Howard Hughes Corp
Form 10-K
February 27, 2019
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
(MARK ONE)
[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2018
or
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission File Number 001-34856
THE HOWARD HUGHES CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	36-4673192
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
13355 Noel Road, 22nd Floor, Dallas, Texas	75240
(Address of principal executive offices)	(Zip Code)

(214) 741 7744
(Registrant’s telephone number, including area code)
Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class:	Name of Each Exchange on Which Registered:
Common Stock, $.01 par value	New York Stock Exchange

Securities Registered Pursuant to Section 12(g) of the Act: None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES [X] NO [ ]
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES [ ] NO [X]
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES [X] NO [ ]
Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). YES [X] NO [ ]
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.
Large accelerated filer [X] Accelerated filer [ ]
Non-accelerated filer [ ] Smaller reporting company [ ] Emerging Growth Company [ ]
If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. [ ]
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). YES [ ] NO [X]
As of June 30, 2018, the aggregate market value of the registrant’s common stock held by non-affiliates of the registrant was approximately $4.5 billion based on the closing sale price as reported on the New York Stock Exchange.
As of February 19, 2019, there were 42,990,898 shares of the registrant’s common stock outstanding.
DOCUMENTS INCORPORATED BY REFERENCE
Portions of the registrant’s Proxy Statement for its 2019 Annual Meeting of Stockholders are incorporated by reference in Items 10, 11, 12, 13 and 14 of Part III of this Annual Report on Form 10-K. The registrant intends to file its Proxy Statement with the Securities and Exchange Commission within 120 days of the registrant’s fiscal year ended December 31, 2018.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K ("Annual Report") contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical fact included in this Annual Report are forward-looking statements. Forward-looking statements give our current expectations relating to our financial condition, results of operations, plans, objectives, future performance and business. You can identify forward-looking statements by the fact that they do not relate strictly to current or historical facts. These statements may include words such as "anticipate," "estimate," "expect," "project," "forecast," "plan," "intend," "believe," "may," "should," "would," "likely" and ot similar expression. Forward-looking statements give our expectations about the future and are not guarantees. We caution you not to rely on these forward-looking statements.

In this Annual Report, we make forward-looking statements discussing our expectations about:

- budgeted costs, future lot sales and estimates of net operating income ("NOI") and earnings before taxes ("EBT");
- capital required for our operations and development opportunities for the properties in our Master Planned Communities ("MPC"), Operating Assets and Strategic Developments segments;
- expected commencement and completion for property developments and timing of sales or rentals of certain properties;
- expected performance of our MPC and Operating Assets segments, as well as other current income producing properties such as our condominiums;
- forecasts of our future economic performance; and
- future liquidity, development opportunities, development spending and management plans.

These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance and achievements to materially differ from any future results, performance and achievements expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially from those expressed or implied by the forward-looking statements include:

- our inability to obtain operating and development capital, including our inability to obtain or refinance debt capital from lenders and the capital markets;
- a prolonged recession in the national economy and adverse economic conditions in the homebuilding, condominium development, retail, office and hospitality sectors;
- our inability to compete effectively;
- natural disasters (including the results of litigation or any other potential negative impact from Hurricane Harvey on the Houston, Texas region), terrorist activity, acts of violence, breaches of our data security, contamination of our properties by hazardous or toxic substances, or other similar disruptions, as well as losses that are not insured or exceed the applicable insurance limits;
- our ability to lease new or redeveloped space;
- our ability to obtain the necessary governmental permits for the development of our properties and necessary regulatory approvals pursuant to an extensive entitlement process involving multiple and overlapping regulatory jurisdictions, which often require discretionary action by local governments;
- increased construction costs exceeding our original estimates, delays or overruns, claims for construction defects, or other factors affecting our ability to develop, redevelop or construct our properties;
- regulation of the portion of our business that is dedicated to the formation and sale of condominiums, including regulatory filings to state agencies, additional entitlement processes and requirements to transfer control to a condominium association's board of directors in certain situations, as well as defaults by purchasers on their obligations to purchase condominiums;
- risks associated with our relationships with homebuilders and with our ownership and management of hotels;

- fluctuations in regional and local economies, the residential housing and condominium markets, local real estate conditions, tenant rental rates and competition from competing retail properties and the internet;
- our ability to retain key executive personnel;
- our ability to collect rent, attract tenants and customers to our hotels;
- our indebtedness, including our $1,000,000,000 5.375% senior notes due 2025, our $615,000,000 Term Loan (as defined below) and $85,000,000 Revolver Loan (as defined below) (which currently remains undrawn) and that are secured by first priority security interest in certain of the Company's properties which are owned subsidiaries of the Company and contain restrictions, each of which contain restrictions which may limit our ability to operate our business;
- our directors involvement or interests in other businesses, including real estate activities and investments;
- our inability to control certain of our properties due to the joint ownership of such property and our inability to successfully attract desirable strategic partners;
- the potential impact of the recently enacted U.S. tax reform legislation; and

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- the other risks described in “Item 1A. Risk Factors.”

Any factor could, by itself, or together with one or more other factors, adversely affect our business, results of operations, plans, objectives, future performance or financial condition. There may also be other factors that we have not described in this Annual Report that could cause results to differ from our expectations. Given these risks and uncertainties, you are cautioned not to place undue reliance on such forward-looking statements. These forward-looking statements present our estimates and assumptions only as of the date of this Annual Report. Except as may be required by law, we undertake no obligation to modify or revise any forward-looking statements to reflect events or circumstances occurring after the date of this Annual Report.

PART I

Throughout this Annual Report, references to the “Company”, “HHC”, “we” and “our” refer to The Howard Hughes Corporation and its consolidated subsidiaries, unless the context requires otherwise.

ITEM 1. BUSINESS

OVERVIEW

We operate in three complementary business segments: Operating Assets, MPCs and Strategic Developments. The combination of these three segments provides both operational and financial synergies. The vast majority of the assets in our Operating Assets segment are located within our MPCs. This helps us achieve scale and, in most cases, critical mass, which leads to pricing power in lease and vendor negotiations; increased ability to attract, hire and retain the best local leadership and leasing teams; flexibility to meet changing customer demands; and enhanced ability to identify and capitalize on emerging opportunities. In our MPC segment, we plan, develop and manage small cities in markets with strong long-term growth fundamentals. This business involves the horizontal development of residential land and selling the improved acreage to homebuilders for the eventual sale of homes to new residents. Combined, our MPCs span over 80,000 gross acres, with approximately 7,200 residential acres of land remaining to be developed and sold in high demand geographic areas. In addition to the residential land, our MPC segment contains nearly 3,400 acres designated for commercial development or sale to non-competing users such as hospitals. This land is held in our MPC segment until we identify demand for a new commercial development, at which point the land is transitioned into our Strategic Developments segment.

The operational synergies of combining our three business segments create a unique and continuous value-creation cycle. We sell land to residential homebuilders in our MPCs, and the new homes attract residents to our cities looking for places to work and shop. New homeowners create demand for commercial developments, such as retail, office, self-storage and hospitality offerings. We build these commercial properties through Strategic Developments when the timing is right using the cash flow harvested from the sale of land to homebuilders, which helps mitigate development risk. Once these strategic developments are completed and stabilized, they transition to Operating Assets and increase recurring NOI, further funding the equity requirements in Strategic Developments. New office, retail and other commercial amenities make our MPC residential land more appealing to homebuyers and increase the velocity of land sales at premiums that exceed the broader market. Increased demand for residential land generates more cash flow from our MPCs, thus continuing the cycle. We are headquartered in Dallas, Texas, and our assets are located across the United States. We were incorporated in Delaware in 2010. Through our predecessors, we have been in business for several decades. Financial information about each of our segments is presented in Note 17 - Segments of our audited Notes to Consolidated Financial Statements, and highlights of our segments are included below.

Operating Assets

- 65 assets, including our investments in joint ventures and other assets, consisting of 15 retail, 28 office, eight multi-family, four hospitality properties and 10 other operating assets and investments.
- We own approximately 7.3 million square feet of retail and office, 2,351 multi-family units and 975 rooms in our hospitality assets.

MPCs

- We own the MPCs of Summerlin in Las Vegas; The Woodlands, The Woodlands Hills and Bridgeland in Houston; and Columbia in Maryland.
- Our MPCs encompass over 80,000 gross acres of land and include approximately 10,543 remaining saleable acres of land.

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Strategic Developments

- Consists of 29 development or redevelopment projects.
- As of December 31, 2018, total project costs are estimated to be $3.5 billion, of which $1.7 billion has already been spent.

Our Competitive Strengths

We believe that we distinguish ourselves from other real estate companies through the following competitive strengths:

- Management Team with Track Record of Value Creation. We have completed the development of over 4.6 million square feet of office and retail operating properties, 1,937 multi-family units and 909 hospitality keys since 2011. Excluding land which we own, we have invested approximately $1.8 billion in these developments, which is projected to generate a 9.6% yield on cost, or $170.0 million per year of NOI upon stabilization. At today's market cap rates, this implies value creation to our shareholders of roughly $1.0 billion. Our investment of approximately $369.6 million of cash equity in our development projects since inception, which is computed as total costs excluding land less the related construction debt, is projected to generate a 25.2% return on cash equity assuming a 5.5% cost of debt, which approximates our historical cost. These investments and returns exclude condominium development as well as projects under construction such as the Seaport District. We exclude condominium developments since they do not result in recurring NOI, and we exclude projects under development due to the wider range of NOI they are expected to generate upon stabilization. In Ward Village, we have either opened or have under construction 2,129 condominium units, which have approximately 91.8% units sold as of December 31, 2018 at a targeted profit margin, excluding land costs, of approximately 29% or $726 million.

- Unique, Diverse Portfolio. We own a portfolio with many diverse market leading assets located across 12 states with a combination of steady cash flow and longer term value creation opportunities.

- Significant Value Creation Opportunity. We own one of the preeminent development pipelines in the world with over 50.0 million square feet of vertical entitlements remaining across our portfolio. This represents approximately 11 times the 4.6 million square feet we have delivered in the last eight years without having to acquire another development site or external asset, which we believe is a significant competitive advantage over other real estate development corporations.

- Low Leverage, Flexible Balance Sheet. As of December 31, 2018, our total debt equaled approximately 43.2% of the book value of our total assets, which we believe is significantly less than the market value. Our net debt, which includes our share of debt of Real Estate and Other Affiliates less cash and Special Improvement District ("SID") and Municipal Utility Districts ("MUD") receivables, equaled approximately 35% of our total enterprise value. "Real Estate and Other Affiliates" refers to partnerships or joint ventures primarily for the development and operation of real estate assets. We finished the year with approximately $499.7 million of cash on hand. We have focused our efforts on obtaining non-recourse debt for both our construction financing and long-term fixed rate mortgage financing and have limited cross-collateralization for construction financing. Our low leverage, with a focus on project specific financing, provides substantial insulation against potential downturns and provides us with the flexibility to evaluate new real estate project opportunities.

- Self-Funded Business Plan. One of our key differentiators is our ability to self-fund significant portions of our new development without having to dispose of our recently completed developments or raise additional equity. Our residential land sales, recurring NOI and profits on the sales of condominium units generate substantial amounts of free cash flow which is used to fund the equity required to execute our many development opportunities. Furthermore,

we are not required to pay dividends and are not restricted from investing in any asset type, amenity or service, providing further flexibility as compared to many other real estate companies which are limited in their activities because they have elected to be taxed as real estate investment trusts (“REIT”). We believe our structure currently provides significant financial and operating flexibility to maximize the value of our real estate portfolio.

Overview of Business Segments

The following further describes our three business segments and provides a general description of the assets comprising these segments. This section should be referred to when reading “Item 7. – Management’s Discussion and Analysis of Financial Condition and Results of Operations” which contains information about our financial results and operating performance for our business segments.

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Operating Assets

We have developed many of the assets in our Operating Assets segment since the Company's inception in 2010. Revenue is primarily generated through rental and hospitality services and is directly impacted by trends in rental and occupancy rates and operating costs. We will also occasionally sell an operating asset when it does not complement our existing properties or no longer fits within our current strategy. We believe that the long-term value of our Operating Assets is driven by their concentration in our MPCs where we have a unique level of control and competitive advantage. We believe these assets have the potential for future growth by increasing rental rates, absorbing remaining vacancy and changing the tenant mix in retail centers to improve gross sales revenue of our tenants, thereby increasing rents.

For certain assets, we believe there are opportunities to improve operating performance through redevelopment or repositioning. Redevelopment plans for these assets may include office, retail or residential space, shopping centers, movie theaters, parking complexes or open space. The redevelopment plans may require that we obtain permits, licenses, consents and/or waivers from various parties. These opportunities will require new capital investment and vary in complexity and scale. The redevelopment opportunities range from those that would have minimal disruption to the property to those requiring partial or full demolition of existing structures for new construction. Factors we evaluate in determining whether to redevelop or reposition an asset include the following: (1) existing and forecasted demographics surrounding the property; (2) competition related to existing and/or alternative uses; (3) existing entitlements of the property and our ability to change them; (4) compatibility of the physical site with proposed uses; and (5) environmental considerations, traffic patterns and access to the properties.

