Howard Hughes Corporation ("HHC") is a uniquely positioned real estate development company, with a portfolio of unique land and property assets in highly desirable geographies across the United States. The developing economic disruption will adversely impact the majority of real estate assets worldwide; however, it will most acutely impact properties that do not have long-term contracted rents, such as hotels, as well as retail properties in which landlords participate in tenant sales. The highest quality properties off all types should retain most if not all of their value throughout this crisis, so long as debt levels are not prohibitive, such that operations will eventually be fully restored. To that end, we believe that the current market price of HHC is a byproduct of the current market panic, rather than an assessment of the business. Neither the quality, diversification nor conservative financing of the portfolio are reflected in the current trading price.

The magnitude of the price decline warrants quantification. The company's shares now trade at approximately 0.50x book value, implying that the market believes the company is only worth 50% of the accounting value of its assets, net of liabilities. The assets of a real estate company are largely tangible, and the Howard Hughes assets are primarily in: a.) Properties & Improvements, b.) Land, and c.) Cash. The carrying value of these assets likely vastly understates their market value, being that the legacy properties and land are carried at prices marked in 2010, during the company's spin-off following the reorganization of its parent (GGP).

For instance, the company holds a cost basis in the South Street Seaport District, which includes 11 acres of waterfront property in lower Manhattan, at a book value of $2.9 million. Furthermore, the company records all the subsequent improvements to buildings and land in the portfolio at cost, which vastly understates the market value of properties which have been developed at an average "yield on cost" of approximately 9.5%. Hence, the 0.50x book value market price is likely closer to 0.25x a reasonable estimate of market value.

## Asset Review

HHC is a fully integrated real estate company spanning Master Planned Communities, Operating Assets and Strategic Development. The complementary types of assets allow the company to develop unique communities, but also to self-fund development with operating cash flow from land sales and operating assets. The company's assets are concentrated in Hawaii, New York, Texas, Nevada and Maryland, where it controls highly desirable sub-markets such as Ward Village, Seaport District, Woodlands, Summerlin and Columbia. All of these communities are capacity constrained, yet are experiencing secular growth amongst affluent residents and businesses due to specific attributes of each community. As an example, Summerlin (Nevada) is effectively the only undeveloped land available in the suburban Las Vegas market. HHC has methodically developed this community to make it a world class place to live by controlling the residential developments, but also adding vital retail and infrastructure. Summerlin, and the broader Las Vegas market is experiencing record growth as the urban center is expanding well beyond gaming, and millions of retiring Americans enjoy low state taxes and a temperate year-round climate. Howard Hughes owns similar assets that are waterfront in Honolulu and Manhattan, as well as burgeoning well educated communities near Houston and Washington D.C.

The brief description of the breadth and quality of HHC's assets underlies our confidence that these assets will be highly sought after in the fullness of time. The financing of these assets supports the company's ability to extract this value. Total debt is equal to approximately 50% of book value, or less than 25% of a conservative assessment of market value. Furthermore, approximately 75% of the debt is at the single-property level, and not recourse to the parent company. Approximately 60% of net operating income from 2019 was from multi-family and office properties (longer-term, contracted rents), which in addition to over $400 million of balance sheet cash, can help support any temporary cash flow impairment at hospitality and retail assets.

In summary, we have very high confidence that the real estate portfolio of Howard Hughes is amongst the highest quality in the Unites States and will perform at high levels in the future. Perhaps of equal importance, the company is conservatively funded, which will help preserve value during inevitable economic cycles. The current purchase price is approximately 0.25x a very conservative assessment of long-term market value.

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