“Spin Co.”

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- The title refers to a collection of assets that Simon Properties CEO David Simon once called ““expletive” Co.”
- Contrary to Mr. Simon’s eloquent description and timeless wit, these assets are incredibly valuable and the stock at today’s prices presents a compelling opportunity
- The company, Howard Hughes (HHC), holds these premier assets in sought after locations and is entitled to develop them on a massive and currently unmatched scale

History

- Assets originally owned by General Growth Properties
- In 2009 GGP entered Chapter 11 bankruptcy protection
- HHC was carved out into new entity as the assets did not fit GGP’s goal of becoming a Class A regional mall operator post emergence
- Fairholme, Brookfield and Pershing lead recap of entity and received warrants
- Spin was completed Nov 2010 at ~$35/share
- Fairholme/Brookfield warrants were repurchased by HHC in’13 for $81M cash and 1.5M shares common. Transaction is breakeven for shareholders long as the stock price is over $81/share in 2017. Due to repurchase, existing shareholders immediately owned 10% more of company.

History

- Pershing has not yet sold its warrants back to the company
- Nov. 2010 David Weinreb and Grant Herlitz were hired as CEO & President
- Together purchased 7yr warrants for $17M on 2.7M shares at $42.23
- Warrants may not be sold or hedged in any way nor may the execs reduce their net long exposure until Nov, 2016
- In Feb 2011 Andrew Richardson hired as CFO
- Purchased for $2M 7yr warrants on 179k shares at $54.50 under same terms as Weinreb & Herlitz (except date differences)
- Top management VERY aligned with shareholders as upon warrant exercise they will be the largest individual shareholders in company