We generally transfer an operating asset that is being repositioned or redeveloped into our Strategic Developments segment when we close operations at a property and/or begin construction on the redevelopment project. Upon completion of construction or renovation of a development or redevelopment, the asset is fully or partially placed in service and transferred back into our Operating Assets segment.

Master Planned Communities

Our MPC segment includes the development and sale of residential and commercial land, primarily in large-scale, long-term projects. These developments often require decades of investment and continued focus on the changing market dynamics surrounding these communities. We believe that the long-term value of our MPCs remains strong because of their competitive positioning in their respective markets, our in-depth experience in diverse land use planning and the fact that we have substantially completed the entitlement processes within the majority of our communities.

Our MPCs have won numerous awards for design excellence and for community contribution. Summerlin was recently ranked by RCLCO as the third highest selling master planned community, with Bridgeland also ranking 18th and The Woodlands ranking 42nd in the country for 2018. Downtown Summerlin was also recognized with a Placemaking Award from the Urban Land Institute and several neighborhoods in Summerlin earned Silver Nugget Awards from the Southern Nevada Home Builders Association. Bridgeland was recognized by the Texas Association of Builders as Developer of the Year for 2018, and The Woodlands was named Trailblazer of the Year by the Greater Houston Builders Association.

We expect the competitive position, desirable locations and land development expertise to drive the long-term growth of our MPCs. As of December 31, 2018, our MPCs include 10,543 remaining saleable acres of land. Residential sales, which are generated primarily from the sale of finished lots and undeveloped superpads to residential homebuilders and developers, include standard and custom parcels designated for detached and attached single family homes, and range from entry-level to luxury homes. Superpad sites are generally 20 to 25-acre parcels of unimproved land where

we develop and construct the major utilities (water, sewer and storm drainage) and roads to the borders of the parcel and the homebuilder completes the on-site utilities, roads and finished lots. Revenue is also generated through price participation with homebuilders.

We also occasionally sell or lease land for commercial development when we deem its use will not compete with our existing properties or our development strategy. Commercial sales include land parcels designated for retail, office, hospitality, high density residential projects (e.g., condominiums and apartments), services and other for-profit activities, as well as those parcels designated for use by government, schools and other not-for-profit entities.

Strategic Developments

Our Strategic Developments segment consists of 29 development or redevelopment projects, most of which require extensive planning and expertise in large-scale and long-range development to maximize their highest and best uses. The strategic process is complex and unique to each asset and requires on-going assessment of the changing market dynamics prior to the commencement of construction. We must study each local market, determine the highest and best use of the land and necessary improvements to

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the area, obtain entitlements and permits, complete architectural design and construction drawings, secure tenant commitments and obtain and commit sources of capital.

We are in various stages of predevelopment or execution of our strategic plans for many of these assets based on market conditions. As of December 31, 2018, we had 13 properties under construction and not yet placed into service. Total estimated aggregate project costs remaining to be spent on our properties under construction as of December 31, 2018, are $1.7 billion, of which $0.7 billion remains to be funded by us and the remaining amounts will be funded with existing debt. We generally obtain construction financing to fund a majority of the costs associated with developing these assets. Furthermore, we are always undergoing processes to obtain the required permits for our large scale real estate developments.

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The chart below presents our assets classified by reportable segment, predominant use and geographic location at December 31, 2018:

Geographic Region	Master Planned Communities	Operating Assets		Strategic Developments
Houston	• Bridgeland • The Woodlands • The Woodlands Hills	Retail • Creekside Village Green • Hughes Landing Retail • 1701 Lake Robbins • Lakeland Village Center at Bridgeland • Lake Woodlands Crossing Retail (a) • 20/25 Waterway Avenue • Waterway Garage Retail • 2000 Woodlands Parkway Multi-family • Creekside Park Apartments (a) • Millennium Six Pines Apartments (d) • Millennium Waterway Apartments • One Lakes Edge Hospitality • Embassy Suites at Hughes Landing • The Westin at The Woodlands • The Woodlands Resort & Conference Center	Office • One Hughes Landing • Two Hughes Landing • Three Hughes Landing • 1725-1735 Hughes Landing Boulevard • 2201 Lake Woodlands Drive • Lakefront North (b) • 9303 New Trails • 3831 Technology Forest Drive • 3 Waterway Square • 4 Waterway Square • 1400 Woodloch Forest Other • HHC 242 Self-Storage (e) • HHC 2978 Self-Storage (e) • Stewart Title of Montgomery County, TX (f) • The Woodlands Parking Garages • Woodlands Sarofim #1 (f) • Woodlands Ground Lease	Under Construction • Creekside Park West • 100 Fellowship Drive • Hughes Landing Daycare • Lakeside Row (c) • Two Lakes Edge
Las Vegas	• Summerlin Other • The Summit (f)	Retail • Downtown Summerlin Multi-family • Constellation (d)	Office • Aristocrat (a) • ONE Summerlin • TWO Summerlin (a) Other	Under Construction • Summerlin Ballpark (g) • Tanager Apartments (h) Other • 80% Interest in Fashion

			• Hockey Ground Lease • Las Vegas Aviators (f) (i) • Summerlin Hospital Medical Center (f)	Show Air Rights
Columbia				
	• Columbia (j)	Retail • Columbia Regional Building Multi-family • The Metropolitan Downtown Columbia (e) • m.flats/TEN.M (a)(f)	Office • 10-70 Columbia Corporate Center • Columbia Office Properties • One Mall North • One Merriweather (e) • Two Merriweather (e)	Under Construction • Columbia Multi-family • 6100 Merriweather (k) Other • American City Building • Sterrett Place • Ridgely Building
New York				
		Retail • Seaport District NYC - Historic Area/Uplands • Seaport District NYC - Pier 17 (a) Multi-family • 85 South Street Hospitality • Mr. C Seaport (a)(f)(l)		Under Construction • Seaport District NYC - Tin Building (m) (n) Other • 250 Water Street
Honolulu				
		Retail • Ward Village Retail (o)	Other • Kewalo Basin Harbor	Under Construction • Ke Kilohana • ‘A‘ali‘i Unsold Condominium Inventory • Ae‘o (p) • Anaha (p) • Waiea (p)
Other				
		Retail • Outlet Collection at Riverwalk		Under Construction • 110 North Wacker (q) Other • Monarch City (r)

• Bridges at Mint Hill
• Circle T Ranch and Power Center (f)
• Cottonwood Mall
• The Elk Grove Collection
• Landmark Mall (s)
• Maui Ranch Land
• West Windsor

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(a) Asset was placed in service and moved from Strategic Developments to Operating Assets during 2018.
(b) Lakefront North is comprised of two office buildings.
(c) Formerly known as Bridgeland Apartments.
(d) Asset was held as a joint venture until our acquisition of our partner's interest.
(e) Asset was placed in service and moved from Strategic Developments to Operating Assets during 2017.
(f) A non-consolidated investment. Refer to Note 2 - Real Estate and Other Affiliates in our Notes to Consolidated Financial Statements.
(g) Formerly known as Las Vegas Ballpark.
(h) Formerly known as Downtown Summerlin Apartments.
(i) Formerly known as Las Vegas 51s.
(j) Formerly known as Maryland Communities.
(k) Formerly known as Three Merriweather.
(l) Formerly known as 33 Peck Slip.
(m) Formerly known as South Street Seaport - Tin Building
(n) Effective January 1, 2017, we moved the Seaport District assets under construction and related activities to the Strategic Developments segment from the Operating Assets segment. The Seaport District operating properties currently in service and related operating results remain presented within the Operating Assets segment.
(o) Includes retail within the recently opened Waiea, Anaha and Ae‘o condominium towers.
(p) Ae‘o, Anaha and Waiea are open and occupied by tenants with sales of remaining units ongoing.
(q) Asset is in redevelopment and moved from Operating Assets to Strategic Developments during 2018.
(r) Formerly known as AllenTowne.
(s) Asset is in redevelopment and moved from Operating Assets to Strategic Developments during 2017.

Competition

The nature and extent of our competition depends on the type of property involved. With respect to our Operating Assets segment, we primarily compete for retail and office tenants, residential tenants and hospitality guests. We believe the principal factors that retailers consider in making their leasing decisions include: (1) consumer demographics; (2) age, quality, design and location of properties; (3) neighboring real estate projects that have been developed or that we, or others, may develop in the future; (4) diversity of retailers and anchor tenants at shopping center locations; (5) management and operational expertise; and (6) rental rates. The principal factors influencing tenant leasing decisions for our office space include: (1) rental rates; (2) attractive views; (3) walkable retail; (4) commute time; (5) efficiency of space; and (6) demographics of available workforce. For residential tenants, we believe the factors that impact their decision of where to live are: (1) walkability/proximity to work; (2) amenities; and (3) the best value for their money. Our hospitality guests generally make decisions on which hotel they prefer based on: (1) the nature and intention of their trip; (2) brand loyalty; or (3) location and convenience to either an urban or open resort experience.

With respect to our MPC segment, we compete with other landholders and residential and commercial property developers primarily in the development of properties within Las Vegas, Nevada; the greater Houston, Texas area; and the Baltimore, Maryland/Washington, D.C. markets. Significant factors which we believe allow us to compete effectively in this business include:

- the size and scope of our MPCs;
- years of experience serving and strong reputation within the industry;
- the recreational and cultural amenities available within our communities;

- the commercial centers in the communities, including the properties that we own and/or operate or may develop;
- our relationships with homebuilders;
- our level of debt relative to total assets; and
- the proximity of our developments to major metropolitan areas.

With respect to our Strategic Developments segment, our direct competitors include other commercial property developers, residential condominium developers and other owners of commercial real estate that engage in similar businesses. With significant existing entitlements, we hold an advantage over many of our competitors in our markets in that we already own and control, or have significant influence over, substantial acreage for development. We also own the majority of square feet of each product type in many of our markets.

Environmental Matters

Under various federal, state and local laws and regulations, an owner of real estate is liable for the costs of removal or remediation of certain hazardous or toxic substances on such real estate. These laws often impose such liability without regard to whether the owner knew of, or was responsible for, the presence of such hazardous or toxic substances. The costs of remediation or removal of such substances may be substantial, and the presence of such substances, or the failure to promptly remediate such substances, may adversely affect the owner’s ability to sell such real estate or to obtain financing using such real estate as collateral.

Substantially all of our properties have been subject to third-party Phase I environmental assessments, which are intended to evaluate the environmental condition of the surveyed and surrounding properties. As of December 31, 2018, the assessments have not revealed any known environmental liability that we believe would have a material adverse effect on our overall business, financial position or results of operations. Nevertheless, it is possible that these assessments do not reveal all environmental liabilities or that the conditions have changed since the assessments were prepared (typically at the time the property was purchased

or encumbered with debt). Moreover, no assurances can be given that future laws, ordinances or regulations will not impose any material environmental liability on us, or the current environmental condition of our properties will not be adversely affected by tenants and occupants of the properties, by the condition of properties in the vicinity of our properties (such as the presence on such properties of underground storage tanks) or by third parties unrelated to us.

Future development opportunities may require additional capital and other expenditures to comply with federal, state and local statutes and regulations relating to the protection of the environment. In addition, there is a risk when redeveloping sites that we might encounter previously unknown issues that require remediation or residual contamination warranting special handling or disposal, which could affect the speed of redevelopment. Where redevelopment involves renovating or demolishing existing facilities, we may be required to undertake abatement and/or the removal and disposal of building materials or other remediation or cleanup activities that contain hazardous materials. We cannot predict with any certainty the magnitude of any such expenditures or the long-range effect, if any, on our operations. Compliance with such laws has not had a material adverse effect on our current or past operating results or competitive position, but could have such an effect on our operating results or competitive position in the future.

Employees

As of December 31, 2018, we had approximately 1,400 employees, approximately 550 of whom were employed at our hospitality properties.

Available Information

Our website address is www.howardhughes.com. Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other publicly filed documents, including all exhibits filed therewith, are available and may be accessed free of charge through the “Investors” section of our website under the SEC Filings subsection, as soon as reasonably practicable after those documents are filed with, or furnished to, the SEC at www.sec.gov. Also available through our Investors section of our website are reports filed by our directors and executive officers on Forms 3, 4 and 5, and amendments to those reports. Our website and included or linked information on the website are not incorporated into this Annual Report on Form 10-K. From time to time, we use our website as an additional means of disclosing public information to investors, the media and others interested in us.

ITEM 1A. RISK FACTORS

The risks and uncertainties described below are those that we deem currently to be material, and do not represent all of the risks that we face. Additional risks and uncertainties not presently known to us or that we currently do not consider material may in the future become material and impair our business operations. If any of the following risks actually occur, our business could be materially harmed, and our financial condition and results of operations could be materially and adversely affected. Our business, prospects, financial condition or results of operations could be materially and adversely affected by the following:

Risks Related to our Business

Our performance and the market value of our securities are subject to risks associated with our investments in real estate assets and with trends in the real estate industry.

