General Growth Properties (1)

- NOVEMBER 18, 2009, WSJ

Simon Explores a General Growth Deal

Mall Owner Hopes to Emerge From Bankruptcy Protection, but Rivals Loom as Spoilers

By KRIS HUDSON

Mall giant Simon Property Group Inc. has hired investment adviser Lazard Ltd. and law firm Wachtell, Lipton, Rosen & Katz to help it formulate a strategy for possibly bidding for all or part of rival General Growth Properties Inc., which is operating under Chapter 11 protection.

General Growth Properties and its malls, including the Westlake Center in Seattle, are drawing interest.

The moves set the stage for what could be a takeover struggle as General Growth readies a plan to reorganize and exit from bankruptcy. General Growth, the country's second-largest mall operator, after Simon, by number of properties, is close to a deal with lenders to restructure its $11.5 billion in securitized mortgages with the intent of filing a reorganization plan by February, people familiar with the talks say

While Simon hasn't decided whether to make a General Growth bid, Simon Chairman and Chief Executive David Simon has acknowledged publicly this year that he will study General Growth as an acquisition target. Simon has amassed a $4 billion war chest in the past year by selling new stock and bonds.

"It's something we need to monitor and closely evaluate," Mr. Simon said in a September interview. "We'd be negligent not to examine what's going on there and to see if there's anything we can bring to the table that would create value for us."

Another big rival, Australian mall owner Westfield Group, has $6.8 billion of cash and equivalents, much of it raised in the past year. Westfield, which owns 55 malls in the U.S., is monitoring General Growth's bankruptcy but hasn't hired advisers to study it, a person familiar with the matter said. Westfield and General Growth representatives declined to comment on the matter. A Simon representative confirmed that the company has hired the advisers.

The maneuvering comes as mall owners are getting pummeled by the weak economy, which has hammered rents and occupancy as consumers have reined in spending. Nevertheless, a prize like General Growth, which owns 200 malls, may be too juicy for others to resist. The opportunity "is a potentially transformational event that doesn't come along very often," says Steve Sakwa, an analyst with International Strategy and Investment Group Inc.

David Simon

General Growth might clinch a pact within a week to restructure its securitized mortgages, according to people familiar with the matter. The proposal the mall owner has discussed with servicers overseeing those mortgages calls for extensions of their due dates ranging from three to nine years, with an average of 4.5 to five years, according to people familiar with the talks. General Growth is aiming to ensure that it faces no payment deadlines for the next three years as capital markets recover.

A General Growth representative said the company continues to negotiate with its creditors, but he declined to comment further.

Chicago-based General Growth sought Chapter 11 bankruptcy protection in April after failing to refinance portions of its $27 billion debt as they came due. Lenders and borrowers are monitoring the case because it represents the first large-scale test for securitized mortgages in bankruptcy. Securitized mortgages are chopped up and sold to thousands of investors as bonds.

Once General Growth reaches an accord on its securitized mortgages, it will move on to negotiating with banks and life-insurance companies that hold mortgages, then its unsecured lenders. The company is considering offering to convert all of its $6.5 billion in unsecured debt into new stock, people familiar with the matter say. Whether General Growth will sell stock in addition to that to raise capital, while possible, hasn't been determined, these people say.

Adam Metz, a former board member who was named chief executive upon John Bucksbaum's resignation as CEO in October 2008, and his team are striving to reach agreements with most creditors and file a reorganization plan by February that would allow General Growth to exit from bankruptcy next year.

General Growth Properties (2)

- NOVEMBER 20, 2009, WSJ

General Growth Clinches Mortgage Pact

By KRIS HUDSON

Mall owner General Growth Properties Inc. told a bankruptcy court on Thursday it had reached a deal with lenders and servicers to restructure $8.9 billion of mortgages on 77 malls in hopes of removing them from bankruptcy protection by year end.

