

# Howard Hughes Corp (HHC)

## 8-K

Current report filing

Filed on 05/15/2012

Filed Period 05/15/2012

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, DC 20549

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**FORM 8-K**

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**CURRENT REPORT  
Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): **May 15, 2012**

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**THE HOWARD HUGHES CORPORATION**  
(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction  
of incorporation)

**001-34856**  
(Commission File Number)

**36-4673192**  
(I.R.S. Employer  
Identification No.)

**One Galleria Tower  
13355 Noel Road, 22<sup>nd</sup> Floor  
Dallas, Texas 75240**  
(Address of principal executive offices)

Registrant's telephone number, including area code: **(214) 741-7744**

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**Item 7.01 Regulation FD Disclosure**

On May 15, 2012, executives of The Howard Hughes Corporation (the "Company") will make a presentation about the Company to certain analysts and investors at the 11<sup>th</sup> Annual JMP Securities Research Conference in San Francisco, California. A copy of the slide presentation is furnished as Exhibit 99.1 to this Current Report on Form 8-K. Additionally, the Company has posted the slide presentation on its website at [www.howardhughes.com](http://www.howardhughes.com) under the Investor, Investor Presentation tab.

The information in Item 7.01 of this report is being furnished, not filed, pursuant to Regulation FD. Accordingly, the information in Item 7.01 of this report will not be incorporated by reference into any registration statement filed by the Company under the Securities Act of 1933, as amended, unless specifically identified therein as being incorporated therein by reference. The furnishing of the information in this report is not intended to, and does not, constitute a determination or admission by the Company that the information in this report is material or complete, or that investors should consider this information before making an investment decision with respect to any security of the Company or any of its affiliates.

**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits

<u>Exhibit No.</u>	<u>Description</u>
99.1	May 15, 2012 Slide Presentation

**SIGNATURES**

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 hereunto duly authorized.

THE HOWARD HUGHES CORPORATION

By: /s/ Peter F. Riley  
Peter F. Riley  
*Senior Vice President, Secretary and  
General Counsel*

Date: May 15, 2012

*Howard Hughes*  
THE HOWARD HUGHES CORPORATION



Grant Herlitz, President  
Andrew C. Richardson, CFO

May 15, 2012

# Disclaimer and Safe Harbor Statement

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The Howard Hughes Corporation (“HHC”) cautions that statements in this presentation that are forward-looking and provide other than historical information involve risks and uncertainties that may impact actual results and any future performance suggested by the forward-looking statements. The forward-looking statements in this presentation include statements relating to our anticipated financial and operating performance, our expectations regarding the real estate industry and the economy generally and our plans for development of our assets. These forward-looking statements are based on current management expectations and involve a number of risks and uncertainties, including, among other things, changes in the economic environment, particularly in the regions in which we operate, our ability to continue financing our investments in our properties, changes in our assumptions, including assumed rents, capitalization and development costs, and other changes in demand for our properties. If one or more of these or other risks materialize, actual results may vary materially from those expressed. For a more complete discussion of these and other risk factors, please see HHC’s filings with the Securities and Exchange Commission, including its annual report on Form 10-K and subsequent quarterly reports on Form 10-Q. HHC cautions not to place undue reliance on these forward-looking statements, which speak only as of the date hereof, and undertakes no obligation to update or revise any forward-looking statements, except to the extent required by applicable law.

# The Howard Hughes Corporation

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## Mission Statement:

*"The Howard Hughes Corporation's mission is to be the preeminent developer and operator of master planned communities and mixed-use properties. We create timeless places and memorable experiences that inspire people while driving sustainable, long-term growth and value for our shareholders."*

**Tax-free spinoff in November 2010 (NYSE: HHC); concurrently raised \$250 million from Brookfield, Pershing Square, Blackstone and Fairholme**

**Three business segments - master planned communities, operating properties and strategic developments spanning 18 states**

**~ \$2.5 billion market capitalization. Dallas, TX headquarters, with nearly 900 employees located throughout the U.S.**

# GGP Bankruptcy & HHC Spinoff

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Start Here

Land encompassing Summerlin MPC acquired by Howard Hughes in the 1950s. Summerlin conducted business as The Howard Hughes Corporation.



Merged with The Rouse Company in 1996. (Seaport, Columbia, Woodlands, Bridgeland, etc.)



GGP acquired Rouse in 2004. (Victoria Ward, Cottonwood, Elk Grove, etc.)



GGP bankruptcy and subsequent spinoff of select assets as The Howard Hughes Corporation.



A CORPORATION BUILT ON AN EXTRAORDINARY LEGACY WITH ASSETS COAST-TO-COAST-TO-COAST.



**PLANNED COMMUNITIES**

- Bridgeland - Houston, TX
- Maryland - Columbia, MD
- Summerlin - Las Vegas, NV
- The Woodlands - Houston, TX

**HIHC OPERATING PROPERTIES**

- 110 N. Wacker Drive - Chicago, IL
- Arizona 2 Note
- Columbia Office Properties - Columbia, MD
- Cottonwood Square - Salt Lake City, UT
- Golf Courses at Summerlin and TPC Las Vegas
- Hexalon (Equity Investment)
- Landmark Mall - Alexandria, VA
- Park West - Peoria, AZ
- Rio West - Gallup, NM
- Riverwalk - New Orleans, LA
- South Street Seaport - New York, NY
- Summerlin Hospital Medical Center (Equity Investment)
- Ward Centers - Honolulu, HI

