



Howard Hughes

THE HOWARD HUGHES CORPORATION®





TO THE SHAREHOLDERS OF
THE HOWARD HUGHES CORPORATION
FROM THE CHIEF EXECUTIVE OFFICER

MARCH 5, 2013

As I reflect on the past two years, I am proud of our team and their numerous accomplishments, grateful for the dedication and tireless efforts that have made these achievements possible, and sharply focused on continuing our outstanding performance. 2013 is pivotal for The Howard Hughes Corporation as we transition from planning to building and continue to unlock the value of our portfolio.

Our financial results for 2012 reflect the exemplary efforts of our management team and employees. Revenues totaled \$377 million, operating income and income from non-consolidated affiliates totaled \$76 million compared to \$36 million in 2011. These strong operating results permitted us to invest \$155 million in pre-development, construction, and to retire the majority of the outstanding Sponsor warrants, while ending the year with a cash balance \$2 million higher than at the end of 2011. We have a strong balance sheet with only 19.9% net debt against the book value of our assets. We generated \$153 million of operating cash flow in 2012 up from \$87 million in 2011. We have used this cash to invest in the assets and opportunities that we believe have the most potential for creating extraordinary value.

Our long-term goal is to increase the value of the company on a per-share basis. We do this by improving our assets through the development process and by opportunistically deploying excess cash. In the fourth quarter, we purchased approximately 6.1 million of the 8 million Sponsor warrants issued as part of our emergence as a public company. These warrants had a strike price of \$50.00 per share and a November 2017 expiration date. They were the most expensive and dilutive security in our capital structure. Before their retirement, the warrants represented an economic drag on our per-share progress as every dollar of appreciation of our stock price above \$50.00 would require us to generate \$1.16 of value. The repurchase of these warrants in exchange for \$81 million of cash and 1.5 million shares is a break-even proposition for the company if our stock price equals \$81.10 in 2017, a price which we expect will be well below the potential value of our stock at that time. As a result of retiring the warrants, our shareholders now own 10.1% more of the company.

Our board of directors continues to be an integral part of the governance, development and operating activities of our business. Their commitment to the company, our employees, our mission and development plans is unwavering. The board consistently provides strong leadership and direction and is a guiding force in maximizing value for our shareholders. I am thankful for the board's strong commitment and their wise stewardship of the company.

The majority of our value creation potential resides in a handful of core assets: South Street Seaport, in Lower Manhattan, the master planned communities in Columbia, Maryland, The Woodlands and Bridgeland in Houston, Texas, and Summerlin in Las Vegas, Nevada, The Shops at Summerlin, and Ward Village, an urban master planned community in Honolulu, Hawaii. We are focusing our resources on these core assets while repositioning the remaining assets of the portfolio in order to maximize their value for potential disposition or other forms of monetization.



SOUTH STREET SEAPORT, NEW YORK, NY

In 2013, The Howard Hughes Corporation enters a new phase in its evolution as we move from an intense focus on planning and design to concentrating on vertical construction. We expect to commence construction this year on all core development assets within the portfolio. In Hawaii, we are already under construction on a 57,000 square foot retail project at Ward Centers and will commence construction this summer on the ONE Ala Moana condominium tower. We have multiple commercial developments underway at The Woodlands and expect to break ground on our new downtown in Summerlin. Other initiatives in 2013 include the redevelopment of Pier 17 at the South Street Seaport in New York City, the transformation of the Riverwalk Marketplace in New Orleans into the first urban outlet center in the United States, the construction of 380 new Class-A apartment units and the renovation of the Columbia Headquarters Building in Columbia, Maryland.

STRENGTHENING THE BENCH

During 2012, we continued to build our team. In April, we hired Paul Layne as Executive Vice President Master Planned Communities. Paul joined us from Brookfield Properties Corporation where he was the Executive Vice President responsible for the financial performance of a ten million square foot portfolio in the Houston Central Business District and five million square feet in Southern California. Paul's leadership and business relationships in the Houston area have been invaluable in not only attracting commercial tenants to The Woodlands, but also in integrating The Woodland's leading master planned community development platform into the company. I have known Paul for over 15 years and have seen him successfully manage large and diverse portfolios around the country. It has been 11 short months, but the results of his efforts can already be seen in Bridgeland, The Woodlands and Summerlin.

Recently, we hired Steve Robinson, Senior Vice President Construction, to run our construction division. Steve worked on developments that my former company completed in Houston in the late 90's in addition to the construction of other complex large-scale projects. He is dedicated, detailed and meticulous in his approach to project development. In 2013, we expect to begin construction on a number of our key developments. Steve's knowledge and expertise will be critical in ensuring these developments are constructed to the highest standards at or below their budgeted costs.

In true Howard Hughes spirit, our team continues to show no limits to their tenacity and commitment to the cause. Christopher Curry, Senior Executive Vice President Development, has agreed to relocate to New York as we begin the construction phase of the South Street Seaport and set our sights on expanding our platform in the city. In addition, Nick Vanderboom, who was recently promoted to Senior Vice President, has moved his family to Honolulu, Hawaii as Ward Village's development gears up.



WARD VILLAGE, HONOLULU, HI

MASTER PLANNED COMMUNITIES

Our master planned communities ("MPCs"), continue to be ranked as the leading MPCs in the U.S. According to a Robert Charles Lesser & Co. LLC study, The Woodlands was ranked third with 1,007 home sales, Summerlin 12th with 471 home sales, and Bridgeland 15th with 423 home sales.