The pact is the first step for General Growth in extracting from bankruptcy court the 166 malls it put under Chapter 11 bankruptcy protection in April. The company still must strike similar pacts with lenders on another $6 billion of secured debt as well as $6.5 billion of unsecured debt.

"This moves up the entire timetable for getting out of bankruptcy," said Kevin Starke, an analyst with CRT Group LLC, which monitors distressed securities. "These guys could be out [in entirety] in the April-June timeframe."

General Growth appears to have won on some key points in the restructuring, of which details were outlined in a bankruptcy court hearing in New York. Lenders likely felt pressure to strike a deal because Bankruptcy Judge Allan Gropper has sided with General Growth on several occasions in the case. Also, the pact allows mortgage holders to report the loans as performing on their books at the end of the year rather than distressed at a time when delinquency rates on commercial mortgages are rapidly rising.

The pact comes as rival mall owner Simon Property Group Inc. has intensified its scrutiny of General Growth as a potential takeover target, hiring new advisers. Simon Chairman and Chief Executive Officer David Simon is inclined to bid for the entire company rather than select assets, though details and timing of such a bid haven't been determined, according to a person familiar with the matter.

Simon Property Group is looking at General Growth's mall portfolio for a deal. Here, a GGP mall in Chicago.

General Growth's progress with its creditors has boosted its stock price, making it a more expensive potential takeover target. General Growth's stock, which is traded on the over-the-counter market, leapt 97 cents, or 17%, to $6.79 on Thursday.

General Growth, which owns and manages more than 200 U.S. malls, filed for Chapter 11 protection after failing to refinance portions of its $27 billion debt as they came due. Simon, of Indianapolis, is the largest U.S. mall owner by number of properties, with more than 300.

General Growth intends to use the restructuring pact it outlined Thursday as a template for negotiating deals with the rest of its creditors, its attorneys said. They requested a confirmation hearing for the initial pact be set for Dec. 14.

The deal would extend the due dates on the mortgages by an average of 4½ to 5 years, with none of the debt coming due until 2014. In return, General Growth would provide those lenders with "significant concessions" such as additional amortization payments on the loans, more reserves for the loans and additional bankruptcy protections for the lenders, said Anup Sathy, a Kirkland & Ellis attorney working for General Growth.

The interest rates on the loans will remain the same and the company needn't pay part of the loans' principal immediately—concessions that observers of the case had expected creditors to demand. "It looks like GGP got a pretty good deal," CRT's Mr. Starke said. "I get a feeling that the lenders are just pretty happy to get their [collateral] out of bankruptcy."

The upfront cost of the deal for General Growth is at least $350 million, including a $100 million fee paid to the creditors, payment of past-due amortization and reimbursement of their legal fees, according to people familiar with the talks. General Growth will pay those costs from the $692 million of cash it has on hand, according to a separate person familiar with the matter.

The lenders involved in the deal are servicers overseeing securitized mortgages and life-insurance companies including Prudential Financial Inc. The loans range from $10 million to more than $1 billion on malls including Ala Moana Center in Honolulu. Attorney Greg Cross of Venable LLP handled negotiations for the lenders.

General Growth is "close" on similar deals with other lenders among its remaining $6 billion in secured debt in the bankruptcy case, this person said.

General Growth Properties (3)

General Growth Properties Announces Filing of Plan of Reorganization and Related Disclosure Statement for Approximately $9.7 Billion of Secured Mortgage Loans

Press Release, Wednesday December 2, 2009

CHICAGO--(BUSINESS WIRE)--GENERAL GROWTH PROPERTIES, INC. ("GGP") today announced the filing of the plan of reorganization and related disclosure statement with the Bankruptcy Court in the Southern District of New York for the 92 regional shopping centers, office properties, community centers and related subsidiaries associated with approximately $9.7 billion of secured mortgage loans. This amount exceeds the previously announced agreements in principal to restructure $8.9 billion of mortgage loans, as GGP has reached additional consensual agreements in principal with certain secured mortgage lenders since the prior announcement on November 19, 2009.