**THE WOODLANDS OPERATING PROPERTIES**

- 4 Waterway
- 29/25 Waterway
- 1400 Woodloch Forest Drive (Equity Investment)
- 2201 Lake Woodlands Drive
- 9303 New Trails
- Stewart Title (Equity Investment)
- The Club at Carlton Woods
- The Millennium Apartments (Equity Investment)
- The Woodlands Resort and Conference Center
- The Woodlands / Sarofim (Equity Investment)
- U.S. Oncology Garage
- Waterway Square Garage
- Waterway Square Retail

**STRATEGIC DEVELOPMENTS**

- 3 Waterway - The Woodlands, TX
- Aie Moana Tower - Honolulu, HI
- Alameda Plaza - Pocatello, ID
- Allen Towne - Allen, TX
- The Bridges at Mint Hill - Charlotte, NC
- Century Plaza - Birmingham, AL
- Circle T Ranch and Power Center - Dallas-Fort Worth, TX (Equity Investment)
- Columbia Parcel D - Columbia, MD
- Cottonwood Mall - Salt Lake City, UT
- Elk Grove Promenade - Sacramento, CA
- Fashion Show Air Rights - Las Vegas, NV
- Kendall Town Center - Miami, FL
- Lakemoor (Ioloi) Land - Chicago, IL
- Maui Ranch Land - Maui, HI
- Redlands Mall & Promenade - Redlands, CA
- The Shops at Summerlin - Las Vegas, NV
- The Village at Redlands - Redlands, CA
- West Windsor - Princeton, NJ

Howard Hughes

# What Makes HHC a Compelling Investment?

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## Assets

- World-class trophy assets with significant upside potential
- Irreplaceable mixed-use, office, resort & residential portfolio
- Geographically diversified assets

## Structure

- Low leverage - \$298mm of net debt against \$2.2bn book value<sup>(1)</sup>
- C-Corp. structure and \$270 million of net tax assets enable HHC to retain capital for future reinvestment unlike REITs, which must distribute 90% of cash to maintain status

## Team

- Highly sophisticated & active Board of Directors led by Bill Ackman
- Deep and seasoned management team with history of successfully developing and managing complicated real estate assets

## Skin in the Game

- CEO, CFO & President invested \$19 million cash in HHC warrants
- Institutional sponsorship: Pershing Square & Brookfield Asset Management own approximately 29% of HHC<sup>(2)</sup>

### Note

(1) Segment Basis Net Debt and book value as of March 31, 2012. Please refer to 10-Q for three months ended March 31, 2012.

(2) Represents stock and warrants held by investors. Please refer to DEF 14A dated April 26, 2012.



## HHC is Positioned to Unlock the Value of Its Assets

# 2011 Highlights

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## Acquisitions

- ✓ Acquired partner's interest in The Woodlands MPC for \$117.5 million.

## Development

- ✓ Partnered with local investors to develop luxury condominium tower at Ala Moana Center in Honolulu.
- ✓ Partnered with Kettler/Orchard to develop multi-family project in downtown Columbia, MD.
- ✓ Announced construction of 3 Waterway, a 232,774 SF, Class A office tower in The Woodlands.
- ✓ Partnered with Childress Klein to pursue development at The Bridges of Mint Hill.

## Financing

- ✓ \$250 million loan to support the master plan for Victoria Ward's redevelopment.
- ✓ \$55 million of property level financings at The Woodlands.
- ✓ \$29 million of financing at 110 N. Wacker.
- ✓ \$43 million construction loan at 3 Waterway.<sup>(1)</sup>

## Team

- ✓ Assembled core management and development team comprised of industry leading executives.

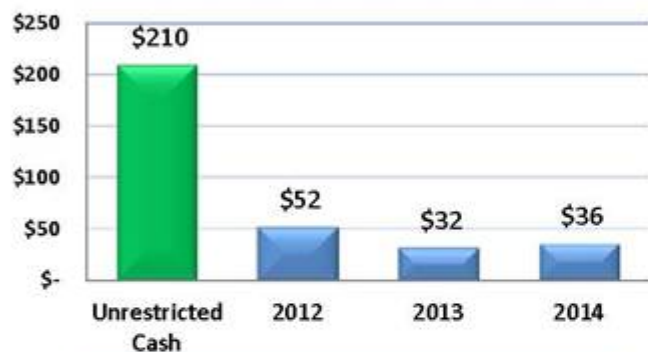
### Note

(1) 3 Waterway loan closed in 2012.

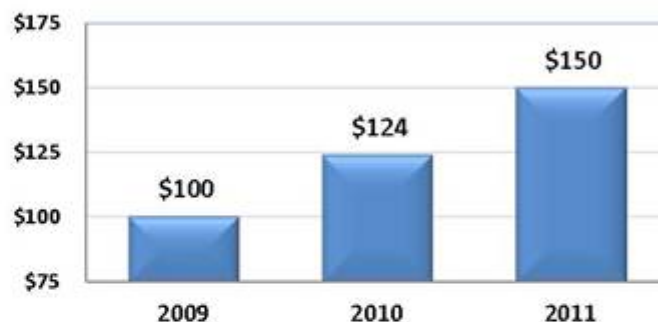
# Strong Liquidity & Cash Flow to Support Predevelopment

(\$ in millions)

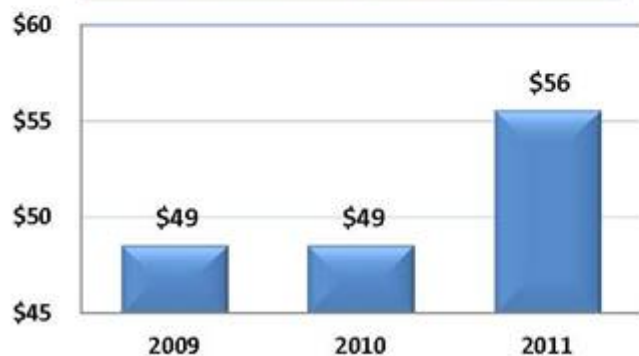
## Unrestricted Cash vs. Debt Maturities



## Acreage Sales Revenue



## Income-Producing Property NOI



## Robust Access to Capital



**Note**

(1) Please refer to 10-K for the year ended December 31, 2011.

