A Detailed Response to Hovde's Short Thesis on General Growth Properties

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Pershing Square Capital Management, L.P.

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Introduction

- On December 14th, 2009, Hovde Capital Advisors LLC ("Hovde") published a bearish report on GGP entitled "Fool's Gold"
- Hovde disclosed that the funds it advises and one of its principals hold short positions in the equity of GGP
- Pershing Square believes that contrary points of view can be helpful in elucidating the relative merits of an investment opportunity
- A number of our investors have asked for our thoughts on the Hovde presentation. On the pages that follow we have summarized Hovde's presentation as well as our responses to the issues it has raised

Summary of Hovde's Short Thesis

Hovde's argument centers around the following assertions

- **GGP is overvalued**
- **The U.S. consumer is permanently impaired**
- **The U.S. mall business is in permanent decline**

As a result, Hovde believes "the value of [GGP's] assets no longer exceed the value of the debt," and "current equity investors are likely to be left with little in the restructured entity"

Pershing Square Believes:

- **GGP's equity is undervalued at a current stock price of $9.15. Using comparable public company valuations, Pershing Square believes GGP is worth between $24 and $43 per share (excluding the value of GGP's MPC segment)**

- **While the U.S. consumer has been harmed by the decline in housing values and higher levels of unemployment, the U.S. consumer has not been permanently impaired and will continue to frequent high-quality malls. The U.S. economy is improving, consumers are deleveraging, and consumer confidence is rising**

- **The market position of high-quality U.S. malls will continue to improve over the intermediate to long term. Several retailers are planning mall-based expansions / new concepts, and new construction in the retail sector is at a twenty-year low**

Hovde's Analysis of GGP's NOI and Cash Flow is Materially Flawed

Hovde's "NOI" Metric Deviates from Industry Norms

In order to perform a comparable, apples-to-apples analysis with other publicly traded REITs, it is necessary to use the public mall REIT definition of NOI

Hovde

Net Operating Income Calculation (as of Q3-09)
(figures in 000s)

Consolidated & JV Share NOI (as reported)	$	585,203
Less: lease termination fees	$	3,859
Less: above/below-market rents	$	3,121
Less: straight lined rents	$	11,478
Less: tenant allowances & leasing costs	$	16,620
Less: capital expenditures	$	3,362
Plus: non-cash ground rent expense	$	1,823
Total NOI	$	548,586

Pershing Square

Net Operating Income Calculation (as of Q3-09)
(figures in 000s)

Consolidated & JV Share NOI (as reported)	$	585,203
Less: above/below-market rents	$	(3,121)
Less: straight lined rents	$	(11,478)
Plus: non-cash ground rent expense	$	1,823
Plus: non-cash tax stabilization expense	$	981
Cash NOI	$	573,408

- Like GGP and Simon, we include termination income in NOI. This is a cash item and, though unpredictable, is largely recurring. GGP has realized at least $3mm in termination fees in each of the past 13 consecutive quarters.(1) In fact, if anticipated store closures increase one would similarly expect an increase in this item going forward