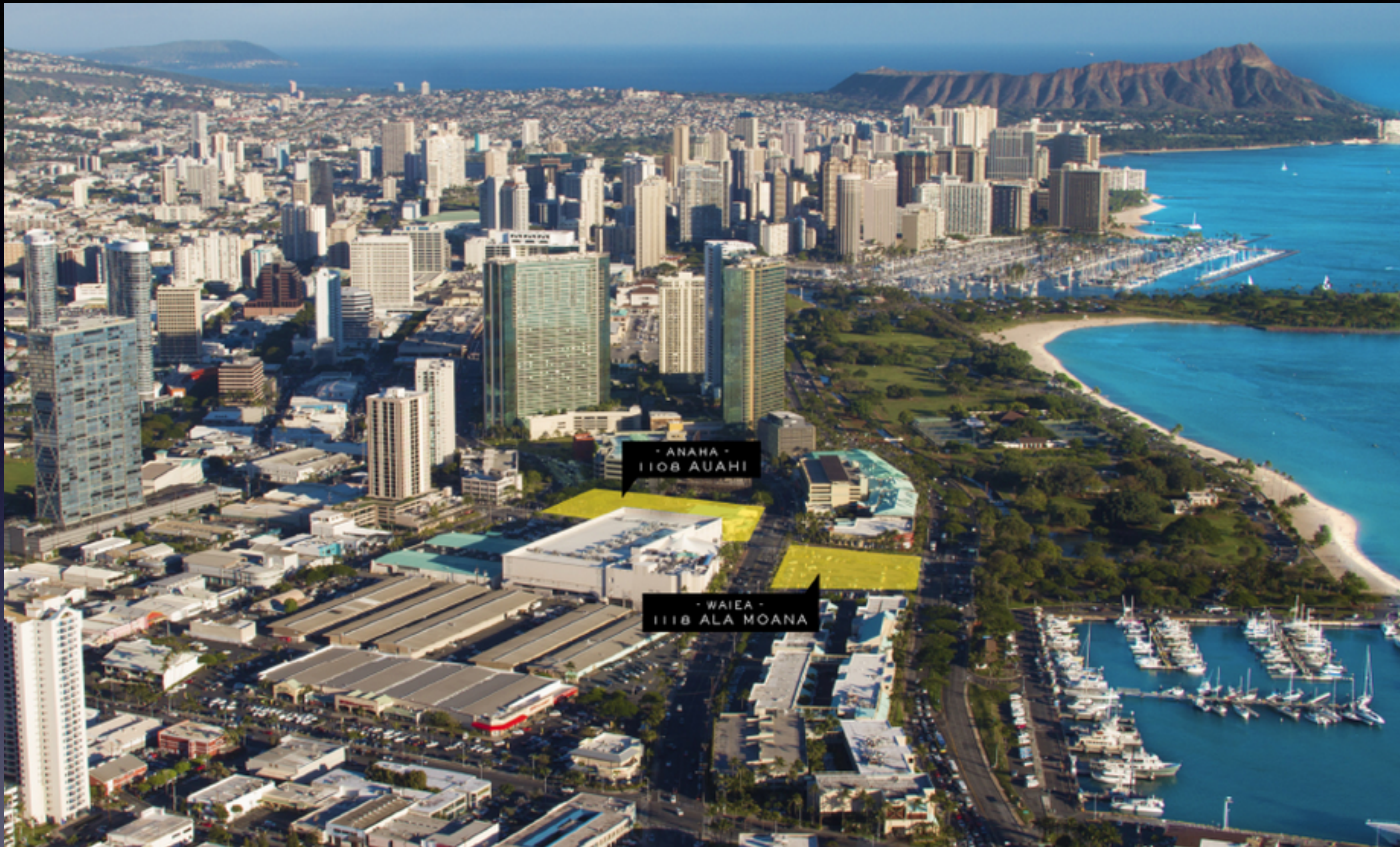
Unique Model

- Typically land owning companies have simply sold their land to developers in a one off event
- HHC has done something very different. When they are not the sole developer of a project, they do the following:
- Summerlin Apartments, LLC
- On January 24, 2014, we entered into a joint venture with a national multi-family real estate developer, The Calida Group ("Calida"), to construct, own and operate a 124-unit gated luxury apartment development. We and our partner each own 50% of the venture, and unanimous consent of the partners is required for all major decisions. This project represents the first residential development in Summerlin's 400-acre downtown. **We will contribute a 5.5-acre parcel of land with an agreed value of $3.2 million in exchange for a 50% interest in the venture when construction financing closes. Our partner will contribute cash for their 50% interest, act as the development manager, fund all pre-development activities, obtain construction financing and provide any guarantees required by the lender**. Upon a sale of the property, we are entitled to our 50% share of proceeds and 100% of the proceeds in excess of an amount determined by applying a 7.0% capitalization rate to net operating income ("NOI"). The venture is expected to begin construction in the fourth quarter of 2014 with the first units available for rent by the fourth quarter of 2015.

Share Price Since Spin

Honolulu

- HHC owns 60 acres ocean front property
- Currently vastly underutilized with a series of low rise retail, office and parking structures. It's 1.2M sqft produces ~$24M NOI
- Entitled to build ~4,000 residential units and 1.9M sqft of retail and office space (9.3M sqft total)
- Tower 1 (Ala Moana) went on sale and sold out 206 units in 23 hours ($1,170 sqft) with residents camping out at the sales center. Facebook CEO Zuckerberg is rumored to be a buyer of "several units".
- Towers 2 (Waiea) and 3 (Anaha) are 75% sold out (493 total units)
- Waiea construction began 11/2014 and Towers 4 and 5 have been approved
- Tower 5 will feature the largest Whole Foods in Hawaii
- Hawaii currently is facing a housing shortage and the University of Hawaii Economic Research Organization (UHERO) estimates the area needs 4,000 units/year until 2020 to help alleviate it
- There is tremendous embedded demand for HHC's offerings.



Anaha and Waiea Tower locations


S King St
S King St
Kapiolani Blvd
Neal S. Blaisdell Center
Kaka'ako
Honolulu Design Center
Kalakaua Ave
Mccully St
Kapiolani Blvd
Queen St
Anaha
Kamakee St
Halekauwila St
Pohukaina St
Auahi St
Ward Ave
Ward Village
Queen St
IBM Building
Ala Moana Center
Ala Moana Blvd
Waiea
Ala Moana Beach Park
Ala Moana Blvd
Kewalo Basin
Ala Wai Harbor
Ala Moana Blvd
Waikiki
Magic Island
Waikiki Beach

- At full build out….


Westwood
Ridgewood
Pequannock
Hawthorne
Paramus
Harrison
Mamaroneck
Bergenfield
Yonkers
Wayne
Montville
Paterson
New Rochelle
Bayville
Hackensack
Riverdale
Clifton
Fort Lee
Bronx
Glen Cove
Whippany
Montclair
Throggs Neck
Port Washington
Harlem
West Orange
Belleville
Secaucus
Manhattan
Whitestone
Great Neck
Livingston
East Orange
Flushing
Astoria
Bayside
Madison
Mineola
Hoboken
Millburn
Newark
Maspeth
Queens
Bellerose
Garden City
Summit
Ridgewood
Jamaica
Elmont
Hempstead
Union
Newark Bay
Bedford-Stuyvesant
Westfield
Elizabeth
Bayonne
Valley Stream
Freeport
Brooklyn
Plainfield
Clark
Linden
Oceanside
Bulls Head
Jamaica Bay
Inwood
Sheepshead Bay
Staten Island
Rockaway Park
Long Beach
South Plainfield
Colonia
Woodbridge Township
Breezy Point
Woodrow
Edison
Perth Amboy
Lower Bay