Confirmation of the plan of reorganization is currently scheduled for December 15, 2009. The plan of reorganization provides that all undisputed claims against the emerging debtors for pre-petition goods and services will be paid in full. Effectiveness of the plan of reorganization and emergence from bankruptcy for the debtors associated with these secured mortgage loans are subject to various conditions and approvals, including completion of definitive documentation and approval of the Bankruptcy Court. In addition, certain of the agreements remain subject to the approval of the Class B note holders or mezzanine holders. If these conditions are satisfied and such approvals are obtained, the regional shopping centers, office properties, community centers and other subsidiaries associated with these secured mortgage loans will emerge from bankruptcy prior to the end of 2009.

“We are extremely pleased to take this important step of filing the plan of reorganization for these debtors,” said Thomas H. Nolan, Jr., president and chief operating officer of GGP. “Our successful completion of agreements in principal with additional mortgage lenders shows our continued progress. We will continue to work with our other secured mortgage lenders and are hopeful that we will reach additional consensual agreements quickly.”

General Growth Properties (4)

Rebuttal to Hovde Capital Analysis of General Growth Properties

December 16, 2009

General Growth Properties is one of our biggest winners in 2009, having risen from $1.29 on January 1st to a high of $12 a few days ago. It has sold off over the last two days to a low of $7.00 earlier today, most likely due to a widely circulated bearish presentation by Hovde Capital Advisors (posted at: www.scribd.com/doc/24097404/General-Growth-Properties), which is short the stock. Hovde directly challenges Pershing Square's analysis, which Bill Ackman presented at the Ira Sohn conference on May 27th (posted at: www.marketfolly.com/2009/06/pershing-squares-general-growth.html; Pershing Square also discusses GGP in its Q3 investor letter, posted at: www.marketfolly.com/2009/12/bill-ackman-pershing-square-enter.html and shares its bullish views of malls and retailers in this Dec. 7th presentation to the ICSC: www.marketfolly.com/2009/12/bill-ackmans-pershing-square-mall-reit.html).

We don't normally let the stock of a company in bankruptcy grow to be one of our largest positions, but have done so with GGP based on our belief that the company is very likely in the near future to either exit bankruptcy or be acquired – in either case, the stock should be north of $20. That said, GGP is no fortress like Berkshire Hathaway (also one of our largest positions), so such a large position makes us nervous and we'd welcome a rationale to trim it. We also always look for disconfirming evidence in all our investments, so we reviewed Hovde's presentation with great interest. Alas, we found it unconvincing and full of valuation inconsistencies – but are grateful for the drop in the stock, which we've been using to aggressively add to our position this morning.

Valuing REITs is not that hard. The most widely used measure of financial performance is Net Operating Income ("NOI"), which is simply the income generated by the underlying properties. Enterprise value is computed by dividing NOI by the appropriate capitalization rate (think of this as an annual hurdle rate; the lower the cap rate, the higher the resulting enterprise value).

Hovde's bearish case paints an inaccurate picture of rapidly declining financial performance, then misstates NOI, and then applies an inappropriate capitalization rate – a rare trifecta of poor analysis. Here's a summary of the most important mistakes Hovde makes:

1) Hovde arrives at its NOI estimate for GGP by annualizing Q3's NOI, which is invalid because of seasonality. Here's an excerpt on this in GGP's filings:

