsorships, catering and the Tin Building, the Seaport is approximately 59% leased. We may continue to incur operating expenses in excess of rental revenues while the remaining available space is in lease-up. Additionally, rental revenue earned from businesses we own and operate is eliminated in consolidation. We expect to incur operating losses for our landlord operations, managed business entities and events and sponsorships until businesses in New York are able to operate at full capacity, the economy recovers from the economic impact of the COVID-19 pandemic and the Seaport reaches its critical mass of offerings, including the opening of the Tin Building.

Strategic Developments

Our Strategic Developments assets generally require substantial future development to maximize their value. Other than our condominium properties, most of the properties and projects in this segment do not generate revenues. Our expenses relating to these assets are primarily related to costs associated with constructing the assets, selling condominiums, marketing costs associated with our Strategic Developments, carrying costs including, but not limited to, property taxes and insurance, and other ongoing costs relating to maintaining the assets in their current condition. If we decide to redevelop or develop a Strategic Developments asset, we would expect that with the exception of the residential portion of our condominium projects, upon completion of development, the asset would likely be reclassified to Operating Assets when the asset is placed into service and NOI would become a meaningful measure of its operating performance. All development costs discussed herein are exclusive of land costs.

Segment EBT Segment EBT for Strategic Developments is presented below:

Strategic Developments Segment EBT	**Three Months Ended June 30,**			**Six Months Ended June 30,**		
thousands	**2021**	2020	$ Change	**2021**	2020	$ Change
Condominium rights and unit sales	**$ 12,861**	$ —	$ 12,861	**$ 50,028**	$ 43	$ 49,985
Rental Revenue	**104**	98	6	**192**	207	(15)
Other land, rental and property revenues	**501**	526	(25)	**1,546**	1,134	412
Total revenues	**$ 13,466**	$ 624	$ 12,842	**$ 51,766**	$ 1,384	$ 50,382
Condominium rights and unit cost of sales	**(13,435)**	(6,348)	(7,087)	**(68,403)**	(104,249)	35,846
Operating costs	**(4,295)**	(4,353)	58	**(7,975)**	(9,394)	1,419
Rental property real estate taxes	**(910)**	(1,816)	906	**(1,885)**	(3,173)	1,288
Total operating expenses	**(18,640)**	(12,517)	(6,123)	**(78,263)**	(116,816)	38,553
Segment operating income (loss)	**(5,174)**	(11,893)	6,719	**(26,497)**	(115,432)	88,935
Depreciation and amortization	**(1,597)**	(1,650)	53	**(3,195)**	(3,411)	216
Interest income (expense), net	**659**	1,057	(398)	**1,760**	2,988	(1,228)
Other income (loss), net	**14**	1,668	(1,654)	**14**	1,293	(1,279)
Equity in earnings (losses) from real estate and other affiliates	**(19)**	574	(593)	**(117)**	638	(755)
Gain (loss) on sale or disposal of real estate and other assets, net	**21,333**	8,000	13,333	**21,333**	8,000	13,333
Provision for impairment	**(13,068)**	—	(13,068)	**(13,068)**	—	(13,068)
Segment EBT	**$ 2,148**	$ (2,244)	$ 4,392	**$ (19,770)**	$ (105,924)	$ 86,154

For the three months ended June 30, 2021:

Strategic Developments segment EBT increased $4.4 million compared to the prior-year period primarily due to the following:

– increase in Gain (loss) on sale or disposal of real estate and other assets, net of $13.3 million driven by a gain of $21.3 million recognized in the second quarter of 2021 related to the sale of Monarch City, compared to the receipt of an $8.0 million termination payment in the second quarter of 2020 related to the October 2019 sale of West Windsor
– decrease in Condominium rights and unit cost of sales primarily driven by a loss of $5.1 million recorded in 2020 related to the write down of inventory units to better align the expected price with recent final sales prices, with no similar write downs during 2021
– increase in Provision for impairment of $13.1 million due to an impairment of Century Park. Refer to Note 4 -*Impairment* in our Condensed Consolidated Financial Statements for further details.

For the six months ended June 30, 2021:

Strategic Developments segment EBT increased $86.2 million compared to the prior-year period. In addition to the items affecting the three months ended June 30, 2021, the increase was primarily due to the following:

- decrease in Condominium rights and unit cost of sales primarily driven by charges related to our expected funding of costs to correct alleged construction defects at Waiea. An additional $21.0 million was charged during the six months ended June 30, 2021, related to additional anticipated costs, compared to charges of $99.1 million during the six months ended June 30, 2020. Refer to Note 9 - *Commitments and Contingencies* in our Condensed Consolidated Financial Statements for additional information.
- increase in Condominium rights and unit sales, net of costs, driven by the timing of condominium closings. The Company closed on four units at Waiea and two units at Anaha during the six months ended June 30, 2021, compared to no closings during the six months ended June 30, 2020.