Our economic performance and the value of our real estate assets and, consequently the market value of the Company’s securities, are subject to the risk that our properties may not generate revenues sufficient to meet our operating expenses or other obligations. A deficiency of this nature would adversely impact our financial condition,

results of operations, cash flows, the quoted trading price of our securities, and our ability to satisfy our debt service obligations.

A downturn in the housing market or decline in general economic conditions could adversely affect our business, financial condition and operations.

We believe that new home sales are an important indicator of future demand for our superpad sites, lots and condominium units. Demand for new homes is sensitive to changes in economic conditions such as the level of employment, consumer confidence, consumer income, the availability of financing and interest rate levels. The prior economic downturn severely affected both the numbers of homes that could be sold in our MPCs and the prices for which homebuilders could sell them. We cannot predict when another economic downturn in the housing market will occur. If there were another economic downturn in the housing market or in general economic conditions, the resulting decline in demand for new homes and condominium units would likely have a material adverse effect on our business, financial condition and results of operations.

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Our MPC segment is highly dependent on homebuilders.

We are highly dependent on our relationships with homebuilders to purchase superpad sites and lots at our MPCs. Our business will be adversely affected if homebuilders do not view our MPCs as desirable locations for homebuilding operations or due to a change in demand, our inability to achieve certain pricing arrangements or upon an overall decline in general market conditions. Also, some homebuilders may be unwilling or unable to close on previously committed lot purchases due to our failure to meet certain conditions in our agreements or otherwise. As a result, we may sell fewer lots and, in certain instances suspend any of our MPC developments. This would result in lower sales revenues, which could have an adverse effect on our financial position and results of operations.

Our development, construction and sale of condominiums are subject to state regulations and may be subject to claims from the condominium owners association at each project.

A portion of our business is dedicated to the development and sale of condominiums. Condominiums are generally regulated by an agency of the state in which they are located or where the condominiums are marketed to be sold. In connection with our development and offering of condominium units for sale, we must submit regulatory filings to various state agencies and engage in an entitlement process by which real property owned under one title is converted into individual units. Responses or comments on our condominium filings may delay our ability to sell condominiums in certain states and other jurisdictions in a timely manner, or at all. Further, we will be required to transfer control of a condominium association’s board of directors once we trigger one of several statutory thresholds, with the most likely triggers being tied to the sale of not less than a majority of units to third-party owners. Transfer of control can result in claims with respect to deficiencies in operating funds and reserves, construction defects and other condominium-related matters by the condominium association and/or third-party condominium unit owners. Any material claims in these areas could negatively affect our reputation in condominium development and ultimately have a material adverse effect on our business, financial condition and results of operations.

Our condominium sales are sensitive to interest rates and the ability of consumers to obtain mortgage financing.

The ability of the ultimate buyers of condominiums to finance their purchases is generally dependent on their personal savings and availability of third-party financing. Consequently, the demand for condominiums will be adversely affected by increases in interest rates (which generally rose during 2018), unavailability of mortgage financing, increasing housing costs and unemployment levels. Levels of income and savings, including retirement savings, available to condominium purchasers can be affected by declines in the capital markets. Any significant increase in the mortgage interest rates or decrease in available credit could reduce consumer demand for housing, and result in fewer condominium sales, which may have an adverse effect on our business, financial condition and results of operations.

Purchasers may default on their obligations to purchase condominiums.

We enter into contracts for the sale of condominium units that generally provide for the payment of a substantial portion of the sales price at closing when a condominium unit is ready to be delivered and occupied. A significant amount of time may pass between the execution of a contract for the purchase of a condominium unit and the closing thereof. Defaults by purchasers to pay any remaining portions of the sales prices for condominium units under contract may have an adverse effect on our business, financial condition and results of operations.

Downturn in tenants’ businesses may reduce our revenues and cash flows.

An office or retail tenant may experience a downturn in its business, which may weaken its financial condition and result in its failure to make timely rental payments or result in defaults under our leases. In the event of default by a

tenant, we may experience delays in enforcing our rights as landlord and may incur substantial costs in protecting our investment.

We may be negatively impacted by the consolidation or closing of anchor stores.

Many of our mixed-used properties are anchored by “big box” tenants. We could be adversely affected if these or other anchor stores were to consolidate, close or enter into bankruptcy. Given the current economic environment for certain retailers, there is a heightened risk an anchor store could close or enter into bankruptcy. Any losses resulting from the bankruptcy of any of our existing tenants could adversely impact our financial condition. Even if we own the anchor space, we may be unable to re-lease this area or to re-lease it on comparable terms. The loss of these revenues could adversely affect our results of operations and cash flows. Further, the temporary or permanent loss of any anchor would likely reduce customer traffic in the retail center, which could lead to decreased sales at other retail stores. Rents obtained from other tenants may be adversely impacted as a result of co-tenancy

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clauses in their leases. One or more of these factors could cause the retail center to fail to meet its debt service requirements. The consolidation of anchor stores may also negatively affect lease negotiations and current and future development projects.

Seaport District Operational Risk

The Seaport District's operational results are volatile. The increased volatility is largely the result of: (i) seasonality; (ii) potential sponsorship revenue; (iii) potential event revenue; and (iv) business operating risks from various startup businesses. We will own and operate several of the startup businesses in the Seaport District. As a result, the revenues and expenses of these businesses will directly impact the net operating income of The Seaport District, which could have an adverse effect on our financial position and results of operations. This is in contrast to our other retail properties where we generally receive lease payments from unaffiliated tenants and are not necessarily impacted by the operating performance of their underlying businesses.

We may be unable to renew leases or re-lease available space.

We cannot provide any assurance that existing leases will be renewed, available space will be re-leased or that our rental rates will be equal to or above the current rental rates. If the average rental rates for our properties decrease, existing tenants do not renew their leases, or available space is not re-leased, our financial condition, results of operations, cash flows, the quoted trading price of our securities and our ability to satisfy our debt service obligations at the affected properties could be adversely affected.

We may have to make significant capital expenditures to maintain our hotel properties, and any hotel redevelopment or development activities we undertake may be more costly than we anticipate.

From time to time, our hotels will have a need for renovations and other capital improvements, including replacements of furniture, fixtures and equipment. Managers or franchisors of our hotels also require periodic capital improvements pursuant to management agreements we enter into with them or as a condition of maintaining franchise licenses. Generally, we are responsible for the cost of these capital improvements. As part of our long-term growth strategy, we may also develop hotel properties, timeshare units or other alternate uses of portions of our existing properties, including the development of retail, office or apartments, including through joint ventures. Such renovation and development involves substantial risks, including, but not limited to:

- construction cost overruns and delays;
- the disruption of operations and displacement of revenue at operating hotels, including revenue lost while rooms, restaurants or meeting space under renovation are out of service;
- the cost of funding renovations or developments and inability to obtain financing on attractive terms;
- the return on our investment in these capital improvements or developments failing to meet expectations;
- governmental restrictions on the nature or size of a project or the inability to obtain all necessary zoning, land use, building, occupancy and construction permits; and
- disputes with franchisors or property managers regarding compliance with relevant franchise agreements or management agreements.

The occurrence of any of the aforementioned risks or any others not currently known to us could negatively impact certain hotel properties and result in a material adverse effect on our financial condition and results of operations.

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The concentration of our properties in certain states may make our revenues and the value of our assets vulnerable to adverse changes in local economic conditions.

Many of the properties we own are located in the same or a limited number of geographic regions, including Texas, Hawai‘i, Las Vegas, New York and Maryland. Our operations at the properties in these states are generally subject to significant fluctuations by various factors that are beyond our control such as the regional and local economy, which may be negatively impacted by material relocation by residents, industry slowdowns, plant closings, increased unemployment, lack of availability of consumer credit, levels of consumer debt, housing market conditions, adverse weather conditions, natural disasters and other factors, as well as the local real estate conditions, such as an oversupply of, or a reduction in demand for, retail space or retail goods, hotel rooms and the availability and creditworthiness of current and prospective tenants.

In addition, some of our properties are subject to various other factors specific to those geographic areas. For example, tourism is a major component of both the local economies in Hawai‘i and Nevada. Ward Village, which is located in Honolulu, Hawai‘i, and Summerlin, which is located in Las Vegas, Nevada, may be impacted by the local and global tourism industry. These properties are susceptible to any factors that affect travel and tourism related to Hawai‘i and Las Vegas, including cost and availability of air services and the impact of any events that disrupt air travel to and from these regions. Moreover, these properties may be affected by risks such as acts of terrorism and natural disasters, including major fires, floods and earthquakes, as well as severe or inclement weather, which could also decrease tourism activity in Las Vegas or Hawai‘i.

Further, Summerlin is to some degree dependent on the gaming industry, which could be adversely affected by changes in consumer trends and preferences and other factors over which we have no control. The gaming industry is characterized by an increasingly high degree of competition among a large number of participants, including riverboat casinos, dockside casinos, land-based casinos, video lottery, sweepstakes and poker machines, many of which are located outside of Las Vegas. Furthermore, competition from internet lotteries, sweepstakes, and other internet wagering gaming services, which allow their customers to wager on a wide variety of sporting events and play Las Vegas-style casino games from home or in non-casino settings, could negatively impact the population in the Las Vegas area. Expansion of internet gaming in other jurisdictions (both legal and illegal) could further compete with the gaming industry in Las Vegas, which could have a negative impact on the local Las Vegas economy and result in an adverse effect on Summerlin and Downtown Summerlin.

Markets and the local economy surrounding our properties in Columbia, Maryland are heavily influenced by government spending and activity. A reduction of government spending in this market generally could decrease the demand for housing and retail space in this geographic region.

The Woodlands, The Woodlands Hills and Bridgeland in the Houston, Texas region depend significantly on the energy sector. Our success depends to a large extent upon the business activity, population, income levels, employment trends and real estate activity in and around Houston, Texas. In the event that oil prices fall and remain depressed for a sustained period, demand may decrease for housing and commercial space in The Woodlands, Bridgeland and The Woodlands Hills and hotel rooms at our hospitality properties in The Woodlands.

If any or all of the factors discussed above were to occur and result in our inability to sell or lease our residential and commercial property, or book an adequate amount of hotel room stays at our hospitality properties, in any of these geographic regions, it would likely have a material adverse effect on our business, financial condition and results of operations.

We are exposed to risks associated with the development, redevelopment or construction of our properties.

Our development, redevelopment and construction activities expose us to risks such as:

- inability to obtain construction financing for the development or redevelopment of properties;
- increased construction costs for a project that exceeded our original estimates due to increases in materials, labor or other costs, which could make completion of the project less profitable because market rents or condominium prices may not increase sufficiently to compensate for the increased construction costs;
- construction delays, which may increase project development costs;
- claims for construction defects after a property has been developed;
- poor performance or nonperformance by any of our joint venture partners or other third parties on whom we rely;
- health and safety incidents and site accidents;
- easement restrictions which may impact our development costs and timing;
- compliance with building codes and other local regulations; and
- the inability to secure tenants necessary to support commercial projects.

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If any of the aforementioned risks were to occur during the development, redevelopment or construction of our properties, it could have a substantial negative impact on the project's success and result in a material adverse effect on our financial condition or results of operations.

Development of properties entails a lengthy, uncertain and costly entitlement process.

Approval to develop real property sometimes requires political support and generally entails an extensive entitlement process involving multiple and overlapping regulatory jurisdictions and often requires discretionary action by local governments. Real estate projects must generally comply with local land development regulations and may need to comply with state and federal regulations. We incur substantial costs to comply with legal and regulatory requirements. An increase in legal and regulatory requirements may cause us to incur substantial additional costs, or in some cases cause us to determine that the property is not feasible for development. In addition, our competitors and local residents may challenge our efforts to obtain entitlements and permits for the development of properties. The process to comply with these regulations is usually lengthy and costly, may not result in the approvals we seek, and can be expected to materially affect our development activities.

Specifically, our redevelopment plans for the Seaport District are subject to a Uniform Land Use Review Procedure ("ULURP") that requires approval by the New York City Council, the New York City Landmarks Preservation Commission and various other government agencies. Our inability to obtain or modify the ULURP could negatively affect our future redevelopment plans for the Seaport District.

Government regulations and legal challenges may delay the start or completion of the development of our communities, increase our expenses or limit our homebuilding or other activities.

Various local, state and federal statutes, ordinances, rules and regulations concerning building, health and safety, site and building design, environment, zoning, sales and similar matters apply to and/or affect the real estate development industry. In addition, our ability to obtain or renew permits or approvals and the continued effectiveness of permits already granted or approvals already obtained depends on factors beyond our control, such as changes in federal, state and local policies, rules and regulations and their interpretations and application.

Municipalities may restrict or place moratoriums on the availability of utilities, such as water and sewer taps. If municipalities in which we operate take such actions, it could have an adverse effect on our business by causing delays, increasing our costs or limiting our ability to operate in those municipalities. These measures may reduce our ability to open new MPCs and to build and sell other real estate development projects in the affected markets, including with respect to land we may already own, and create additional costs and administration requirements, which in turn may harm our future sales, margins and earnings.