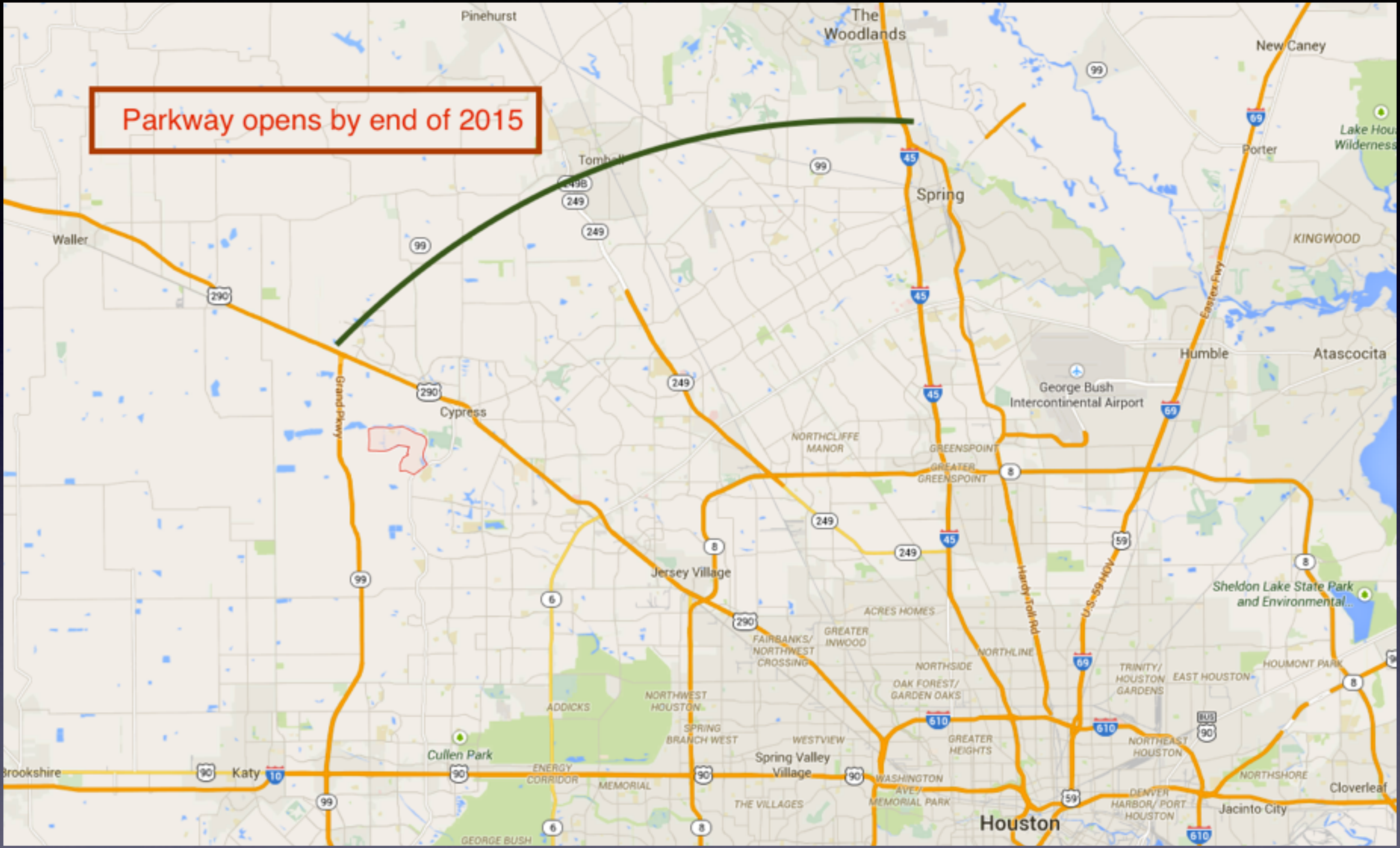
Houston

- Fastest growing metropolitan area in US
- 60% of new residents to Houston are moving to Harris County…..home of HHC's Bridgeland MPC (broke ground in spring 2014)
- Bridgeland will deliver 17,600 finished SF lots on 11,400 acres plus retail/office/hotel/multi-family space
- ~20% of new residents move to Montgomery County home of The Woodlands MPC. Montgomery County's 500k pop is expect to double over next 2.5 decades
- Exxon is building a campus adjacent to the Woodlands and bringing 10k employees with them. Have already signed leases w/HHC for >700k sqft of space

- The Woodland’s 28,000 acres make it larger than Manhattan
- In 2014 HHC bought ~1800 acres just north of The Woodlands for $67M with plans for > 4,600 residential lots & 161 acres commercial (Hendricks Land). Even if we assume a 30% discount on lot price vs Woodlands, the purchase still represents a min. $600M revenue opportunity only on residential lots assuming no price increases and ignoring all commercial development
- HHC is also building Embassy Suites and Westin hotels which they will operate. There is a luxury tower being built next to the Westin
- There is ~2M sqft currently under development in the Woodlands with a significant portion of that opening in ’15
- There are still 2,000 lots to sell (approx. 3yrs worth) and lot prices increased 19% in the Woodlands (30% in Bridgeland) in 2014

Grand Parkway

- Segment connecting the Woodlands to Bridgeland scheduled to open by the end of 2015
- Will further boost growth in the area
- The Katy section that runs from Rt 10 to Rt 290 opened in Dec 2013 and demand for housing in the area has jumped with 15k new homes already planned for the next 10 yrs and more coming
- Katy's population has now topped 300k (the size of Pittsburg)
- The Grand Parkway will open the entire area around Bridgeland to development and grant easy access to the Woodlands from the West 45 miles to Bridgeland



The Grand Parkway

Oil Risk?

- Much has been written about the price of oil and its effect on Houston and its housing market

- The risk to HHC is overblown

- The basic thesis is born from Houston’s experience 3 decades ago during the 1980’s when falling oil prices (from $112 to $31) caused a regional recession and housing/commercial RE saw price declines.