Ward Village Condominium revenue is recognized when construction of the condominium tower is complete and unit sales close, leading to variability in revenue recognized between periods. As a result of significantly lower available inventory, we closed on six condominium inventory units during the six months ended June 30, 2021, compared to no condominium unit closings during the six months ended June 30, 2020. However, overall progress at our condominium projects remains strong, as evidenced by the six units closed at our completed towers and 91 units contracted to sell at our under construction towers during the six months ended June 30, 2021. Victoria Place, our newest project and Ward Village’s fastest-selling tower to date, accounted for 58 of these contracted units and is 93.4% sold as of June 30, 2021.

Completed Condominiums As of June 30, 2021, our four completed towers are 99.8% sold. During the six months ended June 30, 2021 we closed on four of the remaining units at Waiea, resulting in only three units remaining to be sold. Additionally, during the six months ended June 30, 2021, we closed on the two remaining units at Anaha. As a result, Ae’o, Ke Kilohana and Anaha are completely sold.

Under Construction Condominiums As of June 30, 2021, our three under construction towers are 86.4% sold. ‘A‘ali‘i is a 42-story, 750-unit mixed-use condominium project that will consist of studio, one- and two-bedroom residences and 150 workforce units. Kō'ula is a 41-story, 565-unit, mixed-use condominium project that will consist of studio, one-, two- and three-bedroom residences. We began construction on Victoria Place, our seventh condominium tower, in February 2021. Victoria Place is a 40-story, 349-unit condominium project that will consist of one-, two- and three-bedroom residences.

The following provides further detail for Ward Village as of June 30, 2021:

	Units Closed	Units Under Contract	Total Units	Total % of Units Closed or Under Contract	Total % of Residential Square Feet Closed or Under Contract	Completion Date
Completed						
Waiea (a)	174	—	177	98.3 %	97.7 %	Q4 2016
Anaha (a)	317	—	317	100.0 %	100.0 %	Q4 2017
Ae’o (b)	465	—	465	100.0 %	100.0 %	Q4 2018
Ke Kilohana (a)	423	—	423	100.0 %	100.0 %	Q2 2019
Under construction						
‘A‘ali‘i (c)	—	653	750	87.1 %	82.3 %	Q4 2021
Kō'ula (d)	—	459	565	81.2 %	84.1 %	2022
Victoria Place	—	326	349	93.4 %	94.6 %	2024

(a) The retail portions of these projects are 100% leased and have been placed in service.
(b) The retail portion of the project, which is primarily comprised of the 57,000-square-foot flagship Whole Foods Market, is 97.9% leased and has been placed into service.
(c) There will be approximately 12,000 square feet of new street level retail space as part of this project.
(d) There will be approximately 37,000 square feet of retail space as part of this project.

Corporate Income, Expenses and Other Items

The following table contains certain corporate related and other items not related to segment activities and that are not otherwise included within the segment analyses. Variances related to income and expenses included in NOI or EBT are explained within the previous segment discussions. Significant variances for consolidated items not included in NOI or EBT are described below:

	Three Months Ended June 30,			Six Months Ended June 30,		
thousands	**2021**	2020	$ Change	**2021**	2020	$ Change
Corporate income	**$ 93**	$ 87	$ 6	**$ 194**	$ 105	$ 89
General and administrative	**(20,334)**	(22,233)	1,899	**(42,100)**	(61,314)	19,214
Corporate interest expense, net	**(24,717)**	(13,624)	(11,093)	**(51,846)**	(26,165)	(25,681)
Gain (loss) on extinguishment of debt	**(5)**	—	(5)	**(35,084)**	—	(35,084)
Corporate other income (loss), net	**97**	122	(25)	**223**	240	(17)
Corporate depreciation and amortization	**(1,114)**	(1,451)	337	**(2,266)**	(3,272)	1,006
Demolition costs	**(149)**	—	(149)	**(149)**	—	(149)
Development-related marketing costs	**(2,397)**	(1,813)	(584)	**(4,041)**	(4,629)	588
Income tax (expense) benefit	**1,550**	6,844	(5,294)	**22,755**	40,944	(18,189)
Total Corporate income, expenses and other items	**$ (46,976)**	$ (32,068)	$ (14,908)	**$ (112,314)**	$ (54,091)	$ (58,223)