(2) Unrestricted cash as of Q1 2012. Please refer to 10-Q for three months ended March 31, 2012.

# Unlocking Value

## ***Victoria Ward – 60 Ocean-Front Acres, ~\$22mm NOI***

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**Fully Entitled – Approved 9+ million SF Master Plan**



**4,500+ Condominium units**

**1+ Million SF of Retail**



## Ala Moana Tower – 210 Luxury Condominium Units

Ala Moana Mall – Retail Sales over \$1,000 a square foot

Luxury  
Product  
Trading at  
\$1,200/SF



## South Street Seaport – 9+ Million Annual Visitors

**\$4.7 billion**  
Annual Buying  
Power

**\$30 billion infrastructure & real estate**  
investments in Lower Manhattan since 2002.

# Lower Manhattan - Population Doubled Since 2001

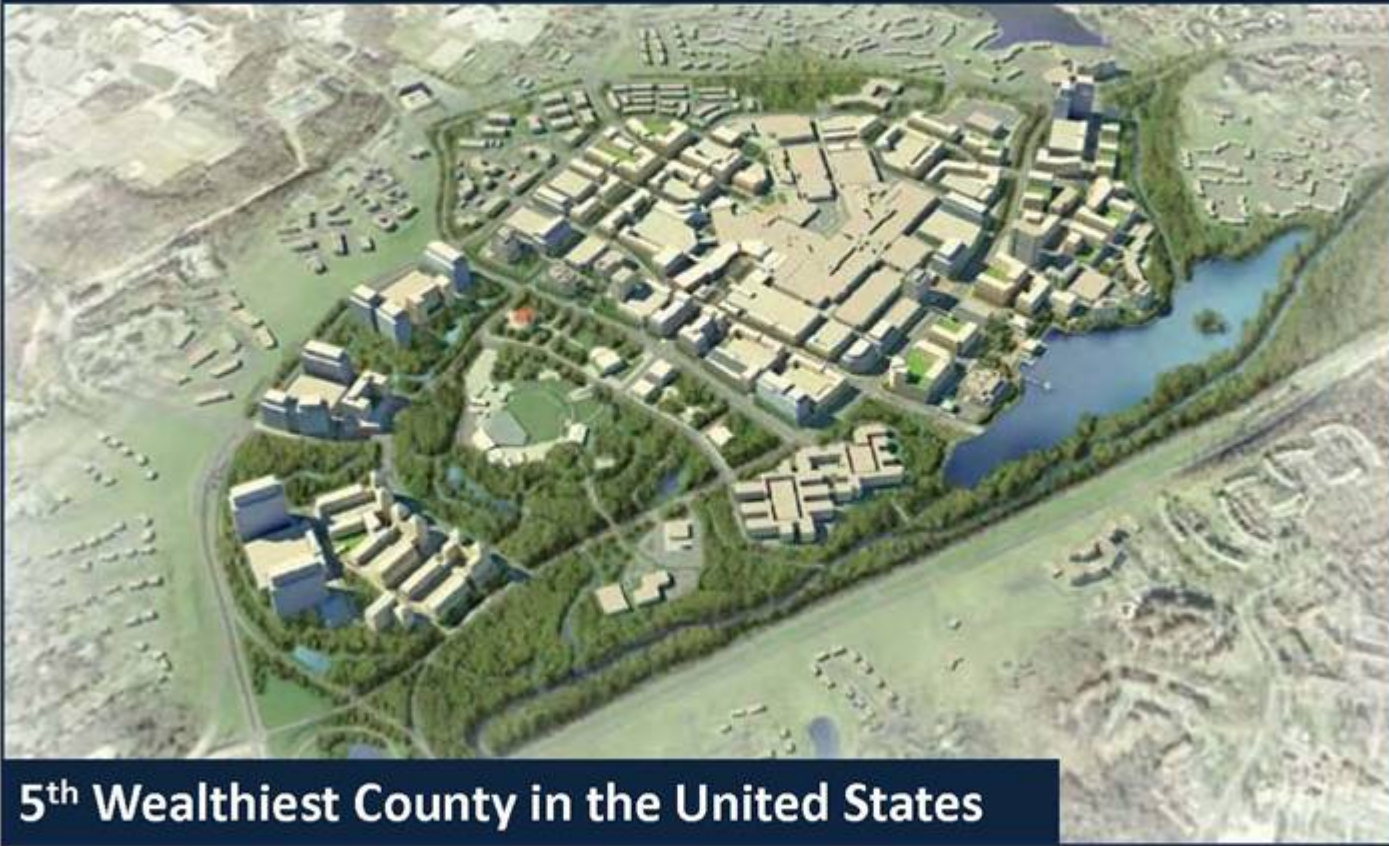


Pier 17 –  
210,000 SF  
of GLA

Uplands –  
175,000 SF  
of GLA

# Downtown Columbia – 10+ Million SF Redevelopment

Premier Outdoor Concert Center & 1.2 million SF Mall at Development's Center



5<sup>th</sup> Wealthiest County in the United States

**Kettler/Orchard Joint Venture – 375 Residential Units + Retail**



# Our MPC Business

Community	Location	Gross Acres	Community Population	Remaining Saleable Acres
Bridgeland	Houston, TX	11,400	4,750	5,023
Maryland	Howard/Prince George's County, MD	16,450	104,700	202
Summerlin	Las Vegas, NV	22,500	100,000	6,771
The Woodlands	Houston, TX	28,400	101,000	2,125
<b>Total</b>		<b>78,750</b>	<b>310,450</b>	<b>14,121</b>