In addition, there is a variety of legislation being enacted, or considered for enactment, at the federal, state and local level relating to energy and climate change. This legislation relates to items such as carbon dioxide emissions control and building codes that impose energy efficiency standards. New building code requirements that impose stricter energy efficiency standards could significantly increase our cost to construct buildings. Such environmental laws may affect, for example, how we manage storm water runoff, wastewater discharges and dust; how we develop or operate on properties on or affecting resources such as wetlands, endangered species, cultural resources, or areas subject to preservation laws; and how we address contamination. As climate change concerns continue to grow, legislation and regulations of this nature are expected to continue and become more costly to comply with. In addition, it is possible that some form of expanded energy efficiency legislation may be passed by the U.S. Congress or federal agencies and certain state legislatures, which may, despite being phased in over time, significantly increase our costs of building MPCs and the sale price to our buyers and adversely affect our sales volumes. We may be required to apply for additional approvals or modify our existing approvals because of changes in local circumstances or applicable law.

Energy-related initiatives affect a wide variety of companies throughout the United States and the world and, because our operations are heavily dependent on significant amounts of raw materials, such as lumber, steel and concrete, they could have an indirect adverse impact on our operations and profitability to the extent the manufacturers and suppliers of our materials are burdened with expensive cap and trade and similar energy related taxes and regulations. Our noncompliance with environmental laws could result in fines and penalties, obligations to remediate, permit revocations and other sanctions.

Governmental regulation affects not only construction activities but also sales activities, mortgage lending activities and other dealings with consumers. Further, government agencies routinely initiate audits, reviews or investigations of our business practices to ensure compliance with applicable laws and regulations, which can cause us to incur costs or create other disruptions in our business that can be significant. Further, we may experience delays and increased expenses as a result of legal challenges to our proposed communities, whether brought by governmental authorities or private parties.

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Our development projects may subject us to certain liabilities.

We may hire and supervise third-party contractors to provide construction, engineering and various other services for wholly-owned development projects or development projects undertaken by real estate ventures in which we hold an equity interest. Certain of these contracts are structured such that we are the principal rather than the agent. As a result, we may assume liabilities in the course of the project and be subjected to, or become liable for, claims for construction defects, negligent performance of work or other similar actions by third parties we have engaged.

Adverse outcomes of disputes or litigation could negatively impact our business, results of operations and financial condition, particularly if we have not limited the extent of the damages to which we may be liable, or if our liabilities exceed the amounts of the insurance that we carry. Moreover, our tenants and condominium owners may seek to hold us accountable for the actions of contractors because of our role even if we have technically disclaimed liability as a legal matter, in which case we may determine it necessary to participate in a financial settlement for purposes of preserving the tenant or customer relationship or to protect our corporate brand. Acting as a principal may also mean that we pay a contractor before we have been reimbursed by our tenants or have received the entire purchase price of a condominium unit from the purchaser. This exposes us to additional risks of collection in the event of a bankruptcy, insolvency or a condominium purchaser default. The reverse can occur as well, where a contractor we have paid files for bankruptcy protection or commits fraud with the funds before completing a project which we have funded in part or in full. For example, in 2018 we recognized a $13.4 million charge for window repair at the Waiea condominium tower in Ward Village.

Our indebtedness could adversely affect our business, prospects, financial condition or results of operations and prevent us from fulfilling our obligations under our Senior Notes and the Loans.

We have a significant amount of indebtedness. As of December 31, 2018, our total consolidated debt was approximately $3.2 billion (excluding an undrawn balance of $115.0 million under our revolving facilities) of which $1.2 billion was recourse to the Company. In addition, we have $160.5 million of recourse guarantees associated with undrawn construction financing commitments as of December 31, 2018. As of December 31, 2018, our proportionate share of the debt of our non-consolidated joint ventures (“Real Estate and Other Affiliates”) was $96.2 million based upon our economic ownership. All of the debt of our Real Estate and Other Affiliates is non-recourse to us.

Subject to the limits contained in the indenture governing the $1,000,000,000 5.375% senior notes due 2025 (the “Senior Notes”), the limits contained in the Loan Agreements which mature on September 18, 2023 and any limits under our other debt agreements, we may need to incur substantial additional indebtedness from time to time, including project indebtedness for developments by our subsidiaries. If we incur additional indebtedness, the risks related to our level of indebtedness could intensify. Specifically, an increased level of indebtedness could have important consequences, including:

- making it more difficult for us to satisfy our obligations with respect to our indebtedness, including the Senior Notes and Loan Agreements;
- limiting our ability to obtain additional financing to fund future working capital, capital expenditures, debt service requirements, execution of our business strategy or finance other general corporate requirements;
- requiring us to make non-strategic divestitures, particularly when the availability of financing in the capital markets is limited, which may adversely impact sales prices;
- requiring a substantial portion of our cash flow to be allocated to debt service payments instead of other business purposes, thereby reducing the amount of cash flow available for working capital, capital expenditures, acquisitions, dividends and other general corporate purposes;
- increasing our vulnerability to general adverse economic and industry conditions, including increases in interest rates, particularly given that certain indebtedness bears interest at variable rates;

- limiting our ability to capitalize on business opportunities, reinvest in and develop properties, and to react to competitive pressures and adverse changes in government regulations;
- placing us at a disadvantage compared to other, less leveraged competitors;
- limiting our ability, or increasing the costs, to refinance indebtedness; and
- resulting in an event of default if we fail to satisfy our obligations under our indebtedness, which default could result in all or part of our indebtedness becoming immediately due and payable and, in the case of our secured debt, could permit the lenders to foreclose on our assets securing such debt.

The indenture governing our Senior Notes contains, and our other debt agreements contain, restrictions which may limit our ability to operate our business.

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The indenture governing our Senior Notes contains, and some of our other debt agreements contain, certain restrictions. These restrictions limit our ability or the ability of certain of our subsidiaries to, among other things:

- incur indebtedness or issue certain equity;
- create certain liens;
- pay dividends on, redeem or repurchase capital stock or make other restricted payments;
- make investments;
- incur obligations that restrict the ability of our subsidiaries to make dividend or other payments to us;
- consolidate, merge or transfer all or substantially all of our assets;
- enter into transactions with our affiliates; and
- create or designate unrestricted subsidiaries.

Additionally, certain of our debt agreements also contain various restrictive covenants, including minimum net worth requirements, maximum payout ratios on distributions, minimum debt yield ratios, minimum fixed charge coverage ratios, minimum interest coverage ratios and maximum leverage ratios.

The restrictions under the indenture and/or other debt agreements could limit our ability to finance our future operations or capital needs, make acquisitions or pursue available business opportunities.

We may be required to take action to reduce our debt or act in a manner inconsistent with our business objectives and strategies to meet such ratios and satisfy the covenants in our debt agreements. Events beyond our control, including changes in economic and business conditions in the markets in which we operate, may affect our ability to do so. We may not be able to meet the ratios or satisfy the covenants in our debt agreements, and we cannot assure you that our lenders will waive any failure to do so. A breach of any of the covenants in, or our inability to maintain the required financial ratios, under our debt agreements would likely result in a default under such debt agreements, which may accelerate the principal and interest payments of the debt and, if such debt is secured, result in the foreclosure on certain of our assets that secure such debt. A breach of any of the covenants in, or our inability to maintain the required financial ratios, under our debt agreements also would prevent us from borrowing additional money under such agreements that include revolving credit facilities. A default under any of our debt agreements could, in turn, result in defaults under other obligations and result in other creditors accelerating the payment of other obligations and foreclosing on assets securing such obligations, if any.

Any such defaults could materially impair our financial condition and liquidity. In addition, if the lenders under any of our debt agreements or other obligations accelerate the maturity of those obligations, we cannot assure you that we will have sufficient assets to satisfy our obligations under the notes or our other debt.

The Loan Agreements governing our $615,000,000 Term Loan and $85,000,000 Revolver Loan contain restrictions which may limit our ability to operate our business.

The Loan Agreements governing our Term Loan and Revolver loan contain representations and covenants which are customary for a loan agreement of this type, including financial covenants related to maintenance of interest coverage ratios and loan-to-value ratios with respect to the certain mortgaged properties, taken as a whole. The Loan Agreements also contain customary events of default, certain of which are subject to cure periods. These restrictions limit the ability of certain of our subsidiaries to, among other things:

- incur further indebtedness
- distribute cash generated from borrowers if financial coverage ratios or other covenants are not met
- enter into or amend lease or other agreements or transactions without lender consent
- substitute collateral due to product and geographic concentrations

The restrictions under the Loan Agreements could limit our ability to finance our future operations or capital needs, make acquisitions or pursue available business opportunities.

We may be required to take action to reduce our debt or act in a manner inconsistent with our business objectives and strategies to meet such ratios and satisfy the covenants in our Loan Agreements. Events beyond our control, including changes in economic and business conditions in the markets in which we operate, may affect our ability to do so. We may not be able to meet the ratios or satisfy the covenants in our Loan Agreements, and we cannot assure you that our lenders will waive any failure to do so. A breach of any of the covenants in, or our inability to maintain the required financial ratios, under our Loan Agreements would likely result in a default under such debt agreements, which may accelerate the principal and interest payments of the debt and, if such debt is secured, result in the foreclosure on certain of our assets that secure such debt. A breach of any of the covenants in,

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or our inability to maintain the required financial ratios, under our Loan Agreements also would prevent us from borrowing additional money under such agreements that include revolving credit facilities. A default under any of our Loan Agreements could, in turn, result in defaults under other obligations and result in other creditors accelerating the payment of other obligations and foreclosing on assets securing such obligations, if any.

Any such defaults could materially impair our financial condition and liquidity. In addition, if the lenders under any of our debt agreements or other obligations accelerate the maturity of those obligations, we cannot assure you that we will have sufficient assets to satisfy our obligations under the notes or our other debt.

We may be unable to develop and expand our properties without sufficient capital or financing.

Our business objective includes the development and redevelopment of our properties, particularly those in our Strategic Developments segment, which we may be unable to do if we do not have, cannot obtain or cannot generate sufficient capital from MPC sales or operations, debt capital from lenders or the capital markets, or government incentives, such as tax increment financing, to proceed with planned development, redevelopment or expansion activities. We may be unable to obtain an anchor store, mortgage lender and property partner approvals that are required for any such development, redevelopment or expansion. We may abandon redevelopment or expansion activities already underway that we are unable to complete due to the inability to secure additional capital to finance such activities. This may result in charge-offs of costs previously capitalized. In addition, if redevelopment, expansion or reinvestment projects are unsuccessful, the investment in such projects may not be recoverable, in full or in part, from future operations or sale resulting in impairment charges.

Our business model includes entering into joint venture arrangements with strategic partners and our strategic partners may have different interests than us.

We currently have and intend to enter into joint venture partnerships. These joint venture partners may bring local market knowledge and relationships, development experience, industry expertise, financial resources, financing capabilities, brand recognition and credibility or other competitive advantages. In the future, we may not have sufficient resources, experience and/or skills to locate desirable partners. We also may not be able to attract partners who want to conduct business in the locations where our properties are located, and who have the assets, reputation or other characteristics that would optimize our development opportunities.

While we generally participate in making decisions for our jointly owned properties and assets, we might not always have the same objectives as the partner in relation to a particular asset, and we might not be able to formally resolve any issues that arise. In addition, actions by a partner may subject property owned by the joint venture to liabilities greater than those contemplated by the joint venture agreements, be contrary to our instructions or requests or result in adverse consequences. We cannot control the ultimate outcome of any decision made, which may be detrimental to our interests.

The bankruptcy or, to a lesser extent, financial distress of any of our joint venture partners could materially and adversely affect the relevant property or properties. If this occurred, we would be precluded from taking some actions affecting the estate of the other investor without prior court approval which would, in most cases, entail prior notice to other parties and a hearing. At a minimum, the requirement to obtain court approval may delay the actions we would or might want to take. If the relevant joint venture through which we have invested in a property has incurred recourse obligations, the discharge in bankruptcy of one of the other partners might result in our ultimate liability for a greater portion of those obligations than would otherwise be required.

Significant competition could have an adverse effect on our business.

The nature and extent of the competition we face depends on the type of property. With respect to our MPCs, we compete with other landholders and residential and commercial property developers in the development of properties within the Las Vegas, Nevada; Houston, Texas; and Baltimore, Maryland/Washington, D.C. markets. A number of residential and commercial developers, some with greater financial and other resources, compete with us in seeking resources for development and prospective purchasers and tenants. Competition from other real estate developers may adversely affect our ability to attract purchasers and sell residential and commercial real estate, sell undeveloped rural land, attract and retain experienced real estate development personnel, or obtain construction materials and labor. These competitive conditions can make it difficult to sell land at desirable prices and can adversely affect our results of operations and financial condition.