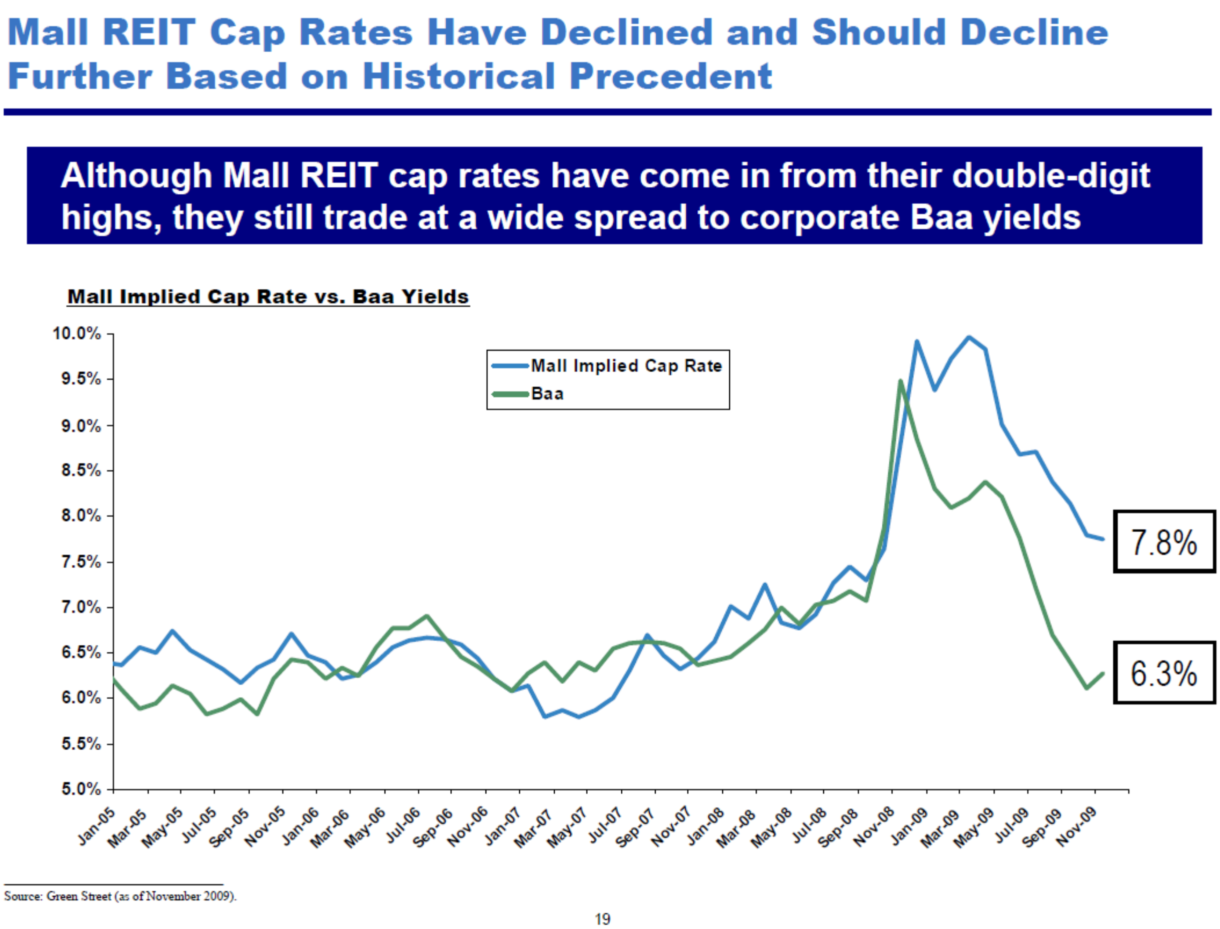
> **Seasonality**
> Although we have a year-long temporary leasing program, occupancies for short-term tenants and, therefore, rental income recognized, are higher during the second half of the year. In addition, the majority of our tenants have December or January lease years for purposes of calculating annual overage rent amounts. Accordingly, overage rent thresholds are most commonly achieved in the fourth quarter. As a result, revenue production is generally highest in the fourth quarter of each year.

2) Hovde compares GGP's valuation to other REITs, but isn't consistent in how it does so. Hovde takes GGP's *future* NOI (which it projects will decline, as does Pershing Square, incidentally – see page 36 of its May presentation) and compares it to peer companies' *trailing* NOI.