## ***Bridgeland – Before Capital Invested***

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# Bridgeland – Over \$325 Million in Capital Later

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**Don't be the 1<sup>st</sup> to Own an MPC**



# 19,000 Residential Lots; 1,226 Commercial Acres Remaining



# World-Class Master Planning

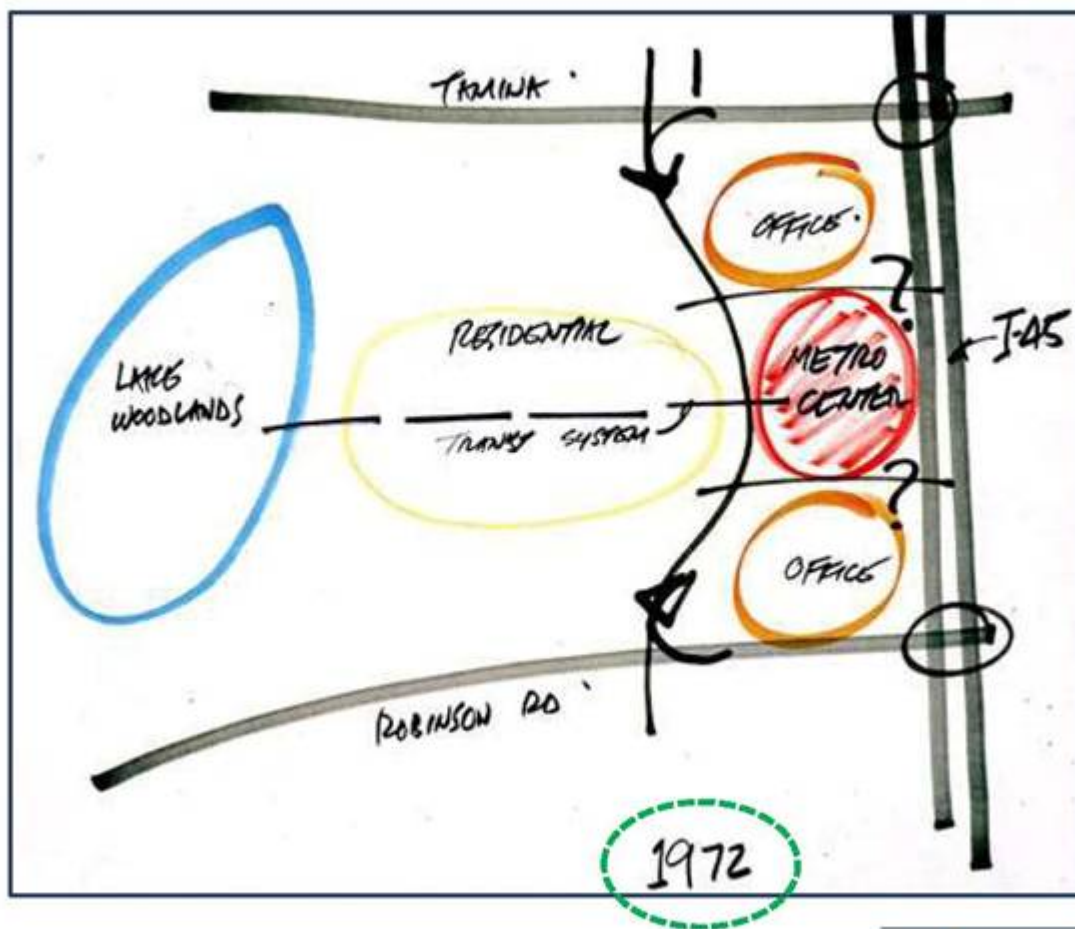


**3,669 Residential Lots & 961 Commercial Acres Remaining<sup>1</sup>**

Note

(1) As of December 31, 2011. Please reference 10k.

# The Woodlands Town Center Concept – Napkin, 1972



Note  
(1) Source: Robert Heineman, The Woodlands' original land planner.

# The Woodlands Town Center - *Today*

97.5% Class A Office  
Occupancy



Additional 5+ MSF of Office, 2,000+  
Residential Units & 500k+ of Retail to be Built