There are numerous shopping facilities that compete with our operating retail properties in attracting retailers to lease space. In addition, retailers at these properties face continued competition from other retailers, including internet retailers, retailers at other regional shopping centers, outlet malls and other discount shopping centers, discount shopping clubs, and catalog companies. Competition of this type could adversely affect our results of operations and financial condition.

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In addition, we compete with other major real estate investors with significant capital for attractive investment and development opportunities. These competitors include REITs and private institutional investors.

We are subject to risks associated with hedging arrangements.

We enter into interest rate swap agreements and other interest rate hedging contracts, including caps and cash settled forward starting swaps, to mitigate or reduce our exposure to interest rate volatility or to satisfy lender requirements. These agreements expose us to additional risks, including a risk that counterparties of these hedging and swap agreements will not perform. There also could be significant costs and cash requirements involved to fulfill our obligations under a hedging agreement. In addition, our hedging activities may not have the desired beneficial impact on interest rate exposure and have a negative impact on our business, financial condition and results of operations.

We may not realize the value of our tax assets.

Certain provisions of the Internal Revenue Code could limit our ability to fully utilize certain tax assets if we were to experience a “change of control.” If such an event were to occur, the cash flow benefits we might otherwise have received would be eliminated. For example, we currently have approximately $170.7 million of federal net operating loss carryforwards, $25.0 million of which are subject to the separate return year limitation rules.

The effect of comprehensive United States tax reform legislation on the Company and its affiliates, whether adverse or favorable, is uncertain.

Changes to United States federal income tax rules and regulations could have material United States federal income tax consequences for the Company or an investment in the Company. On December 22, 2017, President Trump signed into law H.R. 1, known as the “Tax Cuts and Jobs Act” (the “Tax Act”) that significantly changes the United States federal income tax system. Among a number of significant changes to the current United States federal income tax rules, the Tax Act reduces the marginal United States corporate income tax rate from 35% to 21%, eliminates the corporate alternative minimum tax, limits the deduction for net business interest expense and compensation expense above $1.0 million, shifts the United States toward a more territorial tax system, and imposes new taxes to combat erosion of the United States federal income tax base. The effect of the Tax Act on us, whether adverse or favorable, is uncertain, and may not become evident for some period of time. We will continue to work with our tax advisors to determine the impact that the Tax Act as a whole will have on us.

Because real estate is illiquid, we may not be able to sell properties when in our best interest.

Real estate investments generally, and in particular large office and mixed-use properties like those that we develop and construct, often cannot be sold quickly. The capitalization rates at which properties may be sold could be higher than historic rates, thereby reducing our potential proceeds from sale. Consequently, we may not be able to alter our portfolio promptly in response to changes in economic or other conditions. All of these factors reduce our ability to respond to changes in the performance of our investments and could adversely affect our business, financial condition and results of operations.

Inflation may adversely affect us by increasing costs beyond what we can recover through price increases.

Inflation can adversely affect us by increasing costs of land, materials and labor. In addition, significant inflation is often accompanied by higher interest rates, which have a negative impact on demand for homes in our MPCs and demand for our condominium projects, and our ability to refinance existing indebtedness on favorable terms, or at all. In an inflationary environment, depending on the homebuilding industry and other economic conditions, we may be

precluded from raising land prices enough to keep up with the rate of inflation, which could significantly reduce our profit margins. In recent years we have been experiencing increases in the prices of labor and materials above the general inflation rate. Our inability to recover increasing costs due to inflation through price increases could have a material adverse effect on our results of operations, financial conditions and cash flows.

Some of our properties are subject to potential natural or other disasters.

A number of our properties are located in areas which are subject to natural or other disasters, including hurricanes, floods, earthquakes and oil spills. We cannot predict the extent of damage that may result from such adverse weather events, which depend on a variety of factors beyond our control. Some of our properties, including Houston-area MPCs, Ward Village, the Seaport District and the Outlet Collection at Riverwalk are located in coastal regions, and could be affected by increases in sea levels, the frequency or severity of hurricanes and tropical storms, or environmental disasters, whether such events are caused by global

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climate changes or other factors. Additionally, adverse weather events can cause widespread property damage and significantly depress the local economies in which the Company operates and have an adverse impact on the Company's business, financial condition and operations.

Climate change may adversely affect our business.

As a result of climate change, we may experience extreme weather and changes in precipitation and temperature, all of which may result in physical damage or a decrease in demand for our properties located in the areas affected by these conditions. Should the impact of climate change be material in nature or occur for lengthy periods of time, our financial condition or results of operations would be adversely affected.

Some potential losses are not insured.

We carry comprehensive liability, fire, flood, earthquake, terrorism, extended coverage and rental loss insurance on all of our properties. We believe the policy specifications and insured limits of these policies are adequate and appropriate. There are some types of losses, including lease and other contract claims, which generally are not insured. If an uninsured loss or a loss in excess of insured limits occurs, we could lose all or a portion of the capital invested in a property, as well as the anticipated future revenue from the property. If this happens, we might remain obligated for any mortgage debt or other financial obligations related to the property.

Loss of key personnel could adversely affect our business and operations.

We depend on the efforts of key executive personnel. The loss of the services of any key executive personnel could adversely affect our business and operations. While we believe we have proper succession planning and are confident we could attract and train new personnel if necessary, this could impose additional costs and hinder our business strategy. Competition for qualified personnel in our industry is intense.

A breach of the Company's privacy or information security systems, or those of our vendors or other third parties, could compromise our information and expose us to liability, which would cause our business and reputation to suffer.

The protection of tenant, business partner, employee and company data is critically important to us. In the ordinary course of our business, we collect and store sensitive data, including intellectual property, our proprietary business information and that of our tenants and business partners and personally identifiable information of our employees on our networks. The collection and use of personally identifiable information is governed by federal and state laws and regulations. Privacy and information security laws continue to evolve and may be inconsistent from one jurisdiction to another. Compliance with all such laws and regulations may increase the Company's operating costs and adversely impact the Company's ability to market the Company's properties and services.

The security measures that we and our vendors put in place cannot provide absolute security, and the information technology infrastructure we and our vendors use may be vulnerable to criminal cyber-attacks or data security incidents, including, ransom of data, such as, without limitation, tenant, business partner and/or employee information, due to employee error, malfeasance or other vulnerabilities. Any such incident could compromise our networks or our vendors' networks (or the networks or systems of third parties that facilitate our business activities or our vendors' business activities), and the information we or our vendors store could be accessed, misused, publicly disclosed, corrupted, lost or stolen, resulting in fraud, including wire fraud related to our assets, or other harm. Moreover, if a data security incident or breach affects our systems or our vendors' systems, whether through a breach of our systems or a breach of the systems of third parties, or results in the unauthorized release of personally identifiable information, our reputation and brand could be materially damaged and we may be exposed to a risk of loss or litigation and possible liability, including, without limitation, loss related to the fact that agreements with our vendors, or our

vendors' financial condition, may not allow us to recover all costs related to a cyber-breach for which they alone are responsible for or which we are jointly responsible for, which could result in a material adverse effect on our business, results of operations and financial condition.

Privacy and information security risks have generally increased in recent years because of the proliferation of new technologies, such as ransomware, and the increased sophistication and activities of perpetrators of cyber-attacks. In light of the increased risks, we have dedicated substantial additional resources of expense, labor and time to strengthening the security of our computer systems. In the future, we may expend additional resources to continue to enhance our information security measures and/or to investigate and remediate any information security vulnerabilities. Despite these steps, there can be no assurance that we will not suffer a significant data security incident in the future, that unauthorized parties will not gain access to sensitive data stored on our systems or that any such incident will be discovered in a timely manner. Any failure in or breach of our information security systems, those of third party service providers or a breach of other third party systems that ultimately impacts our operational or information

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security systems as a result of cyber-attacks or information security breaches could result in a wide range of potentially serious harm to our business and results of operations. Further, the techniques used by criminals to obtain unauthorized access to sensitive data, such as phishing and other forms of human engineering, are increasing in sophistication and are often novel or change frequently; accordingly, we may be unable to anticipate these techniques or implement adequate preventative measures.

Possible terrorist activity or other acts of violence could adversely affect our financial condition and results of operations.

Future terrorist attacks in the United States or other acts of violence may result in declining economic activity, which could harm the demand for goods and services offered by tenants and the value of our properties and might adversely affect the value of an investment in our securities. Such a resulting decrease in retail demand could make it difficult to renew or re-lease properties at lease rates equal to or above historical rates. Terrorist activities or violence also could directly affect the value of our properties through damage, destruction or loss, and the availability of insurance for such acts, or of insurance generally, might be lower or cost more, which could increase our operating expenses and adversely affect our financial condition and results of operations. To the extent that tenants are affected by future attacks, their businesses similarly could be adversely affected, including their ability to continue to meet obligations under their existing leases. These acts might erode business and consumer confidence and spending and might result in increased volatility in national and international financial markets and economies. Any one of these events might decrease demand for real estate, decrease or delay the occupancy of new or redeveloped properties, and limit access to capital or increase the cost of capital.

We may be subject to potential costs to comply with environmental laws.

Future development opportunities may require additional capital and other expenditures to comply with laws and regulations relating to the protection of the environment. Under various federal, state or local laws, ordinances and regulations, a current or previous owner or operator of real estate may be required to investigate and clean up hazardous or toxic substances released at a property and may be held liable to a governmental entity or to third parties for property damage or personal injuries and for investigation and clean-up costs incurred by the parties in connection with the contamination. These laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the release of the hazardous or toxic substances. The presence of contamination or the failure to remediate contamination may adversely affect the owner's ability to sell or lease real estate or to borrow using the real estate as collateral. Other federal, state and local laws, ordinances and regulations require abatement or removal of asbestos-containing materials in the event of demolition or certain renovations or remodeling, the cost of which may be substantial for certain redevelopments, and also govern emissions of and exposure to asbestos fibers in the air. Federal and state laws also regulate the operation and removal of underground storage tanks. In connection with our ownership, operation and management of certain properties, we could be held liable for the costs of remedial action with respect to these regulated substances or tanks or related claims.

We cannot predict with any certainty the magnitude of any expenditures relating to the environmental compliance or the long-range effect, if any, on our operations. Compliance with such laws has not had a material adverse effect on our operating results or competitive position in the past, but could have such an effect on our operating results and competitive position in the future.

Compliance with the Americans with Disabilities Act may be a significant cost for us.

The Americans with Disabilities Act of 1990, as amended (“ADA”), requires that all public accommodations and commercial facilities, including office buildings, meet certain federal requirements related to access and use by disabled persons. Compliance with ADA requirements could involve the removal of structural barriers from certain

disabled persons' entrances which could adversely affect our financial condition and results of operations. Other federal, state and local laws may require modifications to or restrict further renovations of our properties with respect to such accesses. Noncompliance with the ADA or similar or related laws or regulations could result in the United States government imposing fines or private litigants being awarded damages against us. In addition, changes to existing requirements or enactments of new requirements could require significant expenditures. Such costs may adversely affect our business, financial and results of operations.

Some of our directors are involved in other businesses including real estate activities and public and/or private investments and, therefore, may have competing or conflicting interests with us.

Certain of our directors have and may in the future have interests in other real estate business activities, and may have control or influence over these activities or may serve as investment advisors, directors or officers. These interests and activities, and any duties to third parties arising from such interests and activities, could divert the attention of such directors from our operations. Additionally, certain of our directors are engaged in investment and other activities in which they may learn of real estate and other related opportunities in their non-director capacities. Our Code of Business Conduct and Ethics applicable to our directors expressly provides, as permitted by Section 122(17) of the Delaware General Corporation Law (the “DGCL”), that our non-

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employee directors are not obligated to limit their interests or activities in their non-director capacities or to notify us of any opportunities that may arise in connection therewith, even if the opportunities are complementary to, or in competition with, our businesses. Accordingly, we have no expectation that we will be able to learn of or participate in such opportunities. If any potential business opportunity is expressly presented to a director exclusively in his or her director capacity, the director will not be permitted to pursue the opportunity, directly or indirectly through a controlled affiliate in which the director has an ownership interest, without the approval of the independent members of our board of directors.

Risks Related to Our Common Stock

Our stock price may continue to be volatile.

The trading price of our common stock is likely to continue to be volatile due to the stock market's routine periods of large or extreme volatility. This volatility often has been unrelated or disproportionate to the operating performance of particular companies, including ours. Factors that affect our trading price include the following:

- results of operations that vary from the expectations of securities analysts and investors, including our ability to finance and achieve operational success at the Seaport District project;
- results of operations that vary from those of our competitors;
- changes in expectations as to our future financial performance, including financial estimates and investment recommendations by securities analysts and investors;
- declines in the market prices of stocks generally, particularly those in the real estate industry;
- strategic actions by us or our competitors;
- announcements by us or our competitors of new significant real-estate developments, acquisitions, joint ventures, other strategic relationships, or capital commitments;
- changes in general economic or market conditions, including increases in interest rates, or trends in our industry or markets;
- changes in business or regulatory conditions;
- future sales of our common stock or other securities;
- investor perceptions or the investment opportunity associated with our common stock relative to other investment alternatives;
- the public's response to press releases or other public announcements by us or third parties, including our filings with the Securities and Exchange Commission;
- announcements relating to litigation;
- guidance, if any, that we provide to the public, any changes in this guidance, or our failure to meet this guidance;
- the development and sustainability of an active trading market for our stock;
- changes in accounting principles, particularly those related to the revenue recognition standard which we adopted on January 1, 2018;
- events or factors resulting from natural disasters, such as the impact of Hurricane Harvey in the Houston, Texas area; and
- other events or factors, including those resulting from war, acts of terrorism, or responses to these events.