For the three months ended June 30, 2021:

Corporate income, expenses and other items was unfavorably impacted compared to the prior-year period by the following:

- increase in corporate interest expense, net primarily due to the issuance of $750 million 5.375% Senior Notes in August 2020, as well as the issuance of $650 million 4.125% Senior Notes and $650 million 4.375% Senior Notes in the first quarter of 2021, offset by the repurchase its $1.0 billion 5.375% Senior Notes in the first quarter of 2021
- decrease in income tax benefit primarily due to an increase in income before income taxes, partially offset by a valuation allowance recorded in 2020 on our charitable contribution carryover. Refer to Note 10 - *Income Taxes* for additional information.

For the six months ended June 30, 2021:

Corporate income, expenses and other items was unfavorably impacted compared to the prior-year period. In addition to the items affecting the three months ended June 30, 2021, the period was also unfavorably impacted by the following:

- loss on extinguishment of debt of $35.1 million due to the repurchase of the Company's $1.0 billion 5.375% Senior Notes due 2025

Corporate income, expenses and other items was favorably impacted compared to the prior-year period by the following:

- decrease in General and administrative expenses primarily related to workforce reductions and other corporate initiatives, which are part of an overall plan to reduce recurring overhead costs, and a decrease in consulting expenses as a result of fewer IT projects taking place in 2021

Liquidity and Capital Resources

Throughout the pandemic we have focused on measures to increase our liquidity. As a result, we have been able to maintain a strong balance sheet and ensure we maintain the financial flexibility and liquidity necessary to fund future growth. We continued to enhance our liquidity profile in the first quarter of 2021 through the issuance of $650 million 4.125% Senior Notes due 2029 and $650 million 4.375% Senior Notes due 2031. The Company used the net proceeds from the issuance, as well as available cash on hand, to repurchase its $1.0 billion 5.375% Senior Notes due 2025 and repay the $280.3 million outstanding under its loans for 1201 Lake Robbins and The Woodlands Warehouse maturing June 2021. Additionally, the Company closed on a $368.2 million construction loan for the development of Victoria Place in Ward Village. In April 2021, the Company closed on $125.3 million of additional new construction financings for Marlow in Columbia and Starling at Bridgeland, as well as a $58.5 million loan to replace the existing construction loan for Tanager Apartments in Downtown Summerlin. In June 2021, the Company closed on an extension of the $35.5 million loan for 8770 New Trails, extending the final maturity date to January 2032. In July 2021, the Company closed on a $35.5 million loan to replace the existing construction loan for Lakeside Row in Bridgeland.

Our primary sources of cash include cash flow from land sales in our MPCs, cash generated from our operating assets, condominium closings, deposits from condominium sales (which are restricted to funding construction of the related developments), equity offerings, first mortgage financings secured by our assets and the corporate bond markets. The sale of our non-core assets may also provide additional cash proceeds to our operating or investing activities. Our primary uses of cash include working capital, overhead, debt service, property improvements, acquisitions and development costs. We believe that our sources of cash, including existing cash on hand, will provide sufficient liquidity to meet our existing obligations and anticipated ordinary course operating expenses for at least the next 12 months, even after taking into account the consequences of the COVID-19 pandemic discussed above. The development and redevelopment opportunities in Operating Assets and Strategic Developments are capital intensive and will require significant additional funding, if and when pursued. Any additional funding, if available, would be raised with a mix of construction, bridge and long-term financings, by entering into joint venture arrangements, through the sale of non-core assets at the appropriate time, and lastly future equity raises. We cannot provide assurance that financing arrangements for our properties will be on favorable terms or occur at all, which could have a negative impact on our liquidity and capital resources. In addition, we typically must provide completion guarantees to lenders in connection with their providing financing for our projects. We also provided completion guarantees to the City of New York for the redevelopment of the Tin Building, as well as the Hawai'i Community Development Authority for reserve condominium units at Ward Village.

During 2021, we have continued to pursue the sale of our remaining non-core assets. We closed on the sale of Monarch City during the second quarter of 2021 for total net proceeds of $49.9 million. Since the fourth quarter of 2019, we have completed the sales of nine non-core assets generating approximately $263.7 million of net proceeds after debt repayment. While the COVID-19 pandemic has made additional non-core asset sales more challenging to execute, we expect to continue to make additional progress in the second half of 2021.