THE WOODLANDS

The Woodlands, led by co-presidents Alex Sutton and Tim Welbes, remains the top performer in our MPC business. Ranked first in Houston and third nationally in 2012, The Woodlands is consistently recognized in the United States as a leading MPC. At the end of 2012, The Woodlands had 2,750 residential lots remaining. With the expected addition of over 10,000 new direct jobs to the area at ExxonMobil's 385-acre campus located just south of The Woodlands, the market is recognizing the scarcity and value of these remaining lots. We are hearing the comment, "buy in The Woodlands while lots are still available," with increasing frequency and are adjusting pricing accordingly.

In my 2011 letter to shareholders, I described the value proposition of The Woodlands investment. Based on the most recent transactions, I believe that the estimated proceeds from residential land sales in that letter were understated. During the second half of 2012, we conducted an auction of 375 lots comprising seven different lot sizes and invited nine additional home builders who were not already building homes in The Woodlands to participate. This auction was extremely successful, resulting in an overall 49% price increase over the previous sale prices for comparable lots. Applying the realized increase in pricing across 3,125 lots (2,750 at the end of 2012 plus the 375 in the auction) results in \$196 million of incremental proceeds above our previous forecasts. This assumes we are only able to obtain the same premium for all of our remaining lots. I believe residential land prices at The Woodlands have room to increase substantially given the demand for lots, their scarcity, and the growing commercial base within the Town Center.



THE WOODLANDS RESORT, HOUSTON, TX

Demand for commercial space in The Woodlands is also growing significantly. This is driven in part by businesses relocating to The Woodlands in order to better serve the new ExxonMobil campus and by companies who want to be in a community where their employees can "live, work, play and learn."



ONE HUGHES LANDING, HOUSTON, TX

In May 2012, we purchased our partner's interest in Millennium Phase I, a 393 unit Class-A multi-family development in the Town Center. We financed this acquisition with a \$56 million non-recourse loan at a 3.75% interest rate. The proceeds from this transaction were used to repay the interim construction loan, purchase our partner's interest, and make a \$4.1 million distribution to Howard Hughes. Today, Millennium I generates \$4.8 million in net operating income. At current market cap rates we estimate that this asset is worth about \$30 million more than we paid for it less than one year ago. Contemporaneous with this transaction, we entered into a joint venture with The Dinerstein Companies, our partner on Phase I, to begin the next phase of the development and construct 314 new Class A units. We contributed our land at \$75 per square foot, nearly 50% more in per square foot of land value than that of the first phase. Land in The Woodlands is a scarce asset and we are working hard to make sure that we receive fair value as we sell off our remaining parcels.

Recently, we announced the redevelopment of The Woodlands Resort & Conference Center. We are financing this project with a three-year \$95 million construction loan at LIBOR plus 350 basis points. This loan repays the existing \$36 million facility set to mature this year and provides capital for our redevelopment. The resort generated \$10.7 million in net operating income for 2012, \$6.3 million more than in 2010. The redevelopment will encompass the renovation of 222 existing guest rooms; the replacement of the 206 room Lodge with a new wing consisting of 184 guest rooms and suites, a new, expanded arrival area with a porte-cochere and lobby featuring native Texas stone, massive, three-story windows; a new 3,036 square-foot "Living Room" connecting the three guest room wings, ideal for informal gatherings; a new 1,000-foot long Lazy River winding through a tree-lined outdoor area; renovation of the entire meeting and event facilities, including the ballroom, boardrooms and breakout space; an updated 13,000 square-foot spa and fitness facility; and a new 120-seat prime steak house restaurant and lounge adjacent to the 18th hole. This redevelopment will solidify the property's position as the premier resort and conference center in Texas and meet burgeoning demand from corporate clients.



RESTAURANT ROW AT HUGHES LANDING, HOUSTON, TX

In July, we announced a 66-acre mixed use development called Hughes Landing at Lake Woodlands. The development is envisioned to ultimately contain 1.6 million square feet of office, 250,000 square feet of retail, restaurant and entertainment space, up to 1,500 multi-family units, of which 400 units will be in phase one, and a 175-room hotel. The decision to have this development carry the signature of Howard Hughes illustrates our expectation that this will be a legacy development for the company. One year ago, this development was not even on the horizon. This past fall we began construction of One Hughes Landing, a 195,227 square foot Class A office building. It is expected to be completed by the end of the third quarter of 2013. To date, we have pre-leased 28% of the building with an additional 7% out for signature. The total project cost will be approximately \$52.8 million and the projected stabilized net operating income is anticipated to be \$5.2 million. At a 7.0% cap rate, the value of this building is approximately \$74.3 million, implying \$21.5 million of additional value creation.

While the timing of the Hughes Landing development depends on many factors, using current market conditions, we estimate a five-year build out for this site. The One Hughes Landing office building gives an indication of the value we believe can be created once this project is fully developed. As of this writing, we have planned another five million square feet of office, 500 multi-family units and one hotel for our 65-acre Town Center. We continue to explore ways to increase total densities. If the current robust market conditions continue, driven by the 2015 opening of ExxonMobil's campus, we believe that there will be demand for several million square feet of additional office space in The Woodlands Town Center over the next five years.

The Woodlands is in high performance mode, and it is incumbent on us to deliver as much value as possible from this asset during this period of its life cycle. In summary, on a "same store" basis, commercial net operating income (including golf membership deposits) has grown from \$12.7 million in 2011 to \$26.4 million in 2012, a 108% increase. More information on The Woodlands can be found at www.thewoodlands.com.