These broad market and industry fluctuations may adversely affect the market price of our common stock, regardless of our actual operating performance. In addition, price volatility may be greater if the public float and trading volume of our common stock is low.

In the past, following periods of market volatility, stockholders have instituted securities class action litigation. If we were involved in securities litigation, it could have a substantial cost and divert resources and the attention of executive management from our business regardless of the outcome of such litigation.

Provisions in our certificate of incorporation, our by-laws, Delaware law, stockholders rights agreement and certain other agreements may prevent or delay an acquisition of us, which could decrease the trading price of our common stock.

Our certificate of incorporation and bylaws contain the following limitations:

- the inability of our stockholders to act by written consent;
- restrictions on the ability of stockholders to call a special meeting without 15% or more of the voting power of the issued and outstanding shares entitled to vote generally in the election of our directors;
- rules regarding how stockholders may present proposals or nominate directors for election at stockholder meetings;
- the right of our board of directors to issue preferred stock without stockholder approval;
- a requirement that, to the fullest extent permitted by law, certain proceedings against or involving us or our directors or officers be brought exclusively in the Court of Chancery in the State of Delaware; and

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- that certain provisions may be amended only by the affirmative vote of at least 66 2/3% of the shares of common stock entitled to vote generally in the election of directors.

In addition, we are a Delaware corporation, and Section 203 of the DGCL applies to us. In general, Section 203 prevents an "interested stockholder" from engaging in certain "business combinations" with us for three years following the date that person becomes an interested stockholder subject to certain exceptions. The statute generally defines "interested stockholder" as any person that is the owner of 15% or more of the outstanding voting stock or is our affiliate or associate and was the owner of 15% or more of outstanding voting stock at any time within the three-year period immediately before the date of determination.

These anti-takeover provisions could make it more difficult for a third party to acquire us, even if the third-party's offer may be considered beneficial by many of our stockholders. As a result, our stockholders may be limited in their ability to obtain a premium for their shares. These provisions could limit the price that investors might be willing to pay in the future for shares of our common stock. There also may be dilution of our common stock from the exercise of outstanding warrants, which may materially adversely affect the market price and negatively impact a holder's investment.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our headquarters are located in Dallas, Texas. We also maintain offices at certain of our properties nationwide, including The Woodlands, Texas; Honolulu, Hawai‘i; New York, New York; Columbia, Maryland; and Las Vegas, Nevada, which serve operations across all segments. We believe our present facilities are sufficient to support our operations.

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Operating Assets

In our Operating Assets segment, we own a variety of asset types including retail, office, multi-family, hospitality and other assets and investments. Our portfolio includes approximately 7.3 million square feet of retail and office, 2,351 wholly and partially-owned multi-family units, 975 combined keys at wholly and partially-owned hospitality properties, and other properties and investments. In addition to several other locations, our assets are primarily located in and around The Woodlands, Texas; Columbia, Maryland; New York, New York; Las Vegas, Nevada; and Honolulu, Hawai‘i.

The following table summarizes certain metrics of the retail properties (does not include any retail square feet within our multi-family or office assets) within our Operating Assets segment as of December 31, 2018:

Retail Properties	Location	Rentable Sq.Ft./Units		% Leased		Annualized Base Rent (In thousands) (a)	Annualized Base Rent Per Square Foot (a)	Year Built / Acquired / Last Renovated
The Woodlands								
Creekside Village Green	The Woodlands, TX	74,670		90.0	%	$ 1,975	$ 30.17	2015
Hughes Landing Retail	The Woodlands, TX	126,131		100.0		3,942	31.25	2015
1701 Lake Robbins	The Woodlands, TX	12,376		100.0		506	40.85	2014
Lake Woodlands Crossing	The Woodlands, TX	60,262		85.0		1,100	25.44	2018
20/25 Waterway Avenue	The Woodlands, TX	50,062		100.0		1,482	29.60	2007 / 2009
Waterway Garage Retail	The Woodlands, TX	21,513		99.8		623	29.02	2011
2000 Woodlands Parkway	The Woodlands, TX	7,900		100.0		225	28.50	1996
		352,914						
Bridgeland								
Lakeland Village Center at Bridgeland	Cypress, TX	83,497		83.3		1,431	26.50	2016
Columbia								
Columbia Regional Building	Columbia, MD	89,199		100.0		2,496	27.99	2014
Seaport District								
Seaport District NYC - Historic Area/Uplands	New York, NY	183,583	(b)	75.9		9,985	76.66	2016
Seaport District NYC - Pier 17	New York, NY	212,548	(b)	44.5		2,977	70.86	2018
		396,131						
Summerlin								
Downtown Summerlin	Las Vegas, NV	838,271	(c)	91.3		22,508	30.17	2014
Ward Village								
Ward Village Retail - Pending Redevelopment	Honolulu, HI	583,409		91.8		12,851	26.77	2002
Ward Village - New or Renovated	Honolulu, HI	422,107		98.0		15,641	39.03	2012 - 2018

		1,005,516					
Other							
Outlet Collection at Riverwalk	New Orleans, LA	267,934	(d)	99.3	7,789	29.99	2014
Total		3,033,462					

(a) Annualized Base Rent is calculated as the monthly Base Minimum Rent for the property for December 31, 2018 multiplied by 12. Annualized Base Rent Per Square Foot is the Annualized Base Rent for the property at December 31, 2018 divided by the average occupied square feet.

(b) A significant portion of the project is on a ground lease where we are the ground lessee. The existing square feet in service as of December 31, 2018 are referenced above. Upon completion of the Seaport District NYC - Tin Building reconstruction and redevelopment, the Seaport District (inclusive of Historic Area/Uplands, Pier 17 and Tin Building) will be approximately 449,527 square feet, as further discussed in Strategic Developments.

(c) Excludes 381,767 square feet of anchors, 206,279 square feet for ONE Summerlin, 144,615 square feet for TWO Summerlin and 36,914 square feet of additional office space above our retail space.

(d) The entire property is subject to a ground lease where we are the ground lessee.

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The following table summarizes certain metrics of our office assets within our Operating Assets segment as of December 31, 2018:

Office Assets	Location	Rentable Sq.Ft./Units	% Leased		Annualized Base Rent (In thousands) (a)	Annualized Base Rent Per Square Foot (a)	Effective Annual Rent (In thousands) (b)	Effective Annual Rent per Square Foot (b)	Year Built / Acquired / Last Renovated
The Woodlands									
One Hughes Landing	The Woodlands, TX	197,719	97.6	%	$ 5,683	$ 29.45	$ 8,467	$ 43.87	2013
Two Hughes Landing	The Woodlands, TX	197,714	95.5		5,585	29.58	8,306	44.00	2014
Three Hughes Landing	The Woodlands, TX	320,815	76.3		5,828	26.96	8,136	37.64	2016
1725 Hughes Landing Boulevard	The Woodlands, TX	331,754	78.4		5,802	22.30	8,186	31.47	2015
1735 Hughes Landing Boulevard	The Woodlands, TX	318,170	100.0		7,429	23.35	10,795	33.93	2015
2201 Lake Woodlands Drive (c)	The Woodlands, TX	24,119	100.0		410	17.00	NM	NM	1994
Lakefront North	The Woodlands, TX	262,812	73.6		1,053	9.92	1,133	10.66	2018
9303 New Trails	The Woodlands, TX	97,967	70.1		1,387	20.19	2,155	31.38	2008
3831 Technology Forest Drive	The Woodlands, TX	95,078	100.0		2,206	23.20	3,150	33.13	2014
3 Waterway Square	The Woodlands, TX	234,659	100.0		6,401	27.28	8,613	36.71	2013
4 Waterway Square	The Woodlands, TX	218,551	100.0		6,407	29.32	8,735	39.97	2010
1400 Woodloch Forest	The Woodlands, TX	95,667	91.1		2,478	28.43	2,514	28.85	1981
		2,395,025							
Columbia									
10-70 Columbia Corporate Center	Columbia, MD	889,470	95.0		22,028	26.28	22,242	26.54	2012 / 2014

Columbia Office Properties (d)	Columbia, MD	62,038	100.0	1,845	29.74	1,954	31.49	1969 / 1972
One Mall North	Columbia, MD	98,607	92.0	2,737	30.16	2,766	30.48	2016
One Merriweather	Columbia, MD	206,588	91.0	5,814	33.04	5,839	33.18	2017
Two Merriweather	Columbia, MD	124,635	73.9	2,571	35.45	2,571	35.45	2017
		1,381,338						
Summerlin								
Aristocrat (e)	Las Vegas, NV	181,534	100.0	—	—	—	—	2018
ONE Summerlin	Las Vegas, NV	206,279	100.0	7,512	36.56	7,512	36.56	2015
TWO Summerlin	Las Vegas, NV	144,615	89.3	1,835	37.02	1,835	37.02	2018
		532,428						
Total		4,308,791						

(a) Annualized Base Rent is calculated as the monthly Base Minimum Rent for the property for December 31, 2018 multiplied by 12. Annualized Base Rent Per Square Foot is the Annualized Base Rent for the property at December 31, 2018 divided by the average occupied square feet.

(b) Effective Annual Rent includes base minimum rent and common area maintenance recovery revenue. Effective Annual Rent Per Square Foot is the Effective Annual Rent divided by the average occupied square feet.

(c) 2201 Lake Woodlands Drive previously served as temporary space for tenants relocating to permanent space and was 100.0% leased in April 2018 with abated rent through September 2018. Therefore, the Effective Annual Rent per Square Foot data is not meaningful.

(d) Excludes the Ridgely Building which was moved to Strategic Developments in the fourth quarter of 2017.

(e) Aristocrat is a build-to-suit project entirely leased by a single tenant. Therefore, the Annualized Base Rent and Effective Annual Rent details have been excluded for competitive reasons.

The following tables summarize certain metrics of our multi-family, hospitality and other Operating Assets as of December 31, 2018:

Multi-family Assets	Location	Economic Ownership %	# Units	Retail Square Feet	% Leased	Average Monthly Rate	Average Monthly Rate Per Square Foot	Year Built / Acquired / Last Renovated
The Woodlands								
Creekside Park Apartments	The Woodlands, TX	100.0 %	292	—	51.0 %	$ 1,214	$ 1.24	2018
Millennium Six Pines Apartments	The Woodlands, TX	100.0	314	—	95.2	1,646	1.71	2014
Millennium Waterway Apartments	The Woodlands, TX	100.0	393	—	95.4	1,328	1.48	2010
One Lakes Edge	The Woodlands,	100.0	390	23,280	95.4	1,893	1.92	2015

	TX							
Columbia								
The Metropolitan Downtown Columbia	Columbia, MD	50.0	380	13,591	95.0	1,863	1.97	2015
m.flats/TEN.M	Columbia, MD	50.0	437	28,026	77.8	1,416	1.60	2018
Summerlin								
Constellation	Las Vegas, NV	100.0	124	—	96.8	2,344	2.10	2016
Seaport District								
85 South Street	New York, NY	100.0	21	13,000	100.0	3,833	2.00	2014
			2,351	77,897				

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Hospitality Assets	Location	Economic Ownership %	# Keys	2018 Average Daily Rate	2018 Revenue Per Available Room	Year Built / Acquired / Last Renovated
The Woodlands						
Embassy Suites at Hughes Landing	The Woodlands, TX	100.0 %	205	$ 202.67	$ 164.99	2015
The Westin at The Woodlands	The Woodlands, TX	100.0	302	216.58	158.28	2016
The Woodlands Resort & Conference Center	The Woodlands, TX	100.0	402	215.22	112.94	2014 (a)
Seaport District						
Mr. C Seaport	New York, NY	35.0	66	368.90	147.65	2018

(a) The Woodlands Resort & Conference Center was built in 1974, expanded in 2002, and renovated in 2014.