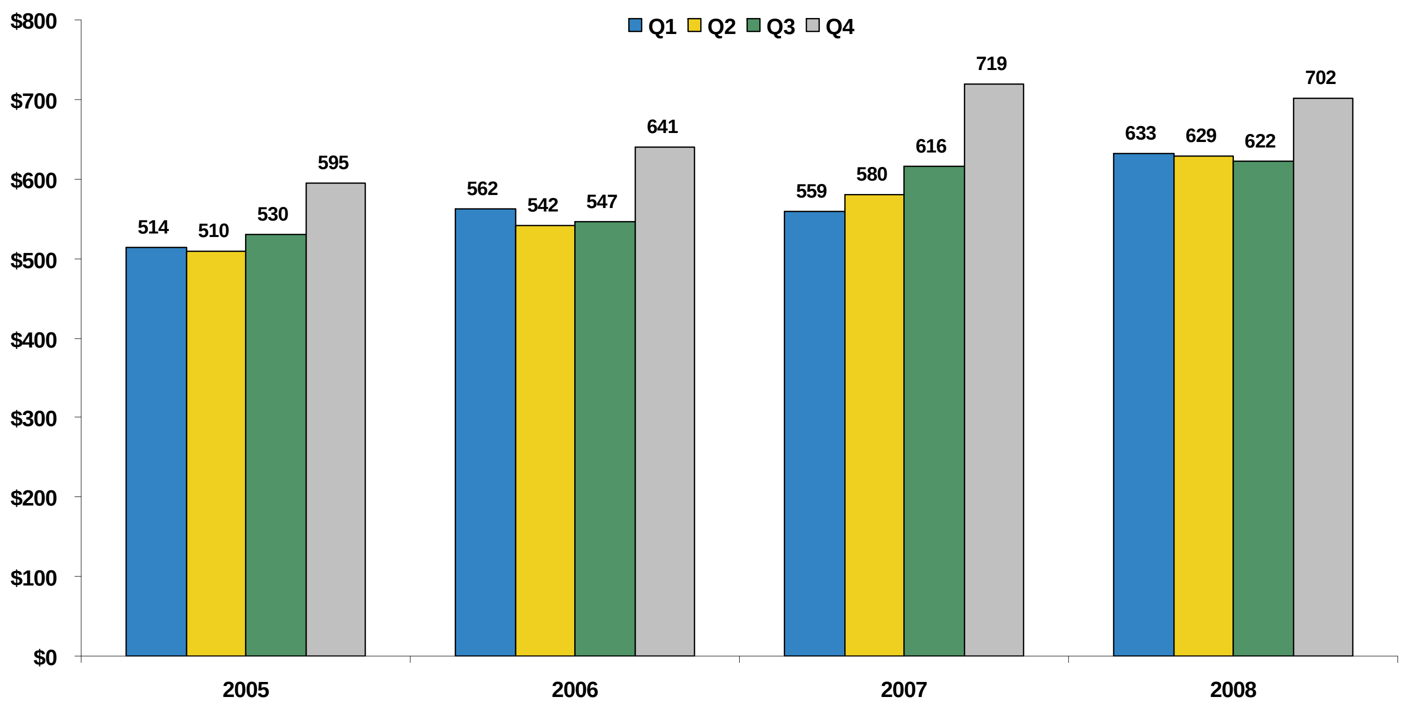
- Like GGP and Simon, we do not include tenant allowances, leasing commissions and capital expenditures as part of our calculation of NOI as they are considered "below the line"

(1) Source: GGP operating supplements. Includes pro rata portion of GGP's termination income from unconsolidated entities.

Hovde Mistakenly Annualizes Q3 NOI Understating Full Year NOI Due to Seasonality

Roughly 28% of GGP's NOI comes in the fourth quarter. This is the result of specialty tenant rental income and higher overage rent that occurs during the holiday season

Historical GGP NOI (as reported) ($ in millions)



Source: GGP operating supplements.

Hovde Confuses “Pro Rata EBITDA” with Cash Flow

Hovde mistakenly assumes a decline in GGP’s Pro Rata EBITDA indicates that cash flows have declined 27% since Q4’08

Page 19 of Hovde’s Presentation Entitled “Fool’s Gold”

Cash Flows Have Collapsed

This is the reality of today (-27% yr/yr).

This is the starting point for Pershing Square’s analysis.

GENERAL GROWTH PROPERTIES, INC.
TRAILING TWELVE MONTH EBITDA AND COVERAGE RATIOS (a)
(dollars in thousands)