3) Hovde is also inconsistent in how it calculates NOIs – it haircuts GGP's NOI with certain "unusual items" but fails to do so for peer companies' NOIs.

4) Hovde only analyzes GGP's core REIT business, ignoring GGP's valuable management and Master Planned Communities businesses, which are worth at least $1 per share (and could be worth as much as $8/share; see pages 5 and 59-66 of Pershing Square's May presentation).

5) Hovde uses high cap rates that are outdated and based on invalid comps. With the market moving so rapidly, even transactions from a few months ago are of questionable value. This slide from Pershing's ICSC presentation (page 19) shows how quickly mall REIT cap rates have fallen in recent months (and how they are likely to fall further):



In addition, take a look at the stock charts of Macerich, Simon Properties and Boston Properties since the Pershing Square presentation on May 27th. In light of how much the market has moved, Hovde's belief that the cap rates Pershing Square used in May are too aggressive in today's market is absurd:

6) Hovde completely ignores GGP's value as a strategic asset to an acquirer, which is not a theoretical idea but a concrete reality as both Simon and Brookfield are circling right now. For Simon, there would be big cost savings and, more importantly, revenue benefits: according to the WSJ article below, "Buying General Growth would make it by far the dominant player in the U.S. mall industry with more than 500 properties, giving it enormous clout over retailers in lease negotiations." As for Brookfield, it raised a $5 billion fund in the past year to make acquisitions and GGP represents its last opportunity to break into the U.S. market in a big way. These are two *very* motivated potential acquirers.

Here's an excerpt from an 11/18 WSJ article (http://online.wsj.com/article/SB10001424052748704538404574541923917766450.html):

> Mall giant Simon Property Group Inc. has hired investment adviser Lazard Ltd. and law firm Wachtell, Lipton, Rosen & Katz to help it formulate a strategy for possibly bidding for all or part of rival General Growth Properties Inc., which is operating under Chapter 11 protection.
>
> The moves set the stage for what could be a takeover struggle as General Growth readies a plan to reorganize and exit from bankruptcy…
>
> …Another big rival, Australian mall owner Westfield Group, has $6.8 billion of cash and equivalents, much of it raised in the past year…
>
> ...The maneuvering comes as mall owners are getting pummeled by the weak economy, which has hammered rents and occupancy as consumers have reined in spending. Nevertheless, a prize like General Growth, which owns 200 malls, may be too juicy for others to resist. The

> opportunity “is a potentially transformational event that doesn’t come along very often,” says Steve Sakwa, an analyst with International Strategy and Investment Group Inc.

And here’s an excerpt from a 12/4 WSJ article (http://online.wsj.com/article/SB10001424052748704007804574574261163599876.html):

> One of Canada's largest property owners may be about to face off against the largest mall owner in the U.S. over General Growth Properties Inc., according to people familiar with the matter.
>
> Brookfield Asset Management Inc., of Toronto, which manages some $40 billion of commercial property world-wide, has purchased close to $1 billion of General Growth's unsecured debt to position itself to make a bid on the company or some of its malls, people said. General Growth, known as GGP, is the country's second-largest mall owner with 200 properties. It collapsed under billions of dollars in debt at the height of the credit crisis and has been operating under bankruptcy protection since April.
>
> Brookfield faces competition, though, from Indianapolis-based Simon Property Group Inc., which owns 323 U.S. malls and has been hiring advisers and buying General Growth unsecured debt in preparation for making a bid, people said. Simon wants to acquire all of General Growth not individual assets, a separate person familiar with the matter said.
>
> "This is a once-in-a-generation opportunity to buy a large, high-quality mall portfolio in the U.S.," said Jim Sullivan, an analyst with Green Street Advisors Inc…
>
> …Both Brookfield and Simon have strong balance sheets and are highly motivated. Simon has raised $4 billion this year by selling stock and bonds and has more than $3 billion in undrawn money in its credit lines. Buying General Growth would make it by far the dominant player in the U.S. mall industry with more than 500 properties, giving it enormous clout over retailers in lease negotiations.
>
> Brookfield, whose most prominent properties include World Financial Center in downtown Manhattan and Brookfield Place office complex in Toronto, has been trying to break into U.S. retail for years. It attempted in 2007 to buy Mills Corp. and its 37 discount malls, but Mills ultimately was bought by Simon and Farallon Capital Management LLC.
>
> More recently, Brookfield was part of a bid led by Goldman Sachs Group Inc. to provide debtor-in-possession financing for General Growth in bankruptcy, but a rival bid led by Farallon ultimately prevailed. Brookfield in the past year has raised $5 billion, mostly from institutional real-estate investors contributing to its newly created fund for making acquisitions.