- People erroneously assume oil prices are today the sole driver to Houston’s housing market

Differences Between 1980’s and Today

- From 1979 to 1981 Volker raised the Fed funds rate from 11.2% to 20.5% and this caused a national recession in ’81-’82. Today the Fed funds rate is .1% and a recession is nowhere on horizon
- In 1985 oil and gas exploration was 21% of Houston’s GAP, it is 11% today
- In the 1980’s Houston homebuilders built >100k homes without signed contracts and continued to build as the region shed 200k jobs, that practice is almost non-existent today and Houston has added 480k new jobs since the end of the recession
- In the early 80’s developers added 71.7M sqft of office space as employment dropped and companies were declaring bankruptcy. Today there is just 16M sqft under construction and 56% of that is pre-leased

Does The Most Recent “Oil Crash” Gives Us A Better Perspective?

- The 2008-’09 oil crash that had a muted effect on Houston’s housing market also featured several other characteristics that make the “oil will cause Houston housing to collapse” meme questionable
- From June’08 to Feb ’09 crude oil fell from $143 to $43/bbl
- What happened to housing?
- The median annual home price in Houston entering 2008 was $153,630, the median annual home price for ’09 was $153,000
- From pre to post recession (’06- ’11) the median home price rose from $149,100 vs $153,900

2008 vs 2014-15

- In 2008-'09 Houston entered the oil price collapse/recession with ~6mos supply of homes for sale. Today it has 2.5mos (record low and 1/2 US number)
- In 2008 National GDP fell -8.2% & -5.4% in Q3/Q4. Today GDP is rising ~3%
- From 2007-'09 7.5 million American's lost their jobs. In 2014 2.2 million obtained jobs
- During the "great recession" US home prices fell ~25%. In 2014 they rose 5.6% and are forecast to rise another 4%-5% in 2015
- Despite hitting record high prices in Dec 2014, the median home price in Houston is still 9% below the US average & 30% to 60% below other large metro areas (Miami, Boston, LA, San Fransisco). This affordability is driving a steady stream of young and educated new residents to the area.

- Even the most pessimistic projections call for only 40k energy related job losses in 2015. That comes to .1% of the ~3M people employed in Houston Metro (4.5% unemployment rate vs 5.5% US)
- Despite those losses Houston is still expected to add ~50k net jobs in 2015 and 125k new residents. These people will be looking for housing in an severely undersupplied market
- Houston is now home to the world's largest medical center and the #1 export port in the US. "Health and Education" have been leading the area in employment gains the last decade (~2x oil and gas sector)
- Over the past decade Houston's population of "college educated residents" has grown 40% and in total numbers more than Boston, San Francisco, Silicon Valley and Chicago and Houston has added over 400k foreign born nationals, second only to NYC and 3 times the #3 city, LA.

Conclusion

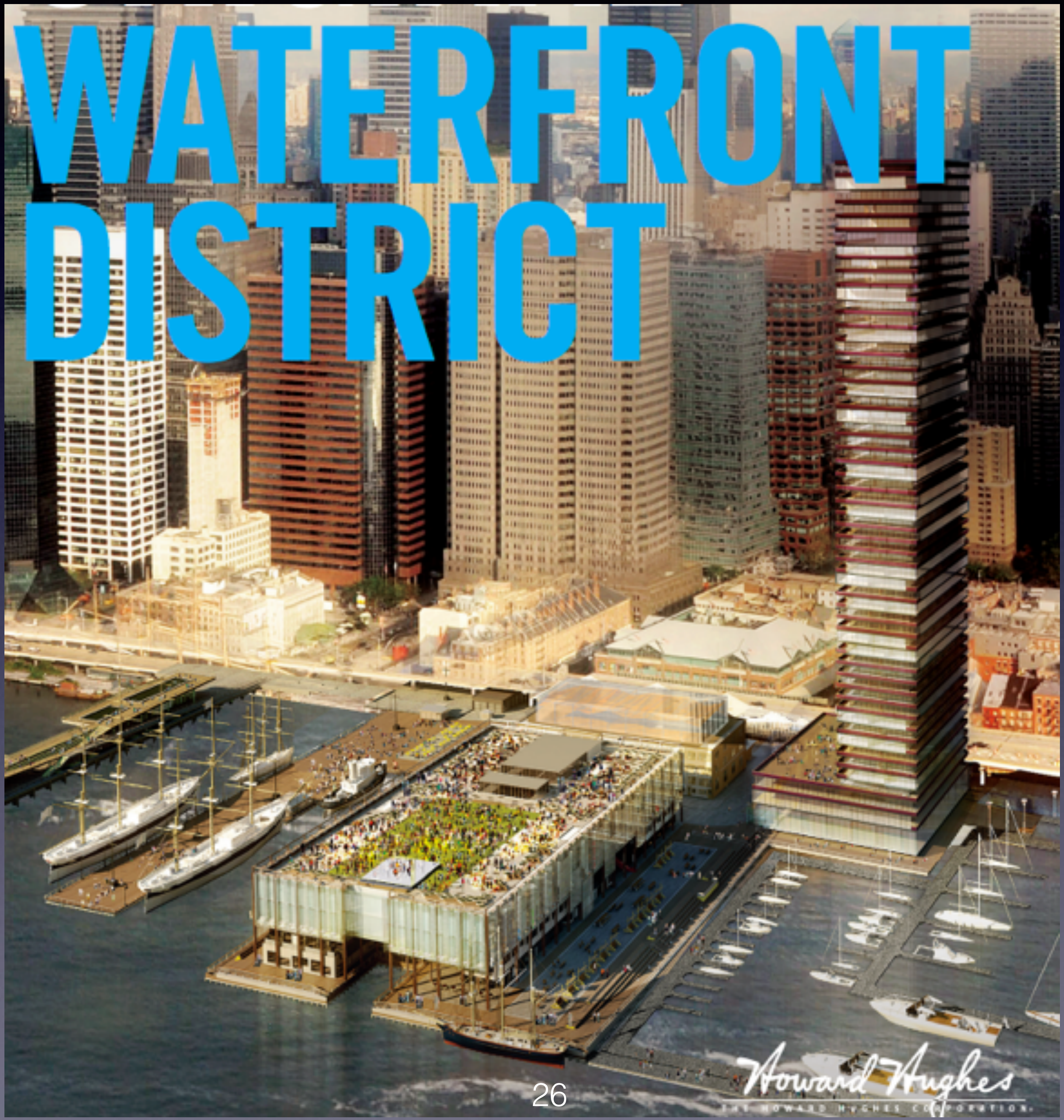
- The Houston housing market will not suffer material declines due to the oil price fall
- Historically low residential and commercial inventory, increasing national and regional GDP, a decreased reliance on the energy sector and increasing employment and population all provide significant tailwinds
- However, oil and gas are still significant contributors to the area. Houston GDP growth may decline as much as 50% in 2015
- Even at these levels it means Houston GDP will grow more than NYC, Chicago, LA and Washington DC and it has a much lower current housing inventory than all of them.
- Further, HHC has only 2,000 lots left to sell in the Woodlands (3yrs) Bridgeland is centered in the fast growing county in Houston