	Twelve Months Ended			
	9/30/09	6/30/09	3/31/2009	12/31/2008 (b)
Pro Rata EBITDA (a)				
Net (loss) income attributable to controlling interests	$ (678,863)	$ (581,877)	$ (394,724)	$ 4,719
Discontinued operations losses (gains) on dispositions	65	(17,928)	(45,946)	(46,001)
Allocation to noncontrolling interests	(5,920)	(7,746)	(7,429)	4,909
Interest expense	1,431,216	1,439,636	1,431,358	1,437,722
Provision for (benefit from) income taxes	12,726	8,334	(100)	21,586
Amortization of deferred finance costs	56,450	59,953	59,399	47,963
Debt extinguishment costs	5,954	5,547	5,214	5,007
Interest income (c)	(6,156)	(7,213)	(8,758)	(9,334)
Depreciation and amortization	918,033	919,679	924,313	896,187
Pro Rata EBITDA	$ 1,733,505	$ 1,818,385	$ 1,963,327	$ 2,362,758
Net Interest (a)				
Amortization of deferred finance costs	(56,450)	(59,953)	(59,399)	(47,963)
Debt extinguishment costs	(5,954)	(5,547)	(5,214)	(5,007)
Interest expense	(1,431,216)	(1,439,636)	(1,431,358)	(1,437,722)
Interest income (c)	6,156	7,213	8,758	9,334
Net interest	$ (1,487,464)	$ (1,497,923)	$ (1,487,213)	$ (1,481,358)
Interest Coverage Ratio	1.17	1.21	1.32	1.59
Fixed Charges (d)				
Net interest	$ (1,487,464)	$ (1,497,923)	$ (1,487,213)	$ (1,481,358)
Preferred unit distributions	(9,434)	(9,437)	(10,005)	(10,572)
Fixed charges	$ (1,496,898)	$ (1,507,360)	$ (1,497,218)	$ (1,491,930)
Ratio of Pro Rata EBITDA to Fixed Charges	1.16	1.21	1.31	1.58
Fixed Charges & Common Dividend				
Fixed Charges	$ (1,496,898)	$ (1,507,360)	$ (1,497,218)	$ (1,491,930)
Common Dividend/Distributions	(1,084)	(160,593)	(319,862)	(467,691)
Fixed Charges & Common Dividend	$ (1,497,982)	$ (1,667,953)	$ (1,817,080)	$ (1,959,621)
Ratio of Pro Rata EBITDA to Fixed Charges & Common Dividend (e)	1.16	1.09	1.08	1.21

(a) Includes operations of the Unconsolidated Real Estate Affiliates at the Company's share. The above ratios are lower than those of the revolver and term loan facility, due to certain adjustments per the loan agreement.
(b) Certain prior period amounts have been reclassified to conform to the current period presentation. In addition, as a result of the adoption of two accounting pronouncements effective January 1, 2009 which require retrospective application, certain amounts in 2008 have been restated.
(c) The twelve months ended June 30, 2009 and September 30, 2009 include interest income from cash accumulated as a result of the Chapter 11 cases of $7.3 thousand and $23.8 thousand, respectively.
(d) Excludes principal amortization payment and does not reflect any default rate interest charges.
(e) The common dividend was suspended in October 2008, and accordingly, these computed ratios may not be comparable to historical amounts or to those of our competitors.

Source: Third quarter 2009 General Growth supplemental package.

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Hovde Confuses "Pro Rata EBITDA" with Cash Flow (Cont'd)

Hovde fails to adjust Pro Rata EBITDA for non-cash impairment charges and non-recurring bankruptcy costs, among other factors, when deriving its estimate of cash flow

($ in millions)	LTM
Pro Rata EBITDA (Q3'09)	**$1,734**
Plus: Non-cash impairment provisions (1)	538
Plus: Bankruptcy costs (2)	133
Plus: Interest income	6
Less: Other non-cash items (3)	(21)
Adjusted Pro Rata EBITDA (Q3'09)	**$2,390**
Memo: Pro Rata EBITDA (Q4'08)	*$2,363*
Less: Capex (4)	(14)
Less: TAs / leasing commissions (4)	(91)
Normalized Cash Flow	**$2,286**

Hovde considers this to be cash flow when deriving its (27%) cash flow decline

Adjusted LTM Pro Rata EBITDA (Q3'09) is actually higher than LTM Pro Rata EBITDA (Q4'08)

Even adjusting for Capex, GGP has plenty of cash flow to service its debt

(1) Includes non-cash provisions for impairment. Source: page 17 of GGP's Q3'09 operating supplement and page 18 of GGP's Q4'08 operating supplement.