## 3 Waterway – 232,774 SF Class A Office Tower



### 3 Waterway: April 5, 2012 – 74% Preleased



Average \$27/SF Net Rent on Signed Leases

Implied \$6 million of NOI at Stabilization

\$50 million Construction Cost Excluding Land

Implied \$36 million of Value Creation at a 7.0% Capitalization Rate

# The Woodlands – Super Block





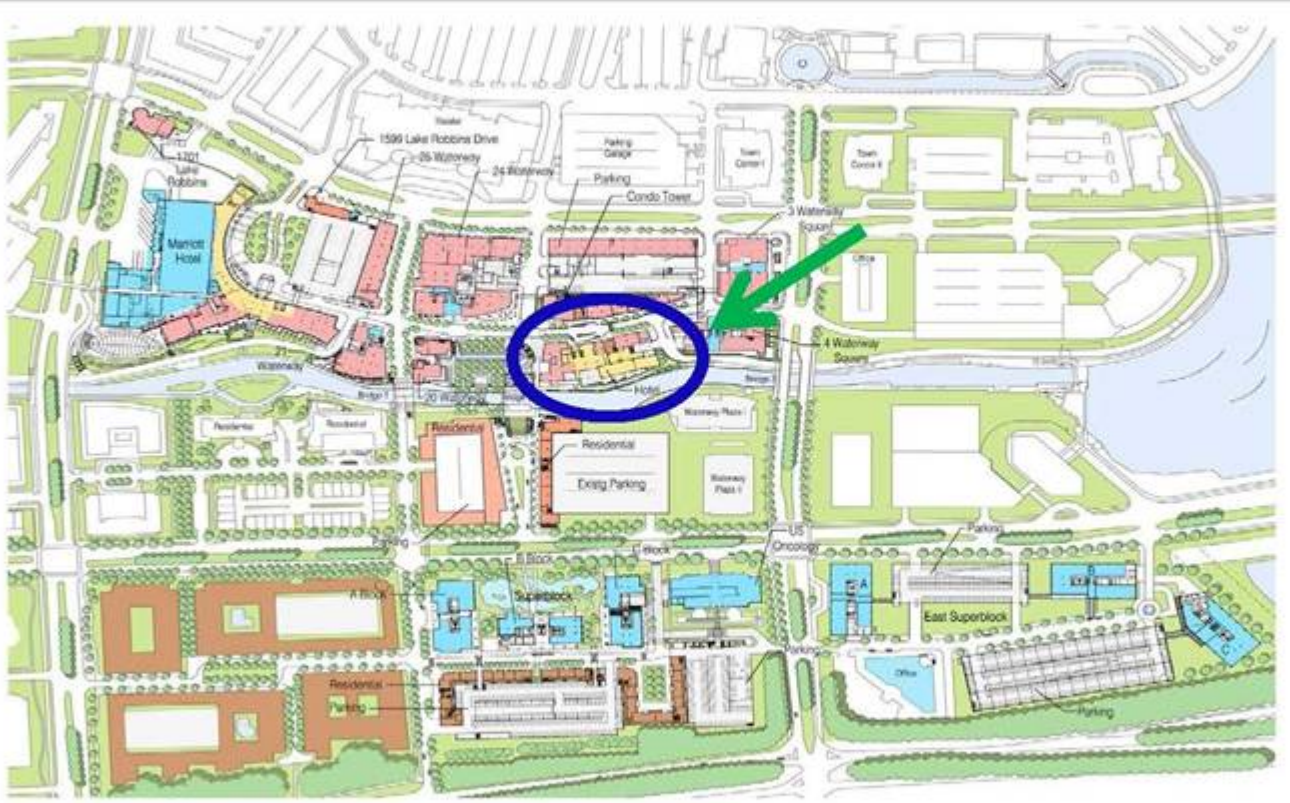
## Super Block – Over One Million SF of Development



# Super Block – Over One Million SF of Development



# The Woodlands – Waterway Hotel & Condominiums



ERIK L. MANFREDI  
 ARCHITECT  
 1599 LAKE ROBBINS DRIVE  
 WOODLANDS, TEXAS 77380  
 TEL: 281.333.8888  
 WWW.ERIKL.COM

The Woodlands, Texas

The information contained herein is for informational purposes only and does not constitute an offer of any securities or other financial products. It is not intended to be relied upon in making any investment decision. Please consult your broker or financial advisor for more information.

DATE: 12/2011

PROJECT: Waterway Hotel & Condos

SCALE: 1/8" = 1'-0"