Total outstanding debt was $4.4 billion as of June 30, 2021. Refer to Note 6 - *Mortgages, Notes and Loans Payable, Net* in the Condensed Consolidated Financial Statements. Our proportionate share of the debt of our real estate and other affiliates totaled $291.3 million as of June 30, 2021. All of this indebtedness is without recourse to the Company, with the exception of $100.6 million related to 110 North Wacker.

The following table summarizes our net debt on a segment basis as of June 30, 2021. Net debt is defined as Mortgages, notes and loans payable, net, including our ownership share of debt of our real estate and other affiliates, reduced by liquidity sources to satisfy such obligations such as our ownership share of Cash and cash equivalents and SID, MUD and TIF receivables. Although net debt is a non-GAAP financial measure, we believe that such information is useful to our investors and other users of our financial statements as net debt and its components are important indicators of our overall liquidity, capital structure and financial position. However, it should not be used as an alternative to our debt calculated in accordance with GAAP.

thousands	Operating Assets	Master Planned Communities	Seaport	Strategic Developments	Segment Totals	Non-Segment Amounts	June 30, 2021
Mortgages, notes and loans payable	$ 1,829,704	$ 179,028	$ 99,327	$ 320,942	$ 2,429,001	$ 2,020,332	$ 4,449,333
Mortgages, notes and loans payable of real estate and other affiliates	287,544	3,747	—	—	291,291	—	291,291
Less:							
Cash and cash equivalents	(120,357)	(115,824)	(11,621)	(2,061)	(249,863)	(813,398)	(1,063,261)
Cash and cash equivalents of real estate and other affiliates	(5,448)	(48,707)	(336)	(240)	(54,731)	—	(54,731)
Special Improvement District receivables	—	(49,864)	—	—	(49,864)	—	(49,864)
Municipal Utility District receivables, net	—	(354,932)	—	—	(354,932)	—	(354,932)
TIF receivable	—	—	—	(937)	(937)	—	(937)
Net Debt	$ 1,991,443	$ (386,552)	$ 87,370	$ 317,704	$ 2,009,965	$ 1,206,934	$ 3,216,899

Due to the COVID-19 pandemic, the Company experienced a decline in operating results for certain retail and hospitality properties. As a result, as of December 31, 2020, and June 30, 2021, the Company did not meet the debt service coverage ratio for the $615.0 million Term Loan portion of the Senior Secured Credit Facility and as a result, $33.6 million of excess net cash flow after debt service from the underlying properties became restricted as of June 30, 2021. While the restricted cash cannot be used for general corporate purposes, it can continue to be used to fund operations of the underlying assets and does not have a material impact on the Company's liquidity.
As of June 30, 2021, apart from the Term Loan portion of the Senior Secured Credit Facility described above, the Company was in compliance with all remaining financial covenants included in the agreements governing its indebtedness.

Cash Flows

	Six Months Ended June 30,	
thousands	**2021**	2020
Cash provided by (used in) operating activities	**$ (79,935)**	$ (98,643)
Cash provided by (used in) investing activities	**(10,877)**	(267,489)
Cash provided by (used in) financing activities	**130,559**	934,281

Operating Activities Each segment's relative contribution to our cash flows from operating activities will likely vary significantly from year to year given the changing nature of our development focus. Other than our condominium properties, most of the properties and projects in our Strategic Developments segment do not generate revenues and the cash flows and earnings may vary. Condominium deposits received from contracted units offset by other various cash uses related to condominium development and sales activities are a substantial portion of our operating activities in 2021. Operating cash continued to be utilized in the first half of 2021, to fund ongoing development expenditures in our Strategic Developments, Seaport and MPC segments, consistent with prior years.

The cash flows and earnings from the MPC business may fluctuate more than from our operating assets because the MPC business generates revenues from land sales rather than recurring contractual revenues from operating leases. MPC land sales are a substantial portion of our cash flows from operating activities and are partially offset by development costs associated with the land sales business and acquisitions of land that is intended to ultimately be developed and sold.

The extent to which the COVID-19 pandemic impacts our operations will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the scope, severity and duration of the pandemic, the actions taken to contain the pandemic or mitigate its impact, such as the speed and effectiveness of vaccine and treatment developments and their deployment, potential mutations of COVID-19, and the direct and indirect economic effects of the pandemic and containment measures, among others.

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Net cash used in operating activities was $79.9 million for the six months ended June 30, 2021, and $98.6 million for the six months ended June 30, 2020. The $18.7 million net decrease in cash used in operating activities in the six months ended June 30, 2021, compared to the same period in 2020, was primarily due to the timing of MPC and condominium expenditures and sales.