(2) Includes restructuring costs, financing costs on projects not completed, termination of interest rate swaps, reorganization items, business interruption insurance recovery, officer loan expense, strategic initiatives and litigation benefits. Source: page 16 of GGP's Q3'09 operating supplement and page 17 of GGP's Q4'08 operating supplement.

(3) Includes non-cash items not adjusted for in Pro Rata EBITDA, including amortization of discount on exchangeable notes, mark-to-market debt adjustments, FAS 141, straight-line rent, non-cash ground rent expense and non-cash stabilization tax expense. Source: page 17 of GGP's Q3'09 operating supplement and page 18 of GGP's Q4'08 operating supplement.

(4) Source: page 17 of GGP's Q3'09 operating supplement and page 18 of GGP's Q4'08 operating supplement.

Upon Emergence, GGP Will no Longer Have a Liquidity Problem

Hovde fails to adjust GGP's interest expense for its post-emergence capital structure. Assuming GGP converts its unsecured debt to equity, GGP will emerge with a ~2.2x interest coverage ratio. This is well in excess of the 1.2x interest coverage ratio Hovde relies on to state that GGP's interest coverage is unsustainable

($ in millions)	
LTM Adjusted Pro Rata EBITDA (Q3'09) (1)	$2,390
Pro Forma Interest Expense (2)	$1,092
Interest Coverage Ratio	**2.2x**

Pro Forma GGP will have a better interest coverage ratio than most publicly traded REITs

(1) See previous page for details.
(2) Assumes unsecured debt converts to equity in bankruptcy for illustrative purposes. As of Q3'09, GGP had $21.3bn of secured debt (Source: Q3'09 operating supplement). Deducts $400mm for the DIP and $400mm for amortization that GGP is currently paying through normal course operations and debt paydown associated with GGP's secured debt restructuring (illustrative). Assumes a 5.33% cash interest expense on secured debt per the 12/15/09 GGP press release.

Additional Cash Flow and Value Considerations

- **Hovde's cash flow analysis fails to consider additional cost savings that GGP may be able to realize. GGP has been family managed for the past 50 years and is now increasingly focused on improving margins and reducing G&A expenses**

- **GGP's Master Planned Communities segment is currently cash flow negative, but it generated ~$200mm of net cash flow in 2006. When the housing market recovers, the MPC segment should generate substantial additional cash flow [(1)]**

- **The substantial majority of GGP's assets are financed with property-specific, non-recourse debt. Assets whose values have declined to levels below the mortgage debt can be returned to lenders thereby creating additional value for GGP equity holders**

(1) Source: page 21 of GGP's Q4'06 operating supplement.

Additional Cash Flow and Value Considerations (Cont'd)

- **GGP completed more than $300mm of development projects in Q4'08 / Q1'09 that are not fully reflected in LTM EBITDA**

Definitive Projects				
Property	Description	Ownership %	Forecasted Total Cost (in millions at share)	Projected Opening
Mondawmin Mall Baltimore, MD	Addition of Target, big box retail, restaurants and mall shop redevelopment	100%	59.9	Q4 2008
Montclair Plaza Montclair, CA	Nordstrom and mall renovation	50%	25.5	Q4 2008
Towson Town Center Towson, MD	Mall shop expansion including Crate & Barrel and additional restaurants	35%	34.8	Q4 2008
Water Tower Place Chicago, IL	American Girl and mall shop redevelopment	52%	31.2	Q4 2008
Natick Natick, MA	Addition of 59,000 sf streetscape and parking deck	50%	51.7	Q1 2009
The Shops at La Cantera San Antonio, TX	Phase II of The Shops at La Cantera including Barnes & Noble, restaurants, mall shop and office space	75%	92.3	Q4 2008
Fashion Place Murray, UT	Nordstrom and interior mall renovation completed Q1'09	100%	NA	Q1 2009

- **GGP has more new development near completion that will further bolster future cash flow**
  - Interior mall renovation and lifestyle expansion at Christiana Mall expected to be completed in Q4'09; total cost $68.2mm; 100% ownership
  - Lifestyle expansion at Tucson Mall projected to be completed between Q4'09 – Q2'10; total cost $67.3mm, 100% ownership

Source: GGP operating supplements.