BRIDGELAND, HOUSTON, TX

BRIDGELAND

Fueled by the sustained growth of the energy sector, the Houston-area housing market was once again among the leaders in the United States. Bridgeland had another record year and ranked fourth in Houston and 15th nationally in residential land sales in 2012. Land sales increased 30.9% to \$21.9 million, and lot sales increased to a record number of 389 in 2012. We expect lot sales to continue to accelerate in 2013 and beyond as competitors run out of inventory and the Grand Parkway, which bisects the future town center, stays on track for a late 2014 completion. In anticipation of accelerated infrastructure investment needs to meet this growing demand, we obtained a non-recourse revolving credit facility with a total capacity of \$140 million. This credit facility is an efficient funding source which will minimize the need for equity capital to fund development. Bridgeland now also benefits from The Woodlands management team in planning for commercial development in the town center. The extensive experience and track record of this team in planning, designing and developing The Woodlands Town Center gives me great confidence that Bridgeland's future town center will rival that of The Woodlands. To see all that Bridgeland has to offer visit our website at www.bridgeland.com.

COLUMBIA

In Columbia, Maryland, John DeWolf, Senior Vice President Development, and his team achieved several important objectives during 2012 that will enable us to advance our redevelopment of Downtown Columbia. At full build-out, the area will include up to 13 million square feet of mixed-use development. Our joint venture with Kettler-Orchard to develop a 380-unit apartment complex received all necessary approvals during 2012, and we began construction in February of 2013. This joint venture valued our contributed land at approximately \$4.8 million per acre. We contributed our land to this project at a value of \$53,500 per unit or \$20.3 million. Our partner is responsible for all additional equity, cost overruns, and construction guarantees related to this project, which is a 50/50 joint venture with no promote to our partner.

In July, we secured Whole Foods as an anchor tenant for our to-be-redeveloped Columbia Headquarters Building, the former Rouse Company headquarters that was originally designed by renowned architect Frank Gehry. In November 2012, we secured The Columbia Association as another anchor tenant, which will house a state-of-the-art fitness facility on the ground level of this building. The renovation of this important building, which we expect will begin during the second quarter of 2013, will energize the redevelopment of the downtown by providing important amenities to the community. It is worth noting that this building currently loses \$0.8 million per year, but when stabilized, it should generate approximately \$2.2 million in net operating income. We are in the process of obtaining construction financing for this project. The adaptive reuse of this building is important for several reasons. First, it signals to the local community that we respect and honor its history. Second, it validates our development team's capability to execute on innovative and transformative developments. Finally, the repurposing of this building will act as a catalyst to the further development of Downtown Columbia.

In August, we successfully acquired 70 Corporate Center, a 169,000 square foot office building that was 26% occupied. We simultaneously executed a lease to relocate Enterprise Business Partners to this building which will bring occupancy to 71% by March of this year. The acquisition was financed with 100% of the cost provided by the previous lender on the site. We expect to invest \$7 million of equity into this development for renovations and re-tenanting. At stabilization, we expect our investment will deliver an estimated 28% cash-on-cash return. 70 Corporate Center is at the gateway to The Crescent area, a 40-acre parcel that will contain the majority of our future development in Columbia. Visit this development at www.columbiamd.com



THE SHOPS AT SUMMERLIN, LAS VEGAS, NV

SUMMERLIN

In 2012, we sold 158 finished lots, three superpads (232 lots) totaling 55 acres, and 10 custom lots. 2012 was a transition year to move to superpad sales given our depleting finished lot inventory, 2013 land sales should be dominated by superpad sales, except for the remaining finished lot inventory currently on hand.

As of December 31, 2012, Summerlin had 13 active subdivisions of which only six neighborhoods had more than ten units remaining to be sold and not more than 50 units in the other subdivisions. Several new neighborhoods will open this year introducing 508 additional lots to the market. There is little resale inventory available in Summerlin, which should bode well for an increase in land sales revenue as we move through 2013.

The Las Vegas Valley housing market went through a major transition in 2012. New home sales in 2012 saw an increase of approximately 42% over 2011 sales. According to a recent article in the Las Vegas Review Journal, there were 44,902 resale homes sold in 2012, the third best year on record. At the end of 2012, the number of single-family homes available for sale on the Multiple Listing Service had declined 24.1% from the prior year, representing only a five-week supply.

Summerlin's net new home sales for 2012 were 471, an increase of 120% over 2011. 2013 has started on a positive note as our builders have sold 45 units versus 26 units for the same period in 2012. Led by Kevin Orrock, President of Summerlin, the team continued to deliver solid results with \$32 million of land sales in 2012. Having kept the supply of land in builders' hands low during the housing recession, the Summerlin team is poised to reap the benefits of what now appears to be a solidly recovering market.



THE SHOPS AT SUMMERLIN, LAS VEGAS, NV

Similar to how we leverage The Woodlands development platform to benefit Bridgeland, we are also drawing on lessons from The Woodlands to implement our development strategy at Summerlin. The early development of a regional shopping mall in The Woodlands was critical to establishing the long-term success of The Woodlands Town Center. The mall increased demand for residential lots and helped spur additional commercial development in the Town Center. Similarly, we expect that completion of The Shops at Summerlin will result in substantial benefits to the greater Summerlin MPC and we have therefore made development of this project a top priority. For more information you can learn more about Summerlin on the web at www.summerlin.com.

STRATEGIC DEVELOPMENTS

During 2012, we substantially completed the design for Downtown Summerlin. The development will include city street grids and an outdoor shopping and entertainment district with an authentic Las Vegas sophistication and glamour. The design incorporates much of the \$150 million of infrastructure improvements that our predecessor invested in the property. Building on the positive residential momentum in Las Vegas, the development of The Shops at Summerlin made substantial progress in 2012. This 106-acre project sits within a 400-acre site located in Downtown Summerlin. Upon completion of phase one, The Shops at Summerlin will include approximately 1.5 million square feet of commercial development, integrating retail, entertainment and office uses in a unique and compelling environment that does not exist in Las Vegas. We secured anchor commitments from Dillard's and Macy's for approximately 380,000 square feet of space. Angelia Powell, Vice President Leasing, is in the process of obtaining lease commitments from retailers for the small shop space. Her passion and energy is contagious, and the line-up we expect to announce rivals the best regional centers in the country. Mike Zoob, Director of Leasing, joined us in March. He is responsible for filling up the Power Center and has hit the ground running by delivering commitments from many of the major big box retailers.