Investing Activities Net cash used in investing activities was $10.9 million for the six months ended June 30, 2021, and $267.5 million for the six months ended June 30, 2020. The $256.6 million decrease in cash used was primarily the result of a $128.5 million decrease in property development and redevelopment expenditures, and a $81.8 million increase in distributions from real estate and other affiliates and a $49.9 million increase in proceeds from sales of properties related to Monarch City during the six months ended June 30, 2021.

Financing Activities Net cash provided by financing activities was $130.6 million for six months ended June 30, 2021, as compared to net cash provided by financing activities of $934.3 million for six months ended June 30, 2020. The decrease of $803.7 million was primarily due to the $593.6 million common stock issuance in 2020 that did not repeat in 2021. In addition, principal payments on mortgages, notes and loans payable increased $1.3 billion, partially offset by an increase of $1.1 billion in proceeds from mortgages, notes and loans payable.

Contractual Cash Obligations and Commitments

The following table summarizes our contractual obligations as of June 30, 2021:

thousands	Remaining in 2021	2022	2023	2024	2025	2026	Thereafter	Total
Mortgages, notes and loans payable (a)	$ 34,228	$ 77,309	$ 1,142,925	$ 408,902	$ 161,862	$ 79,282	$ 2,589,675	$ 4,494,183
Interest payments (b)	94,041	184,973	173,537	137,110	124,306	120,484	348,526	1,182,977
Ground lease and other leasing commitments	1,946	4,325	4,371	4,419	4,468	4,518	245,424	269,471
Total	$ 130,215	$ 266,607	$ 1,320,833	$ 550,431	$ 290,636	$ 204,284	$ 3,183,625	$ 5,946,631

(a) Based on final maturity, inclusive of extension options. In July 2021, the Company closed on a $35.5 million loan maturing in September 2031 to replace the existing construction loan for Lakeside Row in Bridgeland.
(b) Interest is based on the borrowings that are presently outstanding and current floating interest rates.

Off-Balance Sheet Financing Arrangements

We do not have any material off-balance sheet financing arrangements. Although we have interests in certain property owning non-consolidated ventures, which have mortgage financing totaling $610.2 million as of June 30, 2021, the financings are non-recourse to us, with the exception of $100.6 million related to 110 North Wacker.

Critical Accounting Policies

Critical accounting policies are those that are both significant to the overall presentation of our financial condition and results of operations and require management to make difficult, complex or subjective judgments. See *Note 1 - Summary of Significant Accounting Policies* in our Annual Report and in this Quarterly Report.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are subject to interest rate risk with respect to our variable-rate financings in that increases in interest rates will increase our payments under these variable rates. With respect to fixed-rate financings, increases in interest rates could make it more difficult to refinance such debt when due. We manage a portion of our variable interest rate exposure by using interest rate swaps and caps. As of June 30, 2021, of our $1.8 billion of variable-rate debt outstanding, $650.5 million is swapped to a fixed rate. We may enter into interest rate cap contracts to mitigate our exposure to rising interest rates. We have a cap contract for our credit facility for The Woodlands and Bridgeland, of which $150.0 million is outstanding and $75.0 million is capped. Additionally, we have cap contracts totaling $368.2 million for our construction loan on Victoria Place, which has an outstanding balance of $49.2 million as of June 30, 2021. As properties are placed into service and become stabilized, we typically refinance the variable-rate debt with long-term fixed-rate debt.

As of June 30, 2021, annual interest costs would increase approximately $11.2 million for every 1.00% increase in floating interest rates. Generally, a significant portion of our interest expense is capitalized due to the level of assets we currently have under development; therefore, the current impact of a change in our interest rate on our Condensed Consolidated Statements of Operations and Condensed Consolidated Statements of Comprehensive Income would be less than the total change, but we would incur higher cash payments and the development costs of our assets would be higher, resulting in greater depreciation or cost of sales in later years. For additional information concerning our debt and management's estimation process to arrive at a fair value of our debt as required by GAAP, please refer to the Liquidity and Capital Resources section of Item 2. - *Management's Discussion and Analysis of Financial Condition and Results of Operations*, Note 6 - *Mortgages, Notes and Loans Payable, Net* and Note 8 - *Derivative Instruments and Hedging Activities* in our Condensed Consolidated Financial Statements. For discussion of the impact of COVID-19 on our business, including our success in closing on and extending various debt facilities after the onset of the pandemic, see the Liquidity and Capital Resources section of Item 2. - *Management's Discussion and Analysis of Financial Condition and Results of Operations* and Note 6 - *Mortgages, Notes and Loans Payable, Net* in our Condensed Consolidated Financial Statements.