Other Assets	Location	Economic Ownership %	Asset Type	Square Feet / Acres / Units	% Leased	Year Built / Acquired / Last Renovated
The Woodlands						
The Woodlands Parking Garages	The Woodlands, TX	100 %	Garage	2,982	N/A	2008/2009 (a)
Woodlands Sarofim #1	The Woodlands, TX	20	Industrial	129,760	73.3 %	late 1980s
Stewart Title of Montgomery County, TX	The Woodlands, TX	50	Title Company	—	N/A	—
HHC 242 Self-Storage	The Woodlands, TX	100	Storage	654	66.2	2017
HHC 2978 Self-Storage	The Woodlands, TX	100	Storage	754	60.2	2017
Woodlands Ground Leases	The Woodlands, TX	100	Ground lease	N/A	N/A	2011
Summerlin						
Summerlin Hospital Medical Center	Las Vegas, NV	5	Hospital	—	N/A	1997
Las Vegas Aviators	Las Vegas, NV	100	Minor League Baseball Team	—	N/A	2017
Hockey Ground Lease	Las Vegas, NV	100	Ground lease	N/A	N/A	2017
Ward Village						
Kewalo Basin Harbor	Honolulu, HI		Marina	55 acres	N/A	—

Ground
Lease

(a) The Woodlands Parking Garages consists of two garages: Woodloch Forest Garage, built in 2008, and Waterway Square Garage, built in 2009.

The following table summarizes our Operating Assets segment lease expirations:

Year	Number of Expiring Leases		Total Square Feet Expiring	Total Annualized Base Rent Expiring	% of Total Annual Gross Rent Expiring	
2019	225	(a)	556,539	$ 13,829,633	6.9	%
2020	162		475,120	12,533,105	6.3	
2021	104		511,137	13,350,760	6.7	
2022	114		588,101	19,129,318	9.6	
2023	113		668,177	22,785,558	11.4	
2024	94		654,289	18,839,162	9.4	
2025	152		854,096	29,772,753	14.9	
2026	37		221,099	6,513,203	3.3	
2027	47		622,184	17,776,541	8.9	
2028	50		474,736	16,643,301	8.3	
2029+	79		1,096,390	29,102,834	14.5	
Total	1,177		6,721,868	$ 200,276,168	100.0	%

(a) Includes 101 specialty leases totaling 73,790 square feet which expire in less than 365 days.

Master Planned Communities

Our MPCs are located in and around Houston, Texas; Las Vegas, Nevada; and Columbia, Maryland. The following table summarizes our MPCs, all of which are wholly-owned, as of December 31, 2018:

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		Total		Remaining Saleable Acres		Average Price Per Acre ($ in thousands) (b)		Remaining Saleable Residential Lots (c)	Projected Community Sell-Out Date		Average Cash Margin (d)	Undiscounted/ Uninflated Value ($ in millions) (e)	
Community	Location	Gross Acres (a)	Approx. No. Residents	Residential	Commercial	Residential	Commercial		Residential	Commercial	Residential	Residential	Commercial
Bridgeland	Cypress, TX	11,470	10,100	2,299	1,533	$410	$539	13,874	2034	2045	82%	$773	$826
Columbia	Columbia, MD	16,450	112,000	—	96	N/A	580	—	N/A	2023	N/A	—	56
Summerlin	Las Vegas, NV	22,500	110,000	3,311	831	565	1,091	37,876 (f)	2039	2039	74	1,384	907
The Woodlands	Houston, TX	28,505	117,100	157	753	652	1,027	515	2023	2027	99	101	773
The Woodlands Hills	Conroe, TX	2,055	36	1,392	171	318	515	4,800	2029	2027	88	390	88
Total		80,980	349,236	7,159	3,384			57,065				$2,648	$2,650

(a) Encompasses all of the land located within the borders of the master planned community, including parcels already sold, saleable parcels and non-saleable areas such as roads, parks and recreation areas, conservation areas and parcels acquired during the year.

(b) Average Price Per Acre is the weighted average land value per acre estimated in the Company's 2019 land models.

(c) Remaining Saleable Residential Lots are estimates and include only lots that are intended for sale or joint venture. The mix of intended use on our remaining saleable and developable acres is primarily based on assumptions regarding entitlements and zoning of the remaining project and are likely to change over time as the master plan is refined.

(d) Average Cash Margin represents the total projected cash profit (total projected cash sales minus remaining projected cash development expenditures excluding land costs), divided by total projected cash sales. It is calculated based on future revenues and future projected non-reimbursable development costs, capitalized overhead, capitalized taxes and capitalized interest.

(e) Undiscounted / Uninflated Value represents Remaining Saleable Acres, multiplied by Average Price Per Acre, multiplied by Average Cash Margin.

(f) Amount represents remaining entitlements and not necessarily the number of lots that may ultimately be developed and sold.

The Summit

Within our Summerlin MPC, an exclusive luxury community named The Summit is being developed and managed through a joint venture with Discovery Land Company (“Discovery”), a leading developer of luxury communities and private clubs. The 555-acre community is expected to consist of approximately 262 homes, an 18-hole Tom Fazio designed golf course and other amenities for residents. See further discussion in “Item 7. – Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Strategic Developments

We continue to plan, develop and hold or seek development rights for unique properties primarily in New York, New York; Honolulu, Hawai‘i; The Woodlands, Texas; Allen, Texas; Alexandria, Virginia; Columbia, Maryland; West Windsor, New Jersey; and Las Vegas, Nevada. We continue to execute our strategic plans for developing several of these assets with construction either actively underway or pending. Once stabilized, Strategic Developments are transferred into our Operating Assets segment and increase recurring cash flow.

The majority of our Total Estimated Costs of projects currently under construction relate to our projects in Honolulu at Ward Village, in New York at the Seaport District and in Chicago at 110 North Wacker. Ward Village is a globally recognized urban master planned condominium community offering integration with local culture, access to parks and public amenities, unique retail experiences, exceptional residences and desirable workforce housing. The Seaport District, located on the East River in Lower Manhattan, encompasses several city blocks (inclusive of Historic Area/Uplands, Pier 17 and Tin Building) and will total 449,527 square feet of innovative culinary, fashion, entertainment and cultural experiences. Highlights include the renovated Seaport District NYC - Pier 17, with a 1.5-acre rooftop that has a restaurant, outdoor bars and venue for special events, which opened throughout 2018. Additionally, 53,396 square feet related to the Seaport District NYC - Tin Building is being redeveloped. 110 North Wacker is a 1.5 million square foot Class-A office building located between Wacker Drive and the Chicago River. The tower will feature an abundance of first-class modern amenities, including retail and dining options, a conference center, a fitness facility and state-of-the-art building systems.

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The following table summarizes our Strategic Developments projects as of December 31, 2018:

($ in thousands)	Location	Size / GLA	Size (Acres)	Total Estimated Cost	Construction Start	Estimated Completion		Estimated Stabilization Date
Strategic Developments Under Construction								
Bridgeland								
Lakeside Row	Cypress, TX	312 units	15	$48,412	Q2 2018	Q4 2019		2021
The Woodlands								
Creekside Park West	The Woodlands, TX	72,624	12	22,625	Q4 2018	Q4 2019		2022
100 Fellowship Drive	The Woodlands, TX	203,000	14	63,278	Q2 2017	Q2 2019		Q3 2019
Hughes Landing Daycare	The Woodlands, TX	10,000	1	3,206	Q3 2018	Q1 2019		Q4 2019
Two Lakes Edge	The Woodlands, TX	386 units	3	107,706	Q2 2018	Q2 2020		2024
Chicago								
110 North Wacker	Chicago, IL	1,500,000	1	712,962	Q1 2018	Q3 2020		2023
Columbia								
6100 Merriweather and Garage	Columbia, MD	320,811	4	138,221	Q2 2018	Q3 2019		2023
Columbia Multi-family	Columbia, MD	382 units / 56,755 retail	3	116,386	Q2 2018	Q4 2019		2023
Ward Village								
‘A‘ali‘i	Honolulu, HI	751 units / 11,336 retail	2	411,777	Q4 2018	2021		N/A
Ae‘o	Honolulu, HI	465 units / 68,300 retail	3	428,508	Q1 2016	Opened	(c)	N/A
Anaha	Honolulu, HI	317 units / 16,100 retail	2	401,314	Q4 2014	Opened	(b)	N/A
Ke Kilohana	Honolulu, HI	423 units / 21,900 retail	1	218,898	Q3 2016	Q2 2019		N/A
Waiea	Honolulu, HI	174 units / 8,200 retail	2	452,041	Q2 2014	Opened	(b)	N/A
Seaport District								
Seaport District NYC - Tin Building	New York, NY	53,396 retail	1	159,982	Q4 2017	Q4 2020		2022
Summerlin								
Summerlin Ballpark	Las Vegas, NV	—	7	122,452	Q1 2018	Q2 2019		Q3 2019

Tanager Apartments	Las Vegas, NV	267 units	9	59,276	Q1 2018	Q3 2019	2020
Future Strategic Developments Rights or Pending Construction							
Columbia							
American City Building	Columbia, MD	—	1				
Ridgely Building	Columbia, MD	—	1				
Sterrett Place	Columbia, MD	—	1				
Seaport District							
250 Water Street	New York, NY	—	1				
Summerlin							
80% Interest in Fashion Show Air Rights	Las Vegas, NV	—	—				
Other							
Bridges at Mint Hill	Charlotte, NC	—	210				
Circle T Ranch and Power Center (a)	Dallas / Ft. Worth, TX	—	198				
Cottonwood Mall	Holladay, UT	—	54				
The Elk Grove Collection	Elk Grove, CA	—	64				
Landmark Mall	Alexandria, VA	—	33				
Monarch City	Allen, TX	—	238				
Maui Ranch Land	Maui, HI	—	20				
West Windsor	West Windsor, NJ	—	658				
Commercial Land							
The Woodlands							
The Woodlands Commercial Land	The Woodlands, TX	—	4 (d)				

Columbia Merriweather District Land	Columbia, MD	—	23	(e)
Ward Ward Commercial Land	Honolulu, HI	—	15	(f)

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(a) These are non-consolidated joint venture partnerships.

(b) Waiea and Anaha opened and residents began occupying units in November 2016 and October 2017, respectively. All retail has been placed in service.

(c) Ae‘o opened and residents began occupying units in December 2018. All retail have not been leased but building placed in service.

(d) Represents land transferred to the Strategic Developments segment in 2015 for future development at The Woodlands.

(e) Represents land transferred to the Strategic Developments segment in 2015 for future development in the Merriweather District in Columbia, Maryland, excluding acreage relating to One and Two Merriweather now in service in our Operating Assets Segment and 6100 Merriweather and Columbia Multi-family (see above).

(f) Represents land transferred to the Strategic Developments segment for future development at Ward Village, excluding acreage related to ‘A‘ali‘i, Ae‘o, Anaha, Ke Kilohana and Waiea.

ITEM 3. LEGAL PROCEEDINGS

We, as part of our normal business activities, are a party to a number of legal proceedings. Management periodically assesses our liabilities and contingencies in connection with these matters based upon the latest information available. We disclose material pending legal proceedings pursuant to Securities and Exchange Commission rules and other pending matters as we may determine to be appropriate. As of December 31, 2018, management believes that any monetary liability or financial impact of claims or potential claims to which we might be subject after final adjudication of any legal procedures would not be material to our financial position, results of operations or cash flows. See Note 10 - Commitments and Contingencies for further discussion.

ITEM 4. MINE SAFETY DISCLOSURE

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our common stock is traded on the New York Stock Exchange (the “NYSE”) under the symbol “HHC”. No dividends have been declared or paid in 2018 or 2017. Any future determination related to our dividend policy will be made at the discretion of our board of directors and will depend on a number of factors, including future earnings, capital requirements, restrictions under debt agreements, financial condition and future prospects and other factors the board of directors may deem relevant.

Number of Holders of Record

As of February 19, 2019, there were 1,698 stockholders of record of our common stock.

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Performance Graph

The following performance graph compares the yearly dollar change in the cumulative total shareholder return on our common stock with the cumulative total returns of the NYSE Composite Index, the Morningstar Real Estate – General Index and the MSCI US REIT Index. The graph was prepared based on the assumption that dividends have been reinvested subsequent to the initial investment.

ITEM 6. SELECTED FINANCIAL DATA

The selected historical financial data for the years ended December 31, 2018, 2017 and 2016, and as of December 31, 2018 and 2017, has been derived from our audited Consolidated Financial Statements, which are included in this Annual Report as referenced in the index on page F-1.

The selected historical financial data for the years ended December 31, 2015 and 2014, and as of December 31, 2016, 2015 and 2014, has been derived from our audited Consolidated Financial Statements for those years which are not included in this Annual Report.

The selected financial data set forth below are qualified in their entirety by, and should be read in conjunction with, "Item 7. – Management's Discussion and Analysis of Financial Condition and Results of Operations" and our Consolidated Financial Statements and related notes thereto included in this Annual Report.

We adopted ASU 2014-09, Revenues from Contracts with Customers (Topic 606), on January 1, 2018. As discussed in the notes to our Consolidated Financial Statements, we adopted the new standard using the modified retrospective transition method, and prior period amounts presented have not been adjusted. The adoption of the new standard primarily impacted the recognition of condominium rights and unit sales revenues and cost of sales. Condominium rights and unit sales revenues were previously required to be recognized under the percentage of completion method. Under the new guidance, revenue and cost of sales for condominium units sold are not recognized until the construction is complete, the sale closes and the title to the property has transferred to the buyer.