Our Valuation Methodology

Reasonable people could argue endlessly about what the appropriate cap rate is, so we believe it is useful to value GGP another way: based on cash flows. Our simple (and we believe conservative) valuation of GGP’s REIT business is:

NOI	$2.4 billion
Minus senior debt service*	$1.1 billion
Minus cap ex	$0.3 billion
Equals cash flow of	$1.0 billion

Simon Properties trades at 14x this number. If we apply this multiple to GGP, the unsecured debt plus the equity is worth roughly $14 billion. Netting out the unsecured debt leaves approximately $7 billion for the equity, equal to more than $22 per share.

* Assumes the remaining senior debt gets renegotiated on similar terms; see this morning's press release at: http://finance.yahoo.com/news/General-Growth-Properties-bw-448935809.html.

Conclusion

We'll let Todd Sullivan, who raises some additional questions about Hovde's analysis here: http://www.valueplays.net/2009/12/the-general-growth-short-thesis-lacking-uses-questionable-data/, have the last word:

> I will not make any accusations. BUT, whenever I see anything that uses changing metrics (sales per sq. ft. to NOI margin), data a year old in a rapidly changing industry, omitting some data and comps that are questionable at best due to the deal structure, in virtually every instance it is done so to make the data fit the preconceived outcome, not deriving an outcome based on the data…
>
> The true irony of this short thesis is that they accuse current GGP investors of using the Pershing presentation from May of this year claiming its data is "outdated". They say that, and then go on the use even older sales per sq. ft. data from December 2008 for their comps.
>
> What did the pot say to the kettle?

General Growth Properties (5)

Rebuttal to Hovde Capital Analysis of General Growth Properties

December 30, 2009

Hovde Capital yesterday released its response (www.marketfolly.com/2009/12/hedge-fund-hovdes-general-growth.html) to Pershing Square's rebuttal (http://www.scribd.com/doc/24411287/A-Detailed-Response-to-Hovde-s-Short-Thesis-on-GGP-12-22-2009) (and, to a minor extent, and our rebuttal (http://seekingalpha.com/article/178502-general-growth-properties-rebutting-the-bears)) of Hovde's initial report on GGP (www.scribd.com/doc/24097404/General-Growth-Properties).

Our quick take is that it's more of the same – like Hovde's first report, there are a few good points (nothing we hadn't already considered) mixed in with many arguments that are either factually incorrect or misleading, or with which we simply disagree. In short, there's nothing new that changes our view regarding the attractiveness of GGP (it remains by far our largest position).

Before proceeding, we want to make clear how much we enjoy the debate and think our markets would be much healthier if there were a similarly detailed exchange of viewpoints for EVERY stock!