This project represents a strategically important development opportunity for the company and a catalyst for increases in residential land sale pricing and velocity. We estimate, based on current market conditions, that the opening of The Shops at Summerlin will lead to an increase of \$100 million of additional revenue from residential land sales. In the coming years, thousands of residents in apartments and condominiums will live in the heart of Downtown Summerlin. In addition, office buildings will be constructed to meet the demands of companies wanting to enjoy this world class community where their employees can "live, work, play and learn".



ONE ALA MOANA, HONOLULU, HI

In Honolulu, we are preparing to break ground this summer on ONE Ala Moana (www.onealamoana.com), a 206-unit luxury condo tower that is being developed in partnership with Honolulu-based developers Kobayashi Group and The MacNaughton Group. These talented and highly respected local developers led the acceleration of this development which sold out in two days during the month of December. Units at ONE Ala Moana sold for an average price of \$1.6 million, or approximately \$1,170 per square foot. At an assumed cost of approximately \$900 per square foot, including the value of our air rights, the project is anticipated to generate approximately \$66 million in total profit. At the closing of the construction loan, The Howard Hughes Corporation will receive \$47.5 million of proceeds for its air rights. In addition, at project completion, we expect that the company will have received approximately \$73 million of total proceeds. This asset has a book value of \$22.8 million.

The strong response at ONE Ala Moana is good news for Ward Village, one of the company's key value creation opportunities. In its current state, Ward Village generates approximately \$23 million of annual net



WARD VILLAGE, HONOLULU, HI

operating income. However, Ward has an approved master plan that allows for up to 9.3 million total square feet of mixed-use development, including more than 4,000 residential units and approximately 1.5 million square feet of retail and other commercial space. Ward Village has development rights for 22 high-rise towers in an urban master planned community setting. Over the next decade, Ward Centers will transform into Ward Village, a vibrant neighborhood complete with unique retail experiences and exceptional residences set among dynamic public open spaces and pedestrian-friendly streets. In October 2012, we announced plans to move forward with the first phase of Ward Village, which will consist of approximately 500 market rate condominium units and at least 125 workforce housing units. We also commenced the redevelopment of the historic IBM Building into a contemporary information and sales center, which will showcase the unparalleled neighborhood we are creating at Ward Village.

While we have not yet determined pricing for our first phase towers, market data suggest that comparable existing "front row" product with unobstructed ocean views re-sold in 2012 at an average price of approximately \$1,400 per square foot. Hoku, which is a condominium tower adjacent to Ward, resells at the highest average price per foot of any condominium tower in Honolulu, approximately \$1,400 per square foot. Hawaii's residential market is challenged by supply. Economic forecasts indicate approximately 20,000 housing units must be delivered to meet demand by 2020. This has led economists to project home prices will increase as much as 40% in the next few years. The market will be extremely challenged to deliver this supply given the hurdles that must be overcome to achieve development entitlements, which gives Ward Village new product a significant competitive advantage.

In the same way that buyers pay substantial premiums to live in Summerlin or The Woodlands, by delivering a comprehensive master planned community environment that no other competitor can deliver, we expect Ward Village to capture similar premiums and generate substantial value over the life of the project not only for our shareholders, but also for the new residents. I encourage each of you to follow our progress by visiting our website www.avisionforward.com.



SOUTH STREET SEAPORT, NEW YORK, NY

OPERATING ASSETS

Chris Curry leads our redevelopment of the South Street Seaport in Lower Manhattan. In June 2012, we entered into an agreement with the New York City Economic Development Corporation to amend the South Street Seaport ground lease. This agreement will enable us to proceed with the redevelopment of Pier 17. Designed by the renowned architectural firm SHoP, led by principal Greg Pasquarelli, we unveiled a new design for the new Pier 17 building, a contemporary structure with an open rooftop and glass façade encompassing retail, restaurant and entertainment space. The design balances the Pier's iconic waterfront location with its unique ability to provide a much needed community anchor for the rapidly growing residential population in Lower Manhattan. The ultimate objective is to create an unmatched New York experience that is compelling to residents, local workers and tourists. The New York City Planning Commission along with The Landmarks Preservation Commission with support from Community Board 1 approved our design. We expect all necessary approvals will be obtained this year.

The South Street Seaport (www.southstreetseaport.com), like many other businesses and residents of downtown Manhattan, was impacted by Superstorm Sandy. The storm caused ongoing hardships for everyone who lives and works in Lower Manhattan, particularly small business owners who might not have had the resources to withstand such an event. Today, more than ever, we believe in the potential of the South Street Seaport to become a dynamic destination for residents and visitors. In November 2012, The Howard Hughes Corporation, along with several other property owners in the area, worked with the Downtown Alliance to provide financial assistance in the form of grants to small businesses affected by Sandy. In addition, we supported New York City Council Speaker Christine Quinn and The United Federation of Teachers who provided 30,000 displaced New York City students with backpacks, school supplies and books. We are committed to beginning the Pier 17 redevelopment this year and look forward to transforming the South Street Seaport into a unique and vibrant urban destination.