Item 4. Controls and Procedures

DISCLOSURE CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) that are designed to provide reasonable assurance that information required to be disclosed in our reports to the SEC is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and our principal financial and accounting officer, as appropriate, to allow timely decisions regarding required disclosure.

As required by SEC rules, we carried out an evaluation, under the supervision and with the participation of our management, including our principal executive officer and our principal financial and accounting officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of June 30, 2021, the end of the period covered by this report. Based on the foregoing, our principal executive officer and principal financial and accounting officer concluded that our disclosure controls and procedures were effective as of June 30, 2021.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes to our internal control over financial reporting that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II

Item 1. Legal Proceedings

Please refer to Note 9 - *Commitments and Contingencies* in the Condensed Consolidated Financial Statements.

Item 1A. Risk Factors

There are no material changes to the risk factors previously disclosed in our 2020 Annual Report.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

PURCHASES OF EQUITY SECURITIES BY THE ISSUER

Common Stock Repurchases

The following sets forth information with respect to repurchases made by the Company of its shares of common stock during the second quarter of 2021:

	Total number of shares purchased (a)		Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs		Approximate dollar value of shares that may yet be purchased under the plans or programs
Period						
April 1 - 30, 2021	457	$	106.70	—	$	46,100,000
May 1 - 31, 2021	—	$	—	—	$	46,100,000
June 1 - 30, 2021	—	$	—	—	$	46,100,000
Total	457	$	106.70	—		

(a) The shares repurchased related to stock received by the Company for the payment of withholding taxes due on employee share issuances under share-based compensation plans.

Item 3. Default Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

The following Exhibit Index to this Quarterly Report lists the exhibits furnished as required by Item 601 of Regulation S-K and is incorporated by reference.

Exhibit Number	Description
10.1**	Employment Agreement, effective April 19, 2021, by and between The Howard Hughes Corporation and Correne Loeffler (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on April 8, 2021)
10.2**+	Form of Restricted Stock Award (Non-Employee Directors) under The Howard Hughes Corporation 2020 Equity Incentive Plan
31.1+	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2+	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1++	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH+	Inline XBRL Taxonomy Extension Schema Document
101.CAL+	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB+	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE+	Inline XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF+	Inline XBRL Taxonomy Extension Definition Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

** Management contract, compensatory plan or arrangement
+ Filed herewith

++ Furnished herewith

Attached as Exhibit 101 to this report are the following documents formatted in iXBRL (Inline Extensible Business Reporting Language): (i) the Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2021 and 2020, (ii) Condensed Consolidated Statements of Comprehensive Income (Loss) for the three and six months ended June 30, 2021, and 2020, (iii) the Condensed Consolidated Balance Sheets as of June 30, 2021 and December 31, 2020, (iv) Condensed Consolidated Statements of Equity for the three and six months ended June 30, 2021 and 2020, (v) the Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2021 and 2020, and (vi) the Notes to Condensed Consolidated Financial Statements.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

The Howard Hughes Corporation

By: /s/ Correne Loeffler
Correne Loeffler
Chief Financial Officer
August 4, 2021

Exhibit 10.2

THE HOWARD HUGHES CORPORATION

RESTRICTED STOCK AGREEMENT FOR NONEMPLOYEE DIRECTORS

This Restricted Stock Award Agreement (this "***Agreement***"), dated as of June *, 2021, is entered into by and between The Howard Hughes Corporation, a Delaware corporation (and it successors, the "***Company***"), and [insert name] ("***Grantee***"). Capitalized terms used herein but not otherwise defined shall have the meanings assigned to those terms in the Company's 2020 Equity Incentive Plan, as may be amended from time to time (the "***Plan***").

WHEREAS, Grantee is a non-management director of the Company; and

WHEREAS, the Board of Directors of the Company, including its Compensation Committee, has authorized this grant of restricted stock.

NOW, THEREFORE, the Company and the Grantee hereby agree as follows:

1. Grant of Restricted Shares. The Company hereby grants to Grantee, effective as of June *, 2021 (the "***Date of Grant***"), the right to receive [___] (*insert number of shares*) shares of the Company's common stock, par value $0.01 per share (the "***Restricted Shares***"). This Agreement constitutes and Award Agreement under the Plan.