To some extent, the debate is now about different views of the future: Hovde believes that consumer spending will be terrible for an extended period and that bankruptcies among mall-based retailers will continue or worsen, which will translate into severely declining NOI for GGP over time. Pershing believes that the worst is behind us: that unemployment has peaked, consumer spending has stabilized and may even be picking up a bit, and that retailers are in remarkably good shape in light of what they've been through over the past 18 months, all of which will translate into approximately stable NOI. Whether Hovde or Pershing is right about GGP over time will, to some extent, depend on future macro factors, which are obviously impossible to predict with certainty.

That said, good analysis matters and we think Hovde's is sorely lacking, primarily in the following areas:

1) Hovde's most serious mistake is misunderstanding (or misrepresenting) what will likely happen to GGP's unsecured debt. Hovde assumes that it either remains outstanding (throughout its presentation, Hovde calculates GGP's leverage and interest payments assuming that the debt remains outstanding, which is the main reason its analysis differs from Pershing's and ours – see page 63, for example) or that it converts to equity, which will result in "significant dilution" (page 72). Hovde makes explicit this assumption when it claims that Pershing "does not use consistent assumptions" regarding what happens to the unsecured debt on page 35 of its report.

   Hovde doesn't appear to understand bankruptcy law and what will likely happen to the unsecured debt. There is almost no chance that it will remain outstanding: it will either be refinanced or, more likely, be converted into equity (this is what Pershing assumes – there is no inconsistency). But here's the key: it will NOT BE DILUTIVE because it will convert AT FAIR VALUE, as determined by the bankruptcy judge. Of course, if the judge determines that fair value is $1/share, then it would be massively dilutive, but that's not going to happen. The judge has a great deal of discretion in determining fair value, but will certainly take into consideration the current stock price, comps and the price of any equity offering(s) GGP might do.

For example, as soon as GGP exits bankruptcy and its stock is relisted (it currently trades on the pink sheets, which means most institutional investors can't own it), it will be a must-own stock for every REIT fund (a big catalyst Hovde misses). To meet this demand and pay down some debt, GGP might issue equity – and the negotiated price at which this stock is sold would likely weigh heavily on the judge's determination of fair value (and would not be dilutive). Of course, if someone like Simon were to buy GGP at, say, $20, the debt would convert at this price – and again, it wouldn't be dilutive.

2) Hovde takes seven pages (6-12) arguing for its definition of NOI, but there's no right answer here. NOI is like free cash flow: different people calculate it in different ways. But however one calculates it, it's important to be consistent – which Hovde is not. It uses the most conservative assumptions to minimize GGP's NOI, but then fails to do so for Simon, making its comp analysis deeply flawed.

3) Speaking of comps, Hovde writes: "to suggest GGP should trade at the LOWER cap rate than SPG is LAUGHABLE in our view" (pages 22-23). Hovde can laugh all it wants, but there are very good arguments for why Simon is, in fact, the best comp for GGP. For starter, both have very similar mall portfolios with a national footprint (unlike Macerich, which Hovde cites as a better comp on page 63; MAC also has debt issues that are more significant than what GGP will likely have post-bankruptcy). In addition, GGP will likely have a BETTER liability profile post-bankruptcy, with no maturities until January 2014. Finally and most importantly, GGP is for sale and Simon isn't, so there should be a premium for GGP reflecting a possible sale of this strategic asset.

4) Hovde's analysis treats GGP as a collection of assets, but it's more than that. The fact that GGP is in bankruptcy has put it into play, so there is a once-in- a-lifetime opportunity for Simon, Brookfield or someone else to acquire a national platform, as highlighted in this quote from the WSJ (http://online.wsj.com/article/SB10001424052748704538404574541923917766450.html):

   > The opportunity "is a potentially transformational event that doesn't come along very often," says Steve Sakwa, an analyst with International Strategy and Investment Group Inc.

5) Hovde dismisses the likelihood that GGP might be acquired (pages 51-55), focusing only on Simon and not even mentioning Brookfield, which may in fact be the more likely acquirer due to fewer anti-trust concerns and the need for a national platform (which Simon already has). As noted above, Hovde misses the value of GGP as a strategic asset

– no doubt, there's lots of distressed inventory out there, but only one national platform for sale like GGP.