The Riverwalk Marketplace (www.riverwalkmarketplace.com) demonstrates the creativity of our development team and highlights their ability to deal with complicated redevelopments. The property is well located in the central business district of New Orleans, is adjacent to the New Orleans Ernest N. Morial Convention Center, Harrah's Casino, The Audubon Aquarium, and is connected to two passenger cruise terminals that support over one million passengers per year. Michelle Waak, one of our talented Vice Presidents in our Leasing group, analyzed these challenges and, in collaboration with Mark Bulmash, Senior Vice President Development, developed a plan to create the first upscale urban outlet center in the United States. We announced the project in July 2012, and are in the process of converting retailer commitments into leases. Concurrently, we are working with multiple constituencies to solve the access, parking and ground lease issues associated with the redevelopment. We expect to launch construction in early 2013.



THE OUTLET COLLECTION AT RIVERWALK, NEW ORLEANS, LA

The health of the United States economy is critical to our success especially in the master-planned community business. As the housing market continues to recover, we should see exponential growth in our revenue. As the accelerator of cash flow, this revenue is an important source of funding for our strategic developments. The redevelopment of Pier 17, the construction of The Shops at Summerlin, and the construction of our first two towers at Ward Village will require significant amounts of capital. Although we plan on sourcing this capital primarily from third-party joint venture partners, as we have successfully done with all of our other developments, over time our land sales revenue should provide a significant amount of the total capital required.

NEW OPPORTUNITIES

Occasionally, I have been asked whether or not the company intends to acquire other companies and/or assets outside of the existing portfolio. Because we have so many opportunities to invest capital at high rates of return in the existing portfolio, the standard for new acquisitions is extraordinarily high. The opportunity set within our existing portfolio is exceptionally attractive. Our investment in One Hughes Landing is a good example. By contributing our land to the development, we were able to raise non-recourse construction financing of \$38 million, limiting our cash equity investment to \$9 million. Using market values for our land contribution, we are projecting a 10.3% return on cost at completion, more than 300 basis points above market cap rates. Because of the limited equity required and the high projected returns, we anticipate that



SOUTH STREET SEAPORT, NEW YORK, NY

we will enjoy a five times multiple on total equity (including our land contribution), a seven times multiple on cash invested, and a 35% internal rate of return over a ten-year hold period. We will continue to exploit opportunities within the existing portfolio and only pursue new opportunities if the returns are exceptional relative to the risk incurred.

THE EVOLUTION OF HOWARD HUGHES

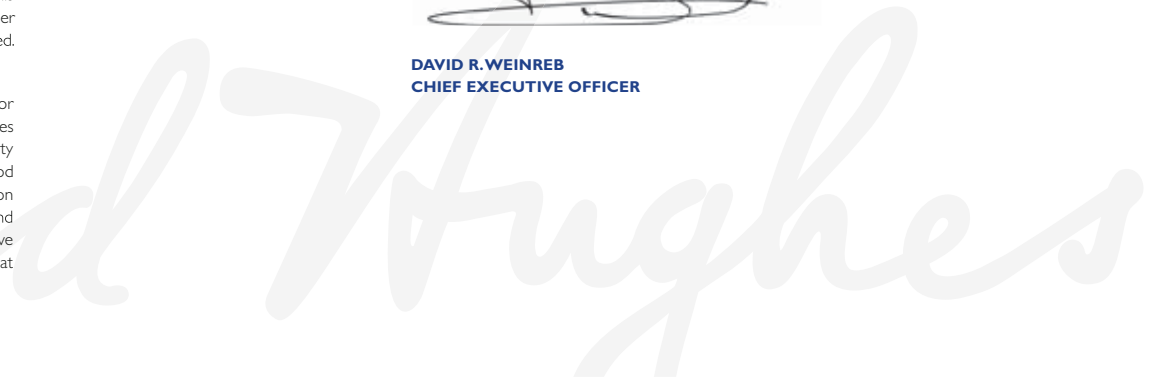
Howard Hughes first gained wide recognition as a filmmaker. Much like our namesake, we have written the script, scouted locations, cast the talent, and in 2013, we are ready to begin shooting the movie.

We benefit by owning a geographically diverse portfolio of irreplaceable assets, and each is located in a strong market or is in a market that is experiencing a strong recovery. Our cast is second to none. Each of our important assets is overseen by talented senior leadership, who are supported by a dedicated and growing team of experts. I am pleased that we have continued to recruit an extremely talented team who are attracted to the culture, opportunity, challenges and mission of The Howard Hughes Corporation.

I am grateful for the confidence you have shown in us as we continue our mission to create timeless places and memorable experiences that inspire people while driving sustainable, long-term growth and value for our shareholders.

Sincerely,

DAVID R. WEINREB
CHIEF EXECUTIVE OFFICER



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



● MASTER PLANNED COMMUNITIES

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

● HHC 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 (Ward Village) - Honolulu, HI

● THE WOODLANDS OPERATING PROPERTIES

- 4 Waterway
- 20/25 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 & Conference Center
- The Woodlands / Sarofim (Equity Investment)
- U.S. Oncology Garage
- Waterway Square Garage
- Waterway Square Retail

● STRATEGIC DEVELOPMENTS

- 3 Waterway - The Woodlands, TX
- Ala 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 (Volo) 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

HIGHLIGHTED DEVELOPMENTS



~80,000 ACRES
300,000+ RESIDENTS
12,500+ UNDEVELOPED ACRES

THE WOODLANDS | Houston, TX

BRIDGELAND | Houston, TX



Total Acres 28,400
Remaining Acres 1,470
Current Population 105,000

The acclaimed Woodlands is among the nation's most beautiful, large-scale master planned communities, home to over 100,000 people within its 28,400 acres just 30 miles north of Houston. Stunning greenbelts, lakes, parks, award-winning schools, a wide range of neighborhoods from starter homes to spacious executive residences and countless amenities create an idyllic lifestyle. This exceptional master planned community - where residents live, work, play and learn - is also one of the most successful, currently ranked third in the U.S. and first in Houston for home starts.