2. Rights of Grantee. The Restricted Shares subject to this grant shall be fully paid and nonassessable and shall be either: (i) represented by certificates held in custody by the Company until all restrictions thereon have lapsed, together with a stock power or powers executed by the Grantee in whose name such certificates are registered, endorsed in blank and covering such Restricted Shares; or (ii) held at the Company's transfer agent in book entry form with appropriate restrictions relating to the transfer of such Restricted Shares and endorsed with an appropriate legend referring to the restrictions hereinafter set forth. The Grantee shall have the right to vote the Restricted Shares. Upon vesting of the Restricted Shares pursuant to the terms and conditions of this Agreement, the Grantee: (x) shall receive cash dividends or cash distributions, if any, paid or made by the Company with respect to common shares after the Date of Grant and prior to the vesting of the Restricted Shares; and (y) shall receive any additional Restricted Shares that the Grantee may become entitled to receive by virtue of a Restricted Share dividend, a merger or reorganization in which the Company is the surviving corporation or any other change in the capital structure of the Company.

3. Restrictions on Transfer of Restricted Shares. The Restricted Shares subject to this grant may not be assigned, exchanged, pledged, sold, transferred or otherwise disposed of by the Grantee, except to the Company, until the Restricted Shares have become nonforfeitable in accordance with Sections 4 and 5 hereof; provided, however, that the Grantee's rights with respect to such Restricted Shares may be transferred by will or pursuant to the laws of descent and distribution. Any purported transfer in violation of the provisions of this Section 3 shall be null and void, and the purported transferee shall obtain no rights with respect to such Restricted Shares.

4. Vesting of Restricted Shares. Subject to the terms and conditions of Sections 5 and 6 hereof, the Restricted Shares covered by this Agreement shall become nonforfeitable as follows: 100% of the Restricted Shares covered by this Agreement on the earlier of: (i) the date of the Company's annual meeting of stockholders in 2022; or (ii) June 1, 2022 (in either case, such date, the "***Vesting Date***"); provided that the Grantee continuously serves as a director of the Company until the Vesting Date.

5. Accelerated Vesting of Restricted Shares. Notwithstanding the provisions of Section 4 hereof, the Restricted Shares covered by this Agreement or any substitute award may become nonforfeitable earlier than the time provided in such section if any of the following circumstances apply:

(a) *Death or Disability:* The Grantee dies while serving as a director of the Company or the Grantee's service as a director of the Company is terminated because the Grantee becomes Disabled. For purposes of this Agreement, "Disabled" shall mean as a result of injury or sickness, the Grantee is unable for period of 180 days to perform with reasonable continuity his or her duties as a director of the Company in the usual or customary way.

(b) Change of Control: A Change of Control of the Company occurs while the Grantee is a director of the Company and, in connection with such Change of Control, the successor corporation does not Assume the award under this Agreement or the Grantee does not continue to serve as a director of the successor corporation (or, if the successor corporation is a subsidiary, the parent corporation). If the successor corporation Assumes the award under this Agreement and the Grantee continues to serve as a director of the successor corporation (or, if the successor corporation is a subsidiary, the parent corporation) until the Vesting Date, then no such acceleration shall apply.

For purposes of this Agreement, the award under this Agreement shall be deemed "Assumed" following a Change of Control if the following conditions are met:

(i) the award is converted into a replacement award covering a number of shares of the entity effecting the Change of Control (or a successor or parent corporation), as determined in a manner substantially similar to the treatment of an equal number of Restricted Shares covered by the award; provided, that to the extent that any portion of the consideration received by holders of the Company common stock in the Change of Control transaction is not in the form of the common stock of such entity (or a successor or parent corporation), the number of shares covered by the replacement award shall be based on the average of the high and low selling prices of the common stock of such entity (or a successor or parent corporation) on the established stock exchange on the trading day immediately preceding the date of the Change of Control;

(ii) the replacement award contains provisions for scheduled vesting and treatment on termination of employment that are no less favorable to the Grantee than the underlying award being replaced, and all other terms of the replacement award (other than the security and number of shares represented by the replacement award) are substantially similar to the underlying award; and

(iii) the security represented by the replacement award is of a class that is publicly held and widely traded on an established stock exchange.

6. Forfeiture of Awards. Except to the extent the Grantee's rights to receive the Restricted Shares covered by this Agreement have become nonforfeitable pursuant to Section 4 or Section 5 hereof, the Grantee's rights to receive the Restricted Shares covered by this Agreement shall be forfeited automatically and without further notice on the date that the Grantee ceases to serve as a director of the Company prior to the Vesting Date for any reason other than as described in Section 5. In the event that the Grantee becomes an employee of the Company or any of its subsidiaries immediately upon ceasing to be a director of the Company, the Restricted Shares held by the Grantee on such date will not be affected and the Grantee's service as an employee shall be treated as service as a director for purposes of this Agreement.