Finally, Hovde finds it "telling" that Simon and Brookfield bought GGP's unsecured debt, but not the equity, even when the equity was at a much lower price. But it's not as telling as Hovde thinks for a number of reasons. First, it's possible that Simon and/or Brookfield do in fact own the equity – if either bought less than 5% of GGP, it wouldn't have to file (in any case, for anti-trust reasons, they couldn't acquire more than 7.5%). Also, at the time they bought GGP's debt it was very cheap and they might have reasonably concluded that it represented a better risk-reward than the equity.

6) Hovde argues that GGP's rental rates and leasing spreads are very poor and will likely get worse (pages 15-18). They have indeed been under pressure, but Hovde is making the classic investing mistake of projecting the immediate past indefinitely into the future. What Hovde is missing is that GGP over the past year, knowing that it was in a poor negotiating position due to the macro environment and its own bankruptcy, has been renewing leases mainly on a short-term basis. These renewals have indeed been done at low rates, but this isn't likely to be a permanent state of affairs. The macro environment has at least stabilized and may be improving and GGP will soon either be acquired or exit bankruptcy, so its negotiating position will strengthen and therefore rental rates and leasing spreads will likely improve.

7) On pages 28 and 33, Hovde repeats the charts from its first presentation (pages 33-34), showing that "Commercial Real Estate Prices Have Dropped 43% Since the Peak" and that cap rates are moving higher under the heading: "Despite Speculation to the Contrary, Cap Rates for All Property Types Are Moving Higher, Not Lower. Does Pershing Square Believe These Transactions Did Not Happen?" But the CRE chart doesn't include mall real estate and the cap rate chart, while showing cap rates for virtually every other type of commercial real estate, is MISSING data for malls! (The cap rate for mall REITs has fallen dramatically from earlier this year.)

8) Hovde paints a very bearish picture of retail sales (page 61), but the latest data contradicts this – for example, an article in the NYT earlier this week www.nytimes.com/2009/12/28/business/28shop.html) noted:

> Over all, retail sales from November through Dec. 24 rose 3.6 percent from last year, according to SpendingPulse, an information service of MasterCard Advisors that estimates sales for all forms of payment, including cash, checks and credit cards.
> That number — which does not include sales of automobiles and gasoline — was helped this year by an extra shopping day between Thanksgiving and Christmas. Adjusting the results for that extra day cuts the retailing industry's sales increase to about 1 percent, in line with what many retailing professionals expected.
> While the numbers do not suggest a turnaround for the industry, they signal an improvement over last year's 2.3 percent sales decline…

> … "Last year was just a storm and retail was all about dropping prices to get rid of inventory," said Mr. Katz of AlixPartners. "This year it was much more of a planned strategy: low inventories and tight expenses. And controlled promotions." That means most stores did not erode their profit margins the way they did in 2008, though in the days before Christmas, Mr. Katz said, some chains discounted more deeply than they should have.
> Perhaps the best news is that the double-digit declines that plagued nearly every retailing category last year are gone.

9) Hovde spends many pages (38-43) questioning whether GGP's Master Planned Community Segment has any value – but Pershing already assigns no value to it so it's not clear who Hovde is disagreeing with. Another note: on page 39, Hovde makes this ominous statement: "The heirs of the Hughes estate hold a contingent claim related to the valuation of these assets. If there is significant value in these assets, the resolution of this claim could result in a substantial unfunded liability, which Pershing Square has failed to include in its analysis." This is a red herring: the only claim by the Hughes estate is for half of any profits. Thus, the only way there could be a claim, leading to a "substantial unfunded liability", is if there are profits, which would be wonderful for GGP (even if GGP only received half of the profits, this is more than zero, which is what both Hovde and Pershing expect).

This is a great debate and it will be very interesting to see how this plays out.