Strong demand drivers are in place for continued growth at The Woodlands. A key catalyst is the anticipated opening of the 385-acre ExxonMobil campus, which began construction in 2011 and is scheduled for completion in 2015. The new campus, located only a few miles from The Woodlands, is expected to bring 10,000 direct jobs to the area. Additionally, completion of the newest perimeter roadway around Houston, the Grand Parkway, will provide residents of the community even greater accessibility.

Today, numerous businesses are looking for office space in The Woodlands due to its location, rich amenities and highly-educated workforce. A key to future growth will be development efforts designed to bring these businesses to The Woodlands, which is already home to nearly 1,900 employers and 52,000 residents who live and work within the community. Additional projects, such as 3 Waterway in Town Center and Hughes Landing on Lake Woodlands, will offer employers a wide range of suitable office space with plenty of room to expand.

As of December 31, 2012, The Woodlands had approximately 857 acres of unsold residential land, representing about 2,750 lots and approximately 613 acres of unsold land designated for commercial use. The Woodlands also has full or partial ownership interests in commercial properties which total approximately 436,000 square feet of office space, 201,000 square feet of retail and 393 rental apartment units.

Fueled by the rising demand for its quality of life, Bridgeland is poised to become the premier master planned community in Northwest Houston. In fact, Bridgeland had a record year in 2012, selling nearly 400 new homes. In 2012, the community ranked fourth in Houston and 15th nationally in master planned communities' new home sales. Opened in 2005, Bridgeland was recently named by the Greater Houston Builders Association as the "2012 Developer of the Year," one of several awards it has already earned in its short history.

Bridgeland is currently home to over 6,000 residents living in homes ranging in price from \$170,000 to \$1 million and is anticipated to have strong continued growth.

Less than 30 miles from downtown Houston, Bridgeland's 11,400 acres are designed to encompass four major residential villages and an 800-acre town center that will eventually be home to over 65,000 residents. Over 3,000 acres are dedicated to lakes, trails, parks and open spaces. Residents today also enjoy swimming pools, community centers, ball parks, tennis courts and over 60 miles of walking and biking trails. Bridgeland is also home to numerous award-winning schools.

Already in close proximity to Houston's vital Energy Corridor, residents will soon have improved access to downtown and other areas. The Grand Parkway, which bisects Bridgeland, will connect the community to a number of major arteries. When complete, the roadway will also provide residents with less than a 30-minute commute to the new ExxonMobil campus and The Woodlands.

Total Acres 11,400
Remaining Acres 4,861
Current Population 6,250





~80,000 ACRES
300,000+ RESIDENTS
12,500+ UNDEVELOPED ACRES

SUMMERLIN | Las Vegas, NV



Total Acres 22,500
Remaining Acres 6,074
Current Population 100,000

Distinguished by its natural beauty, a wide range of housing options, abundant amenities and unrivaled recreational opportunities, the Summerlin master planned community has earned numerous awards during its two-decade history. Located on the rim of the Las Vegas Valley, the 22,500-acre development is consistently ranked among America's best-selling master planned communities. With home prices stabilizing and demand increasing in Las Vegas, the community was ranked 12th among master planned communities in the U.S. based on new home sales in 2012.

Today, Summerlin is home to 100,000 people living in 40,000 residences, ranging from starter homes ideal for young families to multi-million dollar custom homes. Planned for more than 220,000 residents and 80,000 homes, Summerlin is poised for strong continued growth.

The success of Summerlin rests in its rich amenities. The community features business parks, shopping centers, world-class medical facilities, 26 public and private schools and numerous houses of worship. Residents also have access to nine championship golf courses, 150 parks and over 150 miles of trails, including proximity to world-class hiking and recreation at the famed Red Rock Canyon National Conservation Area.

The future downtown for the master planned community – beginning with The Shops at Summerlin, which will begin construction this year – will create a vibrant, dynamic core with more shopping, dining and entertainment for residents in the heart of the community. At the same time, Summerlin is less than ten miles from downtown Las Vegas, offering a range of employment options and convenient access to the Strip.

MARYLAND | Columbia, MD



Encompassing 16,450 acres in the rapidly growing region between Baltimore and Washington, D.C., the master planned communities in Maryland of Columbia, Emerson and Fairwood offer a blend of natural beauty combined with metropolitan sophistication.

Opened in the late 1960s by James W. Rouse - considered one of the founders of the master planned community concept - Columbia, Maryland was developed with the idea that a city could enhance its residents' quality of life. Amenities including parks, trails and lakes along with the world renowned Merriweather Post Pavilion at Symphony Woods, give reason for Columbia to be recognized as one of the "Best Places to Live" by Money magazine.

Easy access to some of the leading public and private employers in the county, many of the best public schools in the U.S., premier homebuilders and the attractive setting continue to draw highly-educated people to the community. With a population nearing 100,000, Columbia is located in Howard County, one of the nation's most affluent with a median household income of over \$100,000. The county is also one of the fastest growing, with a 34% increase over the last decade alone.

Downtown Columbia is now embarking on a major redevelopment under a new master plan that allows for up to 13 million square feet of mixed use development. Additional multi-family residences, office, hotel, shopping, dining and entertainment are planned to enhance the lifestyle over the coming years in Columbia.

Total Acres 16,450
Remaining Acres 142
Current Population 106,000

Howard Hughes

MAJOR DEVELOPMENTS

FROM MANHATTAN TO HONOLULU
DEVELOPMENTS ARE COAST-TO-COAST-TO-COAST

SOUTH STREET SEAPORT | New York, NY



With over 365,000 square feet on Pier 17 and in the Uplands historic district in Lower Manhattan, the re-envisioned South Street Seaport will transform an iconic asset into a highly engaging shopping, dining and entertainment destination for residents, workers and visitors.