- HHC has been restraining sales in the Woodlands via auctions to maximize price.
- Activity in the Woodlands now is focused on retail and office space to support the needs of existing residents
- The area is considerably underserved on both fronts and demand is very strong (people want to work and shop near where they live)
- While the fall in oil prices will slow the rate of home price appreciation in the Houston Metro area (10.6% in 2014), given the lack of available lots and large influx of workers and residents to the area in 2015, I think HHC sees a minor if any impact to its MPC's
- Should oil prices settle significantly <$40 for a prolonged period of time (1yr), this thesis would have to be revisited.
- Houston assets make up < 30% of total valuation

South Street Seaport

- Redeveloping Pier 17
- Will have 362k sqft of retail space, roof amphitheater (4k people) and hi-tech movie theatre (iPic) in Phase I and another ~700K sqft in Phase II
- Phase I scheduled to open Q4 ’16
- Leasable space will rise from current 88k sqft
- Rents should rise to in excess of $200/sqft

- Proposed plan…



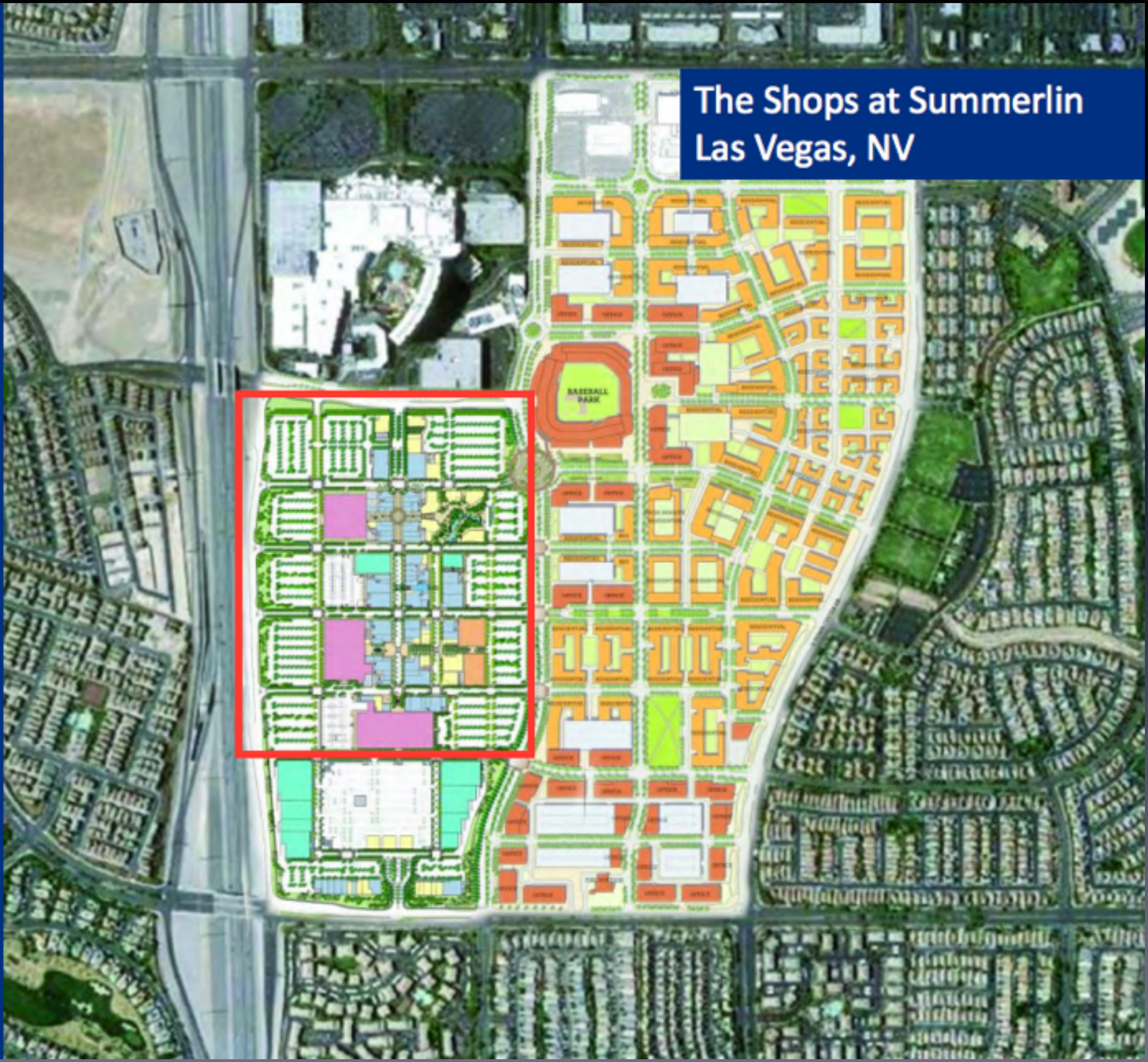
- Additional aspects include:
  - Restoration of Tin Building
  - Marina
  - ~400ft hotel/residential tower
  - Food market
  - Acquired 80 S. Street pre-approved for a 1,000 ft Tower
  - Acquired 85 S. Street