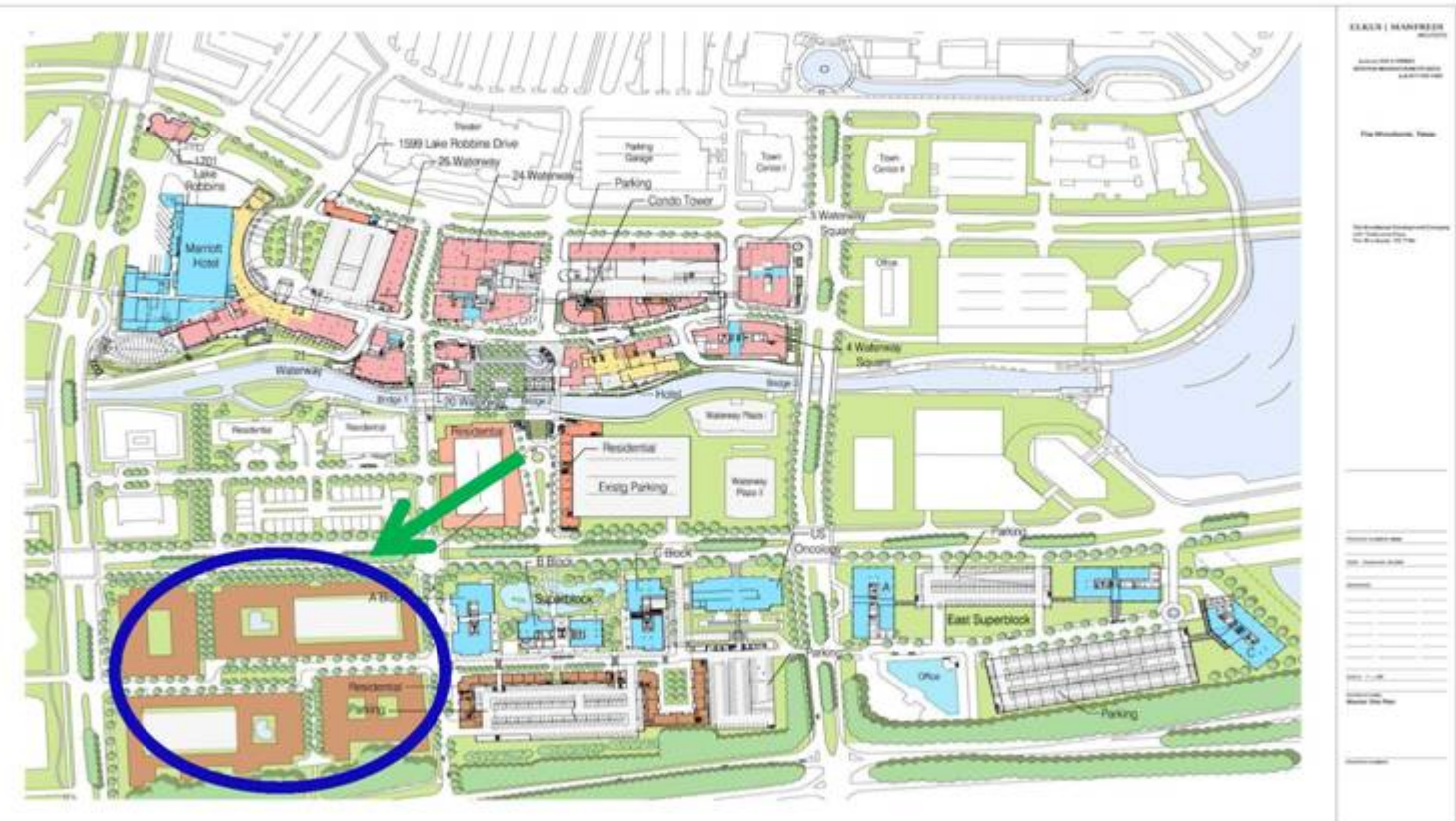
# Waterway Hotel & Condominiums - *Luxury & Location*



# Waterway Hotel & Condominiums



# The Woodlands – Millennium Waterway Apartments



# The Woodlands – Millennium Phase I

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# The Woodlands – Millennium Phase II

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# The Woodlands Economics

## Master Plan Economics:

(\$ in millions, except per unit data)

### Operating Property Overview

Stabilized NOI	\$	29
Capitalization Rate		7.0%
<b>Value</b>	<b>\$</b>	<b>417</b>

### Commercial Land

Price / SF	\$	13.66
Acres Remaining		961
<b>Value</b>	<b>\$</b>	<b>572</b>

### Residential Land

Price / Lot	\$	88,987
Lots Remaining		3,669
<b>Value</b>	<b>\$</b>	<b>326</b>
Margin		73%
<b>Net</b>	<b>\$</b>	<b>238</b>

### Value Excluding All Future Development

<b>Total</b>	<b>\$</b>	<b>1,227</b>
<b>Less: Net Debt</b>		<b>(197)</b>
<b>Implied Equity</b>	<b>\$</b>	<b>1,030</b>

~\$1 billion implied equity value excluding *All* future vertical development

#### Note

(1) Source: CEO Letter to Shareholders dated February 29, 2012.

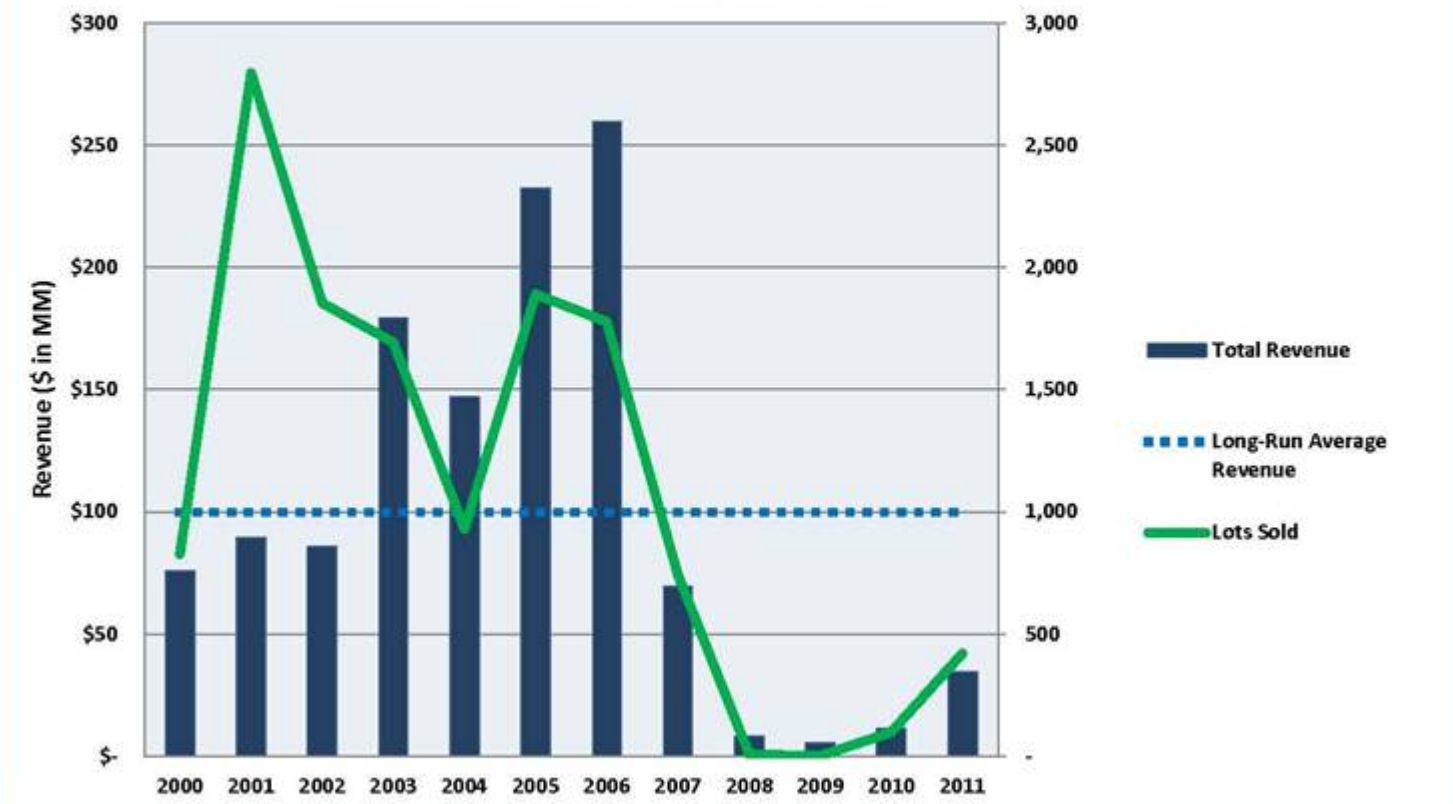
(2) Net Debt is computed as \$282M of debt, less \$39M of cash and \$46M of municipal utility district receivables as of December 31, 2011.