The vision for the Pier 17 building balances the pier's unrivaled waterfront location with its unique ability to provide a much-needed community anchor. The objective is to create an unparalleled New York experience that is compelling to the neighborhood's rapidly growing population and increasing workforce as well as tourists who already consider the Seaport a must-see destination.

The renovation will feature the complete transformation of the building, including enhanced and increased open space on the pier as well as the building's roof and retail space filled with premium retail shops, restaurants and neighborhood stores. Providing an ideal year-round gathering space, the building will showcase extraordinary views of the Brooklyn Bridge, East River and Statue of Liberty.

The design is contemporary yet draws from the site's history as a bustling marketplace and maritime port. Large retail spaces will be located inside a glass façade on the upper floors with the goal of attracting New York-centric, national and global brands to anchor a grand retail experience. The ground and mezzanine levels are arranged in blocks to embrace the energy of shopping on the streets of New York with boutiques, cafés and local stores. The open rooftop will serve as an exceptional venue for concerts, films and special events. A second, interior venue will be ideal for catered events, fashion shows and product launches.

Repositioning of the Uplands is ongoing, with stores anticipated to open this year and next, followed by the new Pier 17 in late 2015. Revitalization of the Uplands will bring new specialty stores and restaurants to the area while retaining existing internationally recognized brands.

COLUMBIA COMMERCIAL DEVELOPMENT | Columbia, MD



Major redevelopment efforts are now underway as part of the new Downtown Columbia Plan. The plan allows for up to 13 million square feet of mixed use development, including 5,500 residential units, 1.25 million square feet of retail, 4.3 million square feet of office space and 640 hotel rooms.

One of the first steps in the redevelopment recently began with the groundbreaking for The Metropolitan Downtown Columbia, a new luxury apartment development that will be the foundation for significant commercial and residential enhancements in the heart of Columbia. In conjunction with joint venture partner, Kettler-Orchard, The Metropolitan will feature 380 luxury units with a range of high-end amenities, which include the largest resident clubhouse in Columbia, a fitness center with studio, media and game rooms, a catering kitchen, a courtyard that can serve as an outdoor screening room and a pool with submerged seating and cabanas. The project is surrounded by ground floor retail, includes access-controlled garage parking and also features a public promenade with a play area for children.

Also in Downtown Columbia, specialty grocer Whole Foods Market will be opening a new store in the iconic Rouse Building. The building - designed by internationally renowned architect Frank Gehry - sits on the shore of Lake Kittamaqundi and is a cornerstone of the downtown. Distinguished by its flat roof, terraces and stucco exterior, Whole Foods Market will occupy over 40,000 square feet following a renovation of the structure. The redevelopment of the building will also incorporate an upscale health and fitness center to be run by the Columbia Association.

As part of the redevelopment of Downtown Columbia, these initial projects are expected to be completed by late 2014, with future development plans under way.

Howard Hughes

THE OUTLET COLLECTION AT RIVERWALK | New Orleans, LA



Soon to be the nation's first urban upscale outlet center, The Outlet Collection at Riverwalk will be located in the heart of downtown New Orleans. The current Riverwalk Marketplace - a three-level, tourist-driven enclosed mall - will be renovated, expanded and repositioned to feature popular, nationally recognized outlet stores along with the best of local shopping, dining and entertainment. Targeting both New Orleans residents and visitors alike, The Outlet Collection at Riverwalk will showcase a wide range of national brands - many of which will be new to the City of New Orleans, Louisiana and the Gulf Region.

Beyond providing a compelling shopping experience for the growing population, the property is ideally situated to attract the large number of tourists who visit New Orleans. At the base of Canal and Poydras Streets, the Riverwalk sits next to the recently expanded and renovated New Orleans Morial Convention Center; the Hilton Hotel, the Aquarium and Harrah's Casino. It is also steps away from the French Quarter with easy access to virtually every hotel in the area, making it a must-see destination for tourists. The Riverwalk is also connected to the Port of New Orleans, which enjoys a thriving cruise industry. In 2012, New Orleans welcomed nine million visitors spending about \$6 billion - with approximately 54% affirming that they visited the storied riverfront property.

A market that has long been underserved in the retail sector, New Orleans has approximately 30% less square feet of retail per capita than the national average. Construction of The Outlet Collection at Riverwalk is expected to begin during the first half of the year, helping to transform New Orleans into a regional shopping destination.

THE WOODLANDS COMMERCIAL DEVELOPMENT | Houston, TX



The Woodlands is undergoing a number of key development initiatives designed to bring additional value to residents, corporate customers and travelers to the area.

Chief among these activities is the launch of Hughes Landing at Lake Woodlands, a 66-acre mixed-use development that will feature up to eight office buildings, a boutique hotel, retail stores, dining and entertainment venues and multi-family residential housing. This dynamic development attracted its first major tenant in late 2012, a 51,152 square foot lease for the top two floors of One Hughes Landing, the first office building to be constructed at the development.

The already vibrant Town Center continues to expand. A new 232,000 square foot office building, 3 Waterway, will provide tenants with leading edge office space as they enjoy quick access to restaurants and amenities. The 11-story, Class-A office building will be LEED Silver certified for energy efficiency and will be within a short walk of The Woodlands Mall, Market Street and other retail, dining and entertainment options.

The Woodlands Resort & Conference Center is also embarking on a \$75 million expansion and renovation that will further strengthen its reputation as a top destination for business leaders and affluent leisure travelers. Slated for completion in 2014, the renovation encompasses updating 222 existing guest rooms, constructing a new 184-room wing, creating an expanded arrival area, a 120-seat steak house restaurant and lounge and a 1,000-foot Lazy River water attraction.