Summerlin

- HHC is largest private landowner in Vegas and 2nd largest only to Fed government
- Summerlin is a 22,500 acre MPC
- Permitted for an additional 20k homes
- One of the most affluent communities in Vegas
- Currently 100k resident occupy the MPC and that is expected to double
- Lot prices increased 73% in 2014

Downtown Summerlin

- 1.6M sqft retail/office opened in Oct 2014
- 124 unit luxury condo tower being built along with 200k sqft office tower
- Occupies ~106 acres of 400 acre site
- Red Rock Casino and Resort sits next to Downtown Summerlin and sees >1M visitors per year
- $1B of retail sales leak from Summerlin annually
- Retailers reporting sales “well above” expectations
- ~$40M normalized NOI from just retail component currently open


The Shops at Summerlin
Las Vegas, NV
BASEBALL PARK

Other Assets

- West Windsor, 658 acres near Princeton NJ, expect redevelopment plans to be revealed late 2015-’16
- Outlet Collection at Riverwalk, New Orleans. Renovated and reopened 2014, 250k sqft
- Landmark Mall, Alexandria VA, planning commission has approved redevelopment proposal
- Fashion Show air rights on Vegas strip
- Columbia, MD redevelopment underway. HHC just added 700k sqft of office/retail space there. They now control the majority of the office space in Columbia