**Summerlin – 5,880 Residential Lots, 891 Commercial Acres Remain**



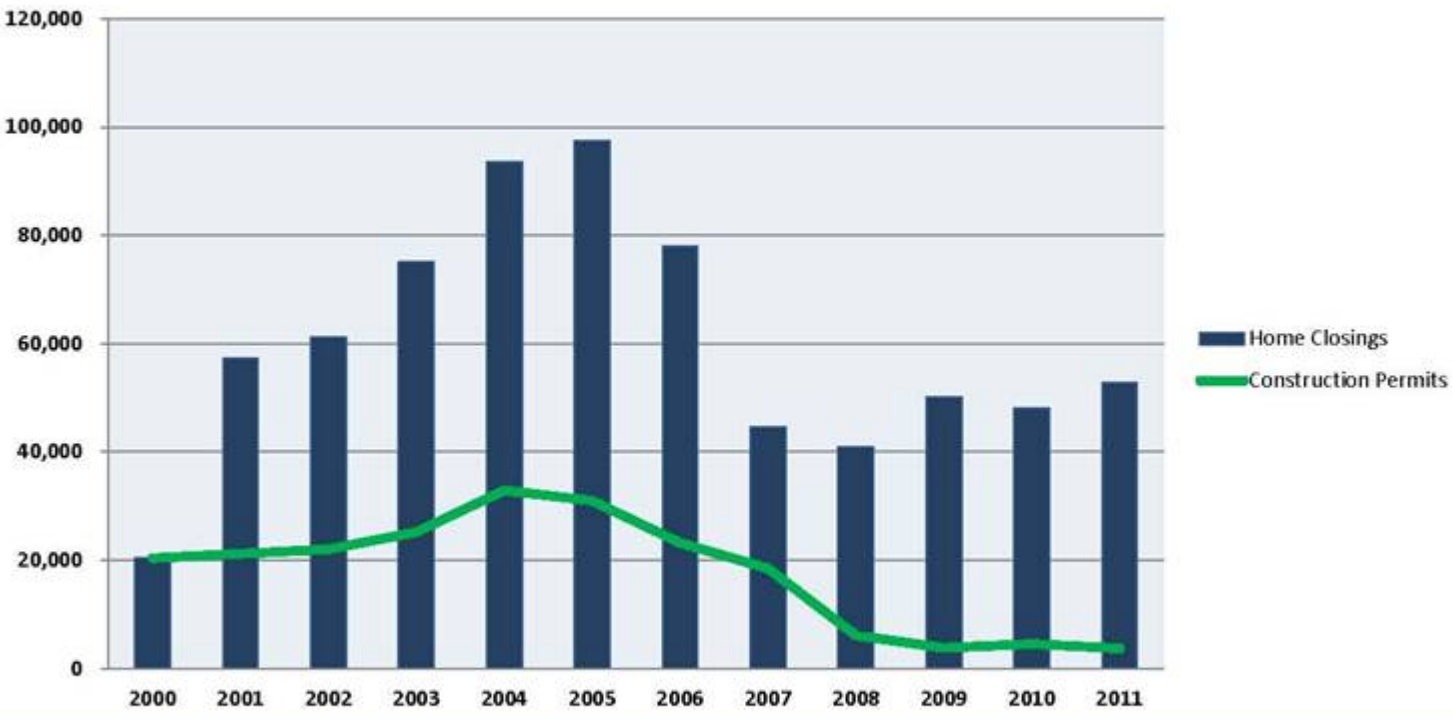
# Where Does Normalized Revenue Return To?

Summerlin Revenue and Land Sales



# Supply/Demand Rebalance is Well Underway

### Las Vegas: Home Sales vs. New Construction Permits



Source: Homebuilders Research, Inc.

## Summerlin Centre – *One of the Nation's Top Mall Sites*

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# Summerlin Centre



Over \$1.5 billion of Retail Sales “Leaking” Out of Summerlin<sup>1</sup>

Source  
(1) RCLCO research.