7. Retention of Shares. During the period in which the restrictions on transfer and risk of forfeiture provided in Sections 3 and 5 above are in effect, the Restricted Shares covered by this grant shall be either: (a) represented by certificates retained by the Company, together with the accompanying stock power signed by the Grantee and endorsed in blank; or (b) held at the Company's transfer agent in book entry form with appropriate restrictions relating to the transfer of such Restricted Shares, and endorsed with an appropriate legend referring to the restrictions set forth herein.

8. Compliance with Law. The Company shall make reasonable efforts to comply with all applicable federal and state securities laws; provided, however, that notwithstanding any other provision of this Agreement, the Company shall not be obligated to issue any of the Restricted Shares covered by this Agreement if the issuance thereof would result in violation of any such law.

9. Compliance with Section 409A of the Code. To the extent applicable, it is intended that this Agreement and the Plan comply with the provisions of Section 409A of the Code, so that the income inclusion provisions of Section 409A(a)(1) of the Code do not apply to the Grantee. This Agreement and the Plan shall be administered in a manner consistent with this intent. Reference to Section 409A of the Code is to Section 409A of the Internal Revenue Code of 1986, as amended, and will also include any proposed, temporary or final regulations, or any other guidance promulgated with respect to such Section by the U.S. Department of the Treasury or the Internal Revenue Service.

10. Amendments. Any amendment to the Plan shall be deemed to be an amendment to this Agreement to the extent that the amendment is applicable hereto; provided, however, that no amendment shall adversely affect the rights of the Grantee under this Agreement without the Grantee's consent; further, provided, that the Grantee's consent shall not be required to an amendment that is deemed necessary by the Company to ensure compliance with Section 409A of the Code or the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 or any regulations promulgated thereunder, including as a result of the implementation of any recoupment policy the Company adopts to comply with the requirements set forth in the Dodd-Frank Act.

11. Severability. In the event that one or more of the provisions of this Agreement shall be invalidated for any reason by a court of competent jurisdiction, any provision so invalidated shall be deemed to be separable from the other provisions hereof, and the remaining provisions hereof shall continue to be valid and fully enforceable.

12. Relation to Plan. This Agreement is subject to the terms and conditions of the Plan. In the event of any inconsistency between the provisions of this Agreement and the Plan, the Plan shall govern. Capitalized terms used herein without definition shall have the meanings assigned to them in the Plan. The Compensation Committee acting pursuant to the Plan, as constituted from time to time, shall, except as expressly provided otherwise herein or in the Plan, have the right to determine any questions which arise in connection with the grant of Restricted Shares.

13. Successors and Assigns. Without limiting Section 3 hereof, the provisions of this Agreement shall inure to the benefit of, and be binding upon, the successors, administrators, heirs, legal representatives and assigns of the Grantee, and the successors and assigns of the Company.

14. Governing Law. This Agreement is made under, and shall be construed in accordance with, the internal substantive laws of the State of Delaware without giving effect to the principles of conflict of laws thereof.

[Remainder of Page Intentionally Left Blank, Signature Page to Follow]

Executed in the name and on behalf of the Company, as of June *, 2021.

THE HOWARD HUGHES CORPORATION

By: ______________
Name: David R. O’Reilly
Title: Chief Executive Officer

The undersigned hereby acknowledges receipt of an executed original of this Agreement and accepts the right to receive the Restricted Shares or other securities covered hereby, subject to the terms and conditions of the Plan and the terms and conditions herein above set forth.

____
Grantee: [insert name]

Date: ____

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO RULE 13a — 14(a) ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, David R. O'Reilly, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of The Howard Hughes Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

By: /s/ David R. O'Reilly

David R. O'Reilly

Chief Executive Officer

August 4, 2021

Exhibit 31.2

**CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO RULE 13a —
14(a) ADOPTED PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Correne Loeffler, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of The Howard Hughes Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying office rand I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Correne Loeffler

Correne Loeffler
Chief Financial Officer
August 4, 2021

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. 1350 ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of The Howard Hughes Corporation (the “Company”) for the period ended June 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), each of the undersigned officers, in their capacity as officers of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to such officer’s knowledge:

(1)The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2)The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ David R. O'Reilly
David R. O'Reilly
Chief Executive Officer
August 4, 2021

By: /s/ Correne Loeffler
Correne Loeffler
Chief Financial Officer
August 4, 2021