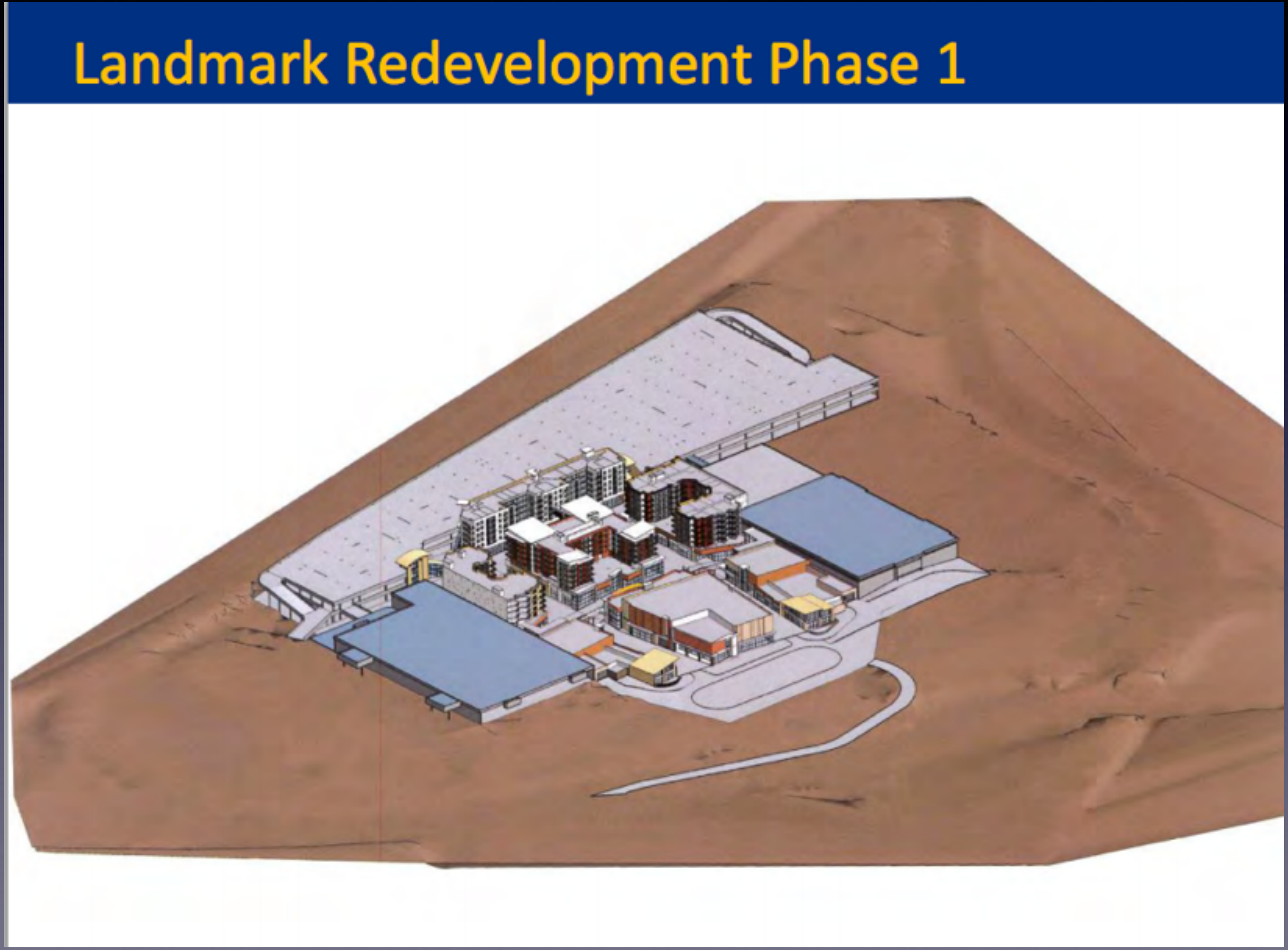
Columbia, MD

HHC is redeveloping and adding ~13M sqft of office,retail,multi-family

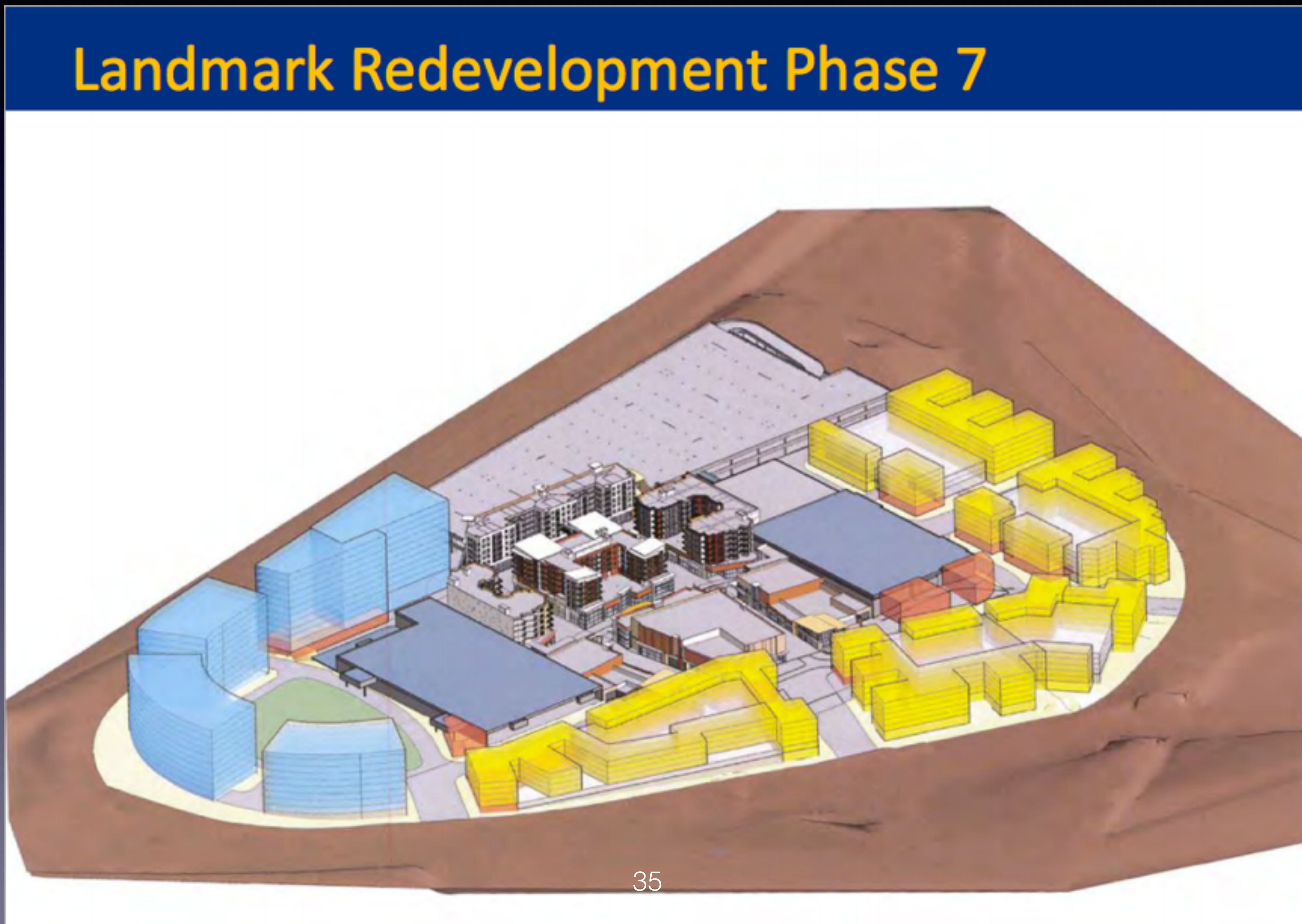
Landmark Mall

- Current state: “Dead Mall”