*Howard Hughes*  
THE HOWARD HUGHES CORPORATION

42

# Summary

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## World-Class Assets, Platform & Leadership

- **Trophy Assets**
- **Alignment of Interests: Management “pot committed” to moving assets to the point of creating maximum shareholder value**
- **Book Value significantly undervalues assets**
- **We believe market is not fully recognizing:**
  - Value of Future Development
  - Return to Normalized Housing Market
  - Upside Options with Downside Protection

Expect more development announcements in 2012

Research Coverage: Compass Point Research & Trading, LLC

Contact: Wilkes Graham, [wgraham@compasspointllc.com](mailto:wgraham@compasspointllc.com)



## Reconciliation of Net Operating Income (NOI) to Net Income (Loss) from Continuing Operations

(\$ in millions)

	2011	2010	2009
Income-Producing Operating Assets NOI - Consolidated	(a) \$ 51.7	\$ 48.6	\$ 47.3
Total other properties NOI	(4.5)	(1.2)	(2.8)
Straight line lease amortization	0.9	0.2	(0.1)
Provisions for impairment	0.0	(80.9)	(51.0)
Early extinguishment of debt	(11.3)	-	-
Depreciation and amortization	(20.3)	(23.5)	(26.5)
Equity in earnings from real estate affiliates - Operating Assets	3.9	(0.3)	2.2
Interest, net	(10.9)	(17.2)	(14.1)
Less: Partners' share of Operating Assets REP EBT	(0.1)	1.9	2.9
Operating Assets Segment REP EBT	9.5	(72.4)	(42.1)
Master Planned Communities REP EBT	50.8	(380.0)	(34.1)
Strategic Assets REP EBT	3.3	(26.4)	(603.8)
Total Segment-basis REP EBT	63.6	(478.8)	(680.1)
Less: Real Estate Affiliates REP EBT	(11.8)	(13.8)	11.2
	51.8	(492.6)	(668.9)
General and administrative	(35.2)	(21.5)	(23.0)
Corporate interest income	9.6	0.2	-
Warrant liability gain	101.6	(140.9)	-
Benefit from income taxes	18.3	633.5	24.0
Equity in earnings of Real Estate Affiliates	8.6	9.4	(28.2)
Investment in real estate basis adjustment	(6.1)	-	-
Reorganization items	0.0	(57.3)	(6.7)
Corporate depreciation	(0.2)	(0.0)	(0.0)
Net income (loss) from continuing operations	<u>\$ 148.5</u>	<u>\$ (69.2)</u>	<u>\$ (702.9)</u>

REP EBT is defined as net income (loss) from continuing operations excluding general and administrative expenses, corporate interest income and depreciation expense, investment in real estate basis adjustment, benefit from income taxes, warrant liability gain (loss), reorganization items and the effects of the perviously mentioned items within our equity in earnings (loss) from Real Estate Affiliates.

(a) Represents consolidated Retail, Office, Resort and Conference Center NOI.  
Please refer to Item 7 -- Management's Discussion and Analysis of Financial Condition and Results of Operations to the Company's 10-K for the year ended December 31, 2011.

Equity Method Operating Assets NOI - Non-consolidated	(a)	\$ 7.0	\$ 4.2	\$ 4.0
Adjustments to NOI	(b)	(3.9)	(1.9)	(0.5)
Non-consolidated Equity Method Assets REP EBT		3.1	2.3	3.5
Less: Joint venture partners' share of REP EBT		(3.1)	(2.6)	(2.6)
Equity in earnings from real estate affiliates		0.0	(0.3)	0.9
Distributions from Summerlin Hospital Investment		3.9	-	1.3
Equity in earnings from Real Estate Affiliates - Operating Assets		3.9	(0.3)	2.2
<b>Total Income-Producing Properties NOI</b>				
Income-Producing Operating Assets NOI		51.7	48.6	47.3
Income-Producing Equity Method Investments NOI (company share)	(c)	3.9	-	1.3
Total Income-Producing Properties NOI		<u>\$ 55.6</u>	<u>\$ 48.6</u>	<u>\$ 48.6</u>

(a) Represents Millenium Waterway apartments, Woodlands Arofim #1, Stewart Title and Forestview/Timbermill apartments NOI. Please refer to Item 7 -- Management's Discussion and Analysis of Financial Condition and Results of Operatings to the Company's 10-K for the year ended December 31, 2011.

(b) Includes straight-line and market lease amortization, depreciation and amortization and non-real estate taxes.

(c) Represents our 83.55% economic share of Millenium Waterway apartments, 20% share of Woodlands Sarofim #1, 50% share of Stewart Title and 50% share of Forestview/Timbermill apartments NOI.

**Reconciliation of Total Acreage Land Sales Revenue to Total Land Sales Revenue - GAAP Basis**

*(\$ in millions)*

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Total acreage land sales revenue	\$ 150.3	\$ 124.3	\$ 100.4
Deferred revenue	(0.5)	4.0	(3.4)
Deferred revenue - The Woodlands	6.2	-	-
Special Improvement District revenue	5.4	0.7	0.2
Total segment land sales revenue	<u>161.4</u>	<u>129.0</u>	<u>97.3</u>
Less: Real Estate Affiliates land sales revenue	(a) <u>(47.9)</u>	<u>(91.0)</u>	<u>(62.7)</u>
Total land sales revenue - GAAP basis	<u>\$ 113.5</u>	<u>\$ 38.1</u>	<u>\$ 34.6</u>

(a) Represents The Woodlands land sale revenue when it was a Real Estate Affiliate and was accounted for as a non-consolidated investment.