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(In thousands, except per share amounts)	Year Ended December 31, 2018	2017	2016	2015	2014
Operating Data:					
Total revenues	$1,064,537	$1,100,120	$1,035,005	$797,088	$634,565
Operating expenses	(830,226)	(803,981)	(728,647)	(581,156)	(441,356)
Depreciation and amortization	(126,565)	(132,252)	(95,864)	(98,997)	(55,958)
Other operating (loss) income, net (a)	(936)	54,615	116,268	1,829	29,471
Interest expense, net	(73,542)	(60,525)	(64,365)	(59,158)	(16,093)
Loss on redemption of senior notes due 2021	—	(46,410)	—	—	—
Warrant liability (loss) gain	—	(43,443)	(24,410)	58,320	(60,520)
Gain on acquisition of joint venture partner's interest	—	23,332	27,088	—	—
Increase in tax indemnity receivable	—	—	—	—	90
Loss on settlement of tax indemnity receivable	—	—	—	—	(74,095)
(Loss) gain on disposal of operating assets	(4)	3,868	(1,117)	29,073	—
Equity in earnings from Real Estate and Other Affiliates	39,954	25,498	56,818	3,721	23,336
(Provision) benefit for income taxes	(15,492)	45,801	(118,450)	(24,001)	(62,960)
Net income (loss)	57,726	166,623	202,326	126,719	(23,520)
Net (income) loss attributable to noncontrolling interests	(714)	1,781	(23)	—	(11)
Net income (loss) attributable to common stockholders	$57,012	$168,404	$202,303	$126,719	$(23,531)
Basic earnings (loss) per share:	$1.32	$4.07	$5.12	$3.21	$(0.60)
Diluted earnings (loss) per share:	$1.32	$3.91	$4.73	$1.60	$(0.60)

(In thousands)	Year Ended December 31, 2018	2017	2016	2015	2014
Cash Flow Data:					
Operating activities	$210,520	$165,567	$239,103	$(79,431)	$83,080
Investing activities	(841,771)	(315,604)	(33,958)	(568,988)	(767,386)
Financing activities	391,166	199,198	199,857	436,488	470,274

(In thousands)	As of December 31, 2018	2017	2016	2015	2014
Balance Sheet Data:					
Investments in real estate - cost (b)	$6,265,574	$5,432,002	$5,056,216	$4,832,443	$4,170,242
Total assets	7,355,799	6,729,064	6,367,382	5,721,582	5,105,268
Total debt	3,181,213	2,857,945	2,690,747	2,443,962	1,978,807
Total equity	3,238,126	3,188,551	2,571,510	2,363,889	2,227,506

(a) 2017 includes the $32.2 million gain on the sale of 36 acres of land at The Elk Grove Collection and $20.2 million gain on sale of Kendall Town Center. 2016 includes the $140.5 million gain on the sale of 80 South Street and a $35.7 million impairment charge on Park West.

(b) Amount represents Net investment in real estate excluding accumulated depreciation.

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ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with our Consolidated Financial Statements and the related notes filed as a part of this Annual Report. This discussion contains forward-looking statements that involve risks, uncertainties, assumptions and other factors, including those described in Part I, “Item 1A. Risk Factors” and elsewhere in this Annual Report. These factors and others not currently known to us could cause our financial results in 2018 and subsequent fiscal years to differ materially from those expressed in, or implied by, those forward-looking statements. You are cautioned not to place undue reliance on this information which speaks only as of the date of this report. We are not obligated to update this information, whether as a result of new information, future events or otherwise, except as may be required by law.

All references to numbered Notes are to specific Notes to our Consolidated Financial Statements included in this Annual Report and which descriptions are incorporated into the applicable response by reference. Capitalized terms used, but not defined, in this Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”) have the same meanings as in such Notes.

Overview

Please refer to “Item 1. Business” for a general description of each of the assets contained in our three business segments and “Item 2. Properties” for details regarding the size, location and key metrics about our various properties.

The following highlights significant milestones achieved during 2018 for the Company and each of our business segments. Each of these items is more fully described hereinafter (all items are pre-tax unless otherwise noted).

Throughout 2018, we demonstrated strong operating results driven by increases in earnings before tax in our Operating Assets and MPC segments of $24.0 million compared to 2017, offset by a decline in our Strategic Developments segment. The increase in the Operating Assets segment was primarily attributable to increased occupancy and continued stabilization at our office properties, as well as increased room rates and conference and food and beverage earnings at our hospitality assets. The increase in the MPC segment was primarily attributable to superpad sales at Summerlin and increased single-family lot sales at Bridgeland and The Woodlands Hills. MPC residential land sales for the year ended December 31, 2018 were the highest in the Company's history. The decrease in earnings before tax in our Strategic Developments segment was primarily due to a required change in accounting method as to how we recognize revenue on our condominium projects, as well as non-recurring gains on sales of $51.2 million recognized in 2017. These changes are explained in further detail below.

Capital and Financing Activities

In 2018, we were able to maintain our strong balance sheet, financial flexibility and liquidity to fund future growth. As of December 31, 2018, we have $499.7 million of cash and cash equivalents, and, based on extended maturity dates, we have approximately $93.4 million of debt payments due in 2019. On September 18, 2018, certain wholly-owned subsidiaries (the “Borrowers”) of the Company entered into a $700.0 million loan agreement (the “Loan Agreement”), which provides for a $615.0 million term loan (the “Term Loan”) and an $85.0 million revolver loan (the “Revolver Loan” and together with the Term Loan, the "Senior Secured Credit Facility" or the “Loans”), with Wells Fargo Bank, National Association, as administrative agent and a lender, as well as other lenders. The Term Loan proceeds were used to refinance approximately $608.7 million of existing debt, and the Revolver Loan remains undrawn. This refinancing transaction added meaningful duration to our debt maturity profile. Concurrent with the funding of the Term Loan, we entered into a swap agreement to fix 100% of the outstanding principal to a rate of 4.61%, significantly reducing our floating rate exposure.

Our liquidity was further enhanced during the year by obtaining approximately $907.1 million of new construction financings, obtaining $875.1 million in other financings and receiving reimbursements of $22.7 million from the first tranche of $38.5 million in tax increment financing ("TIF") bonds issued by Howard County, Maryland to offset our development costs.

On February 23, 2018, we repurchased 475,920 shares of our common stock, par value $0.01 per share, in a private transaction with an unaffiliated entity at a purchase price of $120.33 per share, or approximately $57,267,453 in the aggregate. The repurchase transaction was consummated on February 21, 2018 and was funded with cash on hand.

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Operating Assets

In our Operating Assets segment, we increased net operating income (“NOI”), including our share of NOI from equity investments and excluding properties sold or in redevelopment, by $16.3 million, or 10.4%, to $173.3 million in 2018, compared to $157.0 million in 2017. This increase was driven by increases of $6.4 million, $4.4 million and $2.4 million in NOI at our office, multi-family and retail properties, respectively, all mainly as a result of continued stabilization at several assets in these categories, compounded by an increase in hospitality NOI of $5.5 million, mainly as a result of increased hotel room rates and conference and food and beverage revenue. These increases were partially offset by losses at our Seaport District properties associated with opening new businesses such as our concert series, winter attractions and restaurants. Excluding the Seaport District, NOI for the year ended December 31, 2018 would have increased $20.8 million, or approximately 13.1%, over the prior year period. Additionally, we purchased Lakefront North, a campus comprised of two buildings formerly occupied by CB&I and a 12.9 acre piece of land.

Master Planned Communities

In 2018, we increased our MPC segment earnings before tax to $203.0 million, an increase of 6.6% compared to prior year, mainly as a result of superpad sales at Summerlin and increased single-family lot sales at Bridgeland and The Woodlands Hills. In total during 2018, we sold 456.2 acres of residential land, an increase of 106.6 acres, or 30.5%, over 2017. This increase in residential land sales helped drive an increase in total revenue in our MPC segment of $9.9 million. In addition, we recognized our $36.3 million share of earnings from The Summit, which increased $13.1 million over the prior year due to increased sales in the community.

Strategic Developments

Our Strategic Developments segment experienced another strong year of execution with respect to both the sale of condominium units in Ward Village as well as development activities throughout the portfolio, with two new condominium towers under construction, three that have welcomed residents and three projects completed at The Woodlands and the Seaport District. We reported revenues of $357.7 million from condominium rights and unit sales at our residential condominium towers in Ward Village, compared to $464.3 million in 2017 and $485.6 million in 2016. A change in accounting methods discussed previously contributed to the 2018 decrease and makes the periods not comparable. As of December 31, 2018, we have closed on the sales of a total of 777 units to new residents. With the opening of Ae'o to new residents in December 2018 and the associated proceeds generated from the closings of those units, we repaid the $174.0 million outstanding balance on the project's construction loan.

Also within our Strategic Developments segment during 2018, we completed construction on: (i) Seaport District NYC - Pier 17, which includes approximately 213,000 square feet of experiential retail, studio and creative office space; (ii) Mr. C Seaport, our joint venture project for redevelopment of the 66-room Mr. C Seaport hotel which serves as an amenity in the Seaport District; and (iii) Creekside Apartments, a 292-unit apartment complex in The Woodlands. We commenced construction on nine projects including: (i) 110 North Wacker, a joint venture project for a 1.5 million square foot office building in Chicago, Illinois; (ii) Summerlin Ballpark, which will serve as the home of the Las Vegas Aviators, our Triple-A baseball team; (iii) Tanager Apartments, a 267-unit apartment complex in Downtown Summerlin; (iv) 6100 Merriweather and Garage, a 320,811 square foot office building in Columbia; (v) Columbia Multi-family, a 382-unit apartment building with approximately 57,000 square feet of retail, in Columbia; (vi) Hughes Landing Daycare, a build-to-suit project in The Woodlands; (vii) Lakeside Row, a 312-unit multi-family development in Bridgeland; and (viii) Two Lakes Edge, a 386-unit multi-family development with ground floor retail in The Woodlands; and (ix) Creekside Park West, a retail space in The Woodlands.

Earnings Before Taxes

In addition to the required presentations using accounting principles generally accepted in the United States ("GAAP"), we use certain non-GAAP performance measures, as we believe these measures improve the understanding of our operational results and make comparisons of operating results among peer companies more meaningful. Management continually evaluates the usefulness, relevance, limitations and calculation of our reported non-GAAP performance measures to determine how best to provide relevant information to the public, and thus such reported measures could change.

Because our three segments, Operating Assets, MPC and Strategic Developments, are managed separately, we use different operating measures to assess operating results and allocate resources among these three segments. The one common operating measure used to assess operating results for our business segments is EBT. EBT, as it relates to each business segment, represents the revenues less expenses of each segment, including interest income, interest expense, depreciation and amortization and equity in earnings of Real Estate and Other Affiliates. EBT excludes corporate expenses and other items that are not allocable to the segments. See discussion herein at Corporate and other items for further details. We present EBT for each segment because we

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use this measure, among others, internally to assess the core operating performance of our assets. A reconciliation of EBT to consolidated net income as computed in accordance with GAAP is presented in Note 17 - Segments.

EBT should not be considered an alternative to GAAP net income attributable to common stockholders or GAAP net income, as it has limitations as an analytical tool, and should not be considered in isolation, or as a substitute for analysis of our results as reported under GAAP. Some of the limitations of EBT are that it does not include the following in our calculations:

- cash expenditures, or future requirements for capital expenditures or contractual commitments;
- corporate general and administrative expenses;
- interest expense on our corporate debt;
- income taxes that we may be required to pay;
- any cash requirements for replacement of fully depreciated or amortized assets; and
- limitations on, or costs related to, the transfer of earnings from our Real Estate and Other Affiliates to us.

Results of Operations

Our revenues are primarily derived from tenants and customers at our commercial, residential and hospitality operating properties, overage rent and recoveries of operating expenses, from the sale of superpads and individual lots in our MPCs, and from the sale of condominium units.

The following table reflects our results of operations for the years ended December 31, 2018, 2017 and 2016:

	Year Ended December 31,			2018-2017	2017-2016
(In thousands, except per share amounts)	2018	2017	2016	Change	Change
Revenues					
Operating Assets segment revenues	$379,124	$327,555	$295,165	$51,569	$32,390
MPC segment revenues	309,451	299,543	253,304	9,908	46,239
Strategic Developments segment revenues	375,962	473,022	486,536	(97,060)	(13,514)
Total revenues	$1,064,537	$1,100,120	$1,035,005	$(35,583)	$65,115
Operating Assets segment EBT	$(12,351)	$(23,713)	$(21,844)	$11,362	$(1,869)
MPC segment EBT	202,955	190,351	179,481	12,604	10,870
Strategic Developments segment EBT	91,786	186,517	325,277	(94,731)	(138,760)
Corporate and other items	(209,172)	(232,333)	(162,138)	23,161	(70,195)
Income before taxes	73,218	120,822	320,776	(47,604)	(199,954)
(Provision) benefit for income taxes	(15,492)	45,801	(118,450)	(61,293)	164,251
Net income	57,726	166,623			