- Phase 1 calls for 280k sqft retail and ~400 apartments



- Phase 7 includes condos, hotel and office space (5.5M sqft)



Hotel Properties Coming Online 2015

- Embassy Suites   -205 rooms
- Westin- 302 rooms
- Woodlands Resort- 440 rooms (Q4 2014)

Residential Properties Coming Online 2015

- Columbia D- 817 units
- Summerlin Apt- 124 units
- Columbia C- 437 units
- One Al Moana- Sold out in 24 hrs
- One Lakes Edge - 390 units
- Metropolitan Downtown Columbia 380 units/14k sqft retail

Office/Retail Coming Online 2015

- Tech Forest Drive- 95k sqft, $2.1M NOI
- Creekside Village- 75k sqft
- One Lakes Edge- 22k sqft
- Three Hughes Landing- 324k sqft
- Hughes Landing Retail- 83k sqft
- Exxon I & II ~650k sqft, ~$10.7M NOI which raises to $14.5M if Exxon exercises option for 150k more sqft
- One Summerlin- 200k sqft
- Columbia D- 76k sqft
- Columbia C- 31K sqft
- Recently acquired Columbia office/retail - 700k sqft

2016 and Beyond

- Ward Centers: More Towers and significant additional retail/office space
- Columbia Parcels
- Lakeland Village Center 84k sqft office
- South St Seaport 380k sqft retail and Phase II retail
- South St Seaport Tower and 80 and 85 South Street Towers
- Waiea condos 171 units
- Anaha condos 311 units
- Ward Workforce Tower 424 units
- Tower #5 Hawaii
- Creekside Village-1000 units and 225k sqft retail
- Landmark Mall 400 units and 280k sqft retail/office

Looking Forward

- Results begin material improvements in the soon to be reported Q4 2014.
- MPC land sales will get a ~$27M bump from Bridgeland sales closing in Q4 (vs $3M in 2013) and builders playing catch up to demand in Summerlin bringing new neighborhoods online (supply restricted sales in 2014).
- NOI will increase significantly due to the Shops at Summerlin, Two Hughes Landing, Columbia Regional Building, Creekside Village, Ala Moana, Tech Forrest Drive, Riverwalk and Millennium Woodlands II all opening in the second half of 2014 (these will positively impact Q1 and Q2 2015 comps also)
- Q1 2015 gets an additional boost from Columbia C&D (retail (100k sqft) and residential (1,200units)), and Hughes Landing Retail opening

- The company will see a material rise in NOI from the current $70M annually to a $200M-$250M run rate in 2016

- Post 2017 the still rising NOI and decreased land available for sale (Woodlands/Bridgeland almost sold out) will put pressure on current “C corp” status

- Look for some type of change to REIT status either via corp change or spin to shareholders at some point

- Cash flow in 2017 and beyond becomes significant to the point acquisitions/share buybacks are unavoidable

Valuation- MPC

- Available acres for sale:
- Woodlands 1,000 acres
- Bridgeland 4,500 acres
- Summerlin 5,200 acres
- Columbia 103 acres

- TTM revenue of $338M vs $228M
- Using DCF model for future land sales and a 11% discount rate gives us a value of $2.4B ex debt or $56/share using 43M fully diluted shares

Operating Properties

- South St Seaport
- Woodlands Properties
- Columbia Properties
- Shops at Summerlin
- Al Moana
- Ward Condos II and III/CRE
- Smaller and non-income producing assets

- TTM NOI of $65M vs $46M
- Shops will add ~$37M NOI annualized in 2015 plus additional properties online
- Using a DCF on CRE development of 12% and giving operating assets a 5.5% cap rate gives us a $7.6B valuation excluding debt or $176/share
- The value of tax assets, after cash tax flow, option/warrant exercise & net corp cash (0) comes to $15-$25/share

Valuation

- Land Sale/MPC : $56
- Operating properties: $176
- Other $15-$25
- Value: $247 - $257/share

- Even if we assume Houston assets worth $0 due to oil, shares still have a $175-$185 value, a premium to their current price

Model Excludes

- Seaport Towers (80 & 85 S. Street) and Phase II of retail
- Towers 4 and 5 in Hawaii
- Recent purchase of 700k sft retail/office in Columbia
- Hendricks Land outside Woodlands development
- West Windsor (658 acres near Princeton) development
- Fashion show air rights
- Landmark Mall redevelopment
- Currently unannounced future development
- Share repurchases

Q & A