Howard Hughes

MAJOR DEVELOPMENTS

FROM MANHATTAN TO HONOLULU
DEVELOPMENTS ARE COAST-TO-COAST-TO-COAST

THE SHOPS AT SUMMERLIN | Las Vegas, NV



The Shops at Summerlin, one of the nation's premier regional mixed-use development sites, will begin construction this year.

The highly-anticipated development in the heart of the acclaimed Summerlin master planned community will be part of downtown Summerlin, which will serve the entire Las Vegas Valley. When complete, it will include retail, entertainment, office, hotel and multi-family residential, designed to create a vibrant, walkable urban core in the heart of the affluent 22,500-acre master planned community.

The Shops at Summerlin will feature over 125 stores and restaurants in an open-air shopping environment with pedestrian thoroughfares and engaging storefronts. The contemporary "Main Street" concept will incorporate cooling shade features, rich desert landscaping and outdoor dining to create a destination with an authentic Las Vegas sophistication and glamour.

Two highly anticipated anchor tenants have been announced for The Shops at Summerlin: Macy's and Dillard's. Macy's will build a two-level, 180,000 square foot store which will be the first full-line Macy's store to open in the Las Vegas market since 1996. Dillard's will build a two-level, 200,000 square foot store. This will be Dillard's fourth Las Vegas location and will feature the retailer's latest enhancements in store design, presenting a boutique-like format throughout the store.

A nine-story office building will complete the 106-acre, 1.5 million square foot development, conveniently situated along the Clark Country 215 Beltway.

WARD VILLAGE | Honolulu, HI



The transformation of the 60-acre Ward Centers into Ward Village over the next decade represents a bold vision that also honors the traditions of the past. A key component of the planned revitalization of Kaka'ako - ideally situated between Waikiki and downtown Honolulu - the Ward Village development will create the first urban master planned community on the island.

The master plan allows for up to 9.3 million square feet of mixed use development, including more than 4,000 residential units and over one million square feet of retail and other commercial space, which is consistent with the plan approved by the Hawaii Community Development Authority in 2009.

Designed around the principles of sustainability, cultural respect and an urban village lifestyle, Ward Village will include high-rise residential towers that will have a mauka-makai (mountain-ocean) orientation to preserve view corridors and showcase breathtaking views. New buildings along Ala Moana Boulevard will be pulled back from the street, establishing a new face for the future neighborhood. The pedestrian-friendly design will encourage walking and biking while other sustainable design strategies will reduce energy and water use. The plans also include open space and greenbelts to bring nature, the beach and ocean across the street and into the community. The redevelopment will also double the current amount of retail, dining and entertainment space, creating a diverse combination of local boutiques, restaurants and national retailers.

Phase One includes three mixed-use residential towers and a renovation of the iconic IBM building, which will become the Ward Village sales and information center, which is planned to open this fall.

Howard Hughes

MAJOR DEVELOPMENTS

ONE ALA MOANA | Honolulu, HI



Envisioned to embrace the ultra-luxury shopping experience at Ala Moana Center, the highly-anticipated ONE Ala Moana condominium tower will soon be rising in Honolulu. Built on top of the Nordstrom parking garage at Ala Moana, the exclusive 23-story residential development will comprise two attached yet separate towers, each with its own elevator system that will include no more than seven homes per floor.

In creating ONE Ala Moana, Howard Hughes established a joint venture with locally-respected Honolulu development firms, The MacNaughton Group and Kobayashi Group. Hawaii architectural firm Benjamin Woo Architects and San Francisco- and Chicago-based Solomon Cordwell Buenz are working together on the design, while Hawaii-based Philpotts Interiors will create the interiors.

ONE Ala Moana will feature 206 one-, two- and three- bedroom homes, ranging from 760 to 4,100 square feet. In addition to exceptional interiors, the building will include leisure, entertainment and recreation activities on the amenity deck, with guest suites, a private shopping salon, a golf simulation room and putting green, chef's kitchen, wine tasting room, private dining, outdoor lounges, cabanas, fitness center, massage room, infinity edge pool, jogging path and movie theater. Specialists will provide concierge services, which include valet parking and benefits from Ala Moana Center's outstanding retail shopping, dining and entertainment.

With prices ranging from \$500,000 for standard units to \$9 million for penthouse suites, sales of the long-awaited units commenced in December 2012. Based on the distinct location and significant demand for quality high-rise residences, the residences are now all sold at average prices of about \$1,170 per square foot. Construction is expected to begin during the first half of this year.

Directors

William A. Ackman
Chairman of the Board
Adam R. Flatto
Jeffrey D. Furber
Gary A. Krow
Allen J. Model
R. Scot Sellers
Steven H. Shepsman
Burton M. Tansky
Mary Ann Tighe
David R. Weinreb

Corporate Officers

David R. Weinreb
Chief Executive Officer
Grant D. Herlitz
President
Andrew C. Richardson
Chief Financial Officer
Peter F. Riley
General Counsel

Headquarters

One Galleria Tower, 13355 Noel Road, 22nd floor
Dallas, Texas 75240
Phone: 214-741-7744
Fax: 214-741-3021

Registrar and Transfer Agent

Computershare
480 Washington Boulevard
Jersey City, New Jersey 07310-1900
Phone 866-354-3668

Independent Registered Public Accounting Firm

Ernst & Young LLP
2323 Victory Avenue, Suite 2000
Dallas, TX 75219



Forward-Looking Statements: Certain statements contained herein may be, within the meaning of the federal securities laws, "forward-looking statements," which are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. See the "Cautionary Statement Regarding Forward-Looking Statements" in the Company's Annual Report on Form 10-K delivered herewith.