GGP's Leasing Spread is Better than Hovde Suggests

Hovde compares new lease rates to average in-place rents. It is more appropriate to compare new lease rates with expiring rents as this drives overall rental revenue (e.g., if GGP replaces a tenant paying $30 per sq ft with a tenant paying $35 per sq ft, overall rental income goes up even if the portfolio average is $40 per sq ft). On this basis, GGP's pro rata leasing spread is negative 11%, not negative 33%

Page 20 of Hovde's Presentation Entitled "Fool's Gold"

Rents Are Rolling Down Dramatically

New lease rates are 33% lower than in-place rents. This is not good for the NOI outlook.

GENERAL GROWTH PROPERTIES, INC.
OPERATING STATISTICS, CERTAIN FINANCIAL INFORMATION & TOP TENANTS (a)
AS OF SEPTEMBER 30, 2009

OPERATING STATISTICS (b)	Consolidated Retail Properties	Unconsolidated Retail Properties	Company Retail Portfolio (c)
Occupancy	90.6%	93.6%	91.3%
Trailing 12 month total tenant sales per sq. ft.	$397	$447	$409
% change in total sales	-9.1%	-12.1%	-9.8%
% change in comparable sales	-10.3%	-12.1%	-10.7%
Mall and freestanding GLA (in sq. ft.)	51,058,451	14,473,970	65,532,421
CERTAIN FINANCIAL INFORMATION			
Average annualized in place sum of rent and recoverable common area costs per sq. ft. (d) (e)	$46.57	$54.44	
Average sum of rent and recoverable common area costs per sq. ft. for new/renewal leases (d) (e)	$31.29	$42.23	
Average sum of rent and recoverable common area cost per sq. ft. for leases expiring in 2009 (d) (e)	$35.43	$47.05	
Three month percentage change in comparable real estate property net operating income (versus prior year comparable period) (f)	-6.3%	-2.7%	

Source: Third quarter 2009 General Growth supplemental package.

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GGP's Leasing Spread is Better than Hovde Suggests (Cont'd)

GGP's negative 11% leasing spread needs to be considered in the context of the following factors:

- **Excluding short-term leases, GGP's leasing spread was *positive* as of Q3'09**

(e) Data includes a significant proportion of short-term leases on inline spaces that are leased for one to three years. Rents and recoverable common area costs related to such leases are typically lower than those related to long-term leases. Excluding such leases, the Consolidated Retail Properties year to date rate for new and renewal leases is $49.66 psf and the full year rate of expirations is $48.48 psf. For Unconsolidated Retail Properties, such rates are $59.15 psf and $58.52 psf, respectively.

Source: GGP Q3'09 operating supplement.

- **GGP reports its leasing spread on a YTD basis. In Q1'09, new leases at consolidated properties were $28.45 per sq ft. In Q3'09, YTD new lease rates had improved to $31.29, suggesting meaningful sequential improvement. On this basis, GGP's leasing spread is closer to negative 7%**

- **While new lease rents are down YoY, GGP's Q3'09 tenant allowances declined approximately 60% YoY. This largely offsets the cash flow impact of GGP's negative leasing spread and explains the lower face rent amounts**

- **GGP is currently in bankruptcy, which has temporarily weakened the deals it has made with some tenants**

Hovde Overstates the Cap Rate that should be used to Value GGP

Hovde Uses an 8.5% Cap Rate to Value GGP

Based on “comparable” mall transactions, Hovde asserts GGP should trade at an 8.5% cap rate or higher

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What Is the Appropriate Cap Rate?

- Based on recent comparable transactions, the use of a cap rate below 8% seems disconnected with reality in our view.
- We would argue a cap rate in the 8.5% range or higher would be more appropriate for the General Growth portfolio, given the below average productivity of its malls* and the fact that it is experiencing significant declines in new rents that in our opinion will drive lower revenues and NOI for some period of time.

* Source: based on Q3-09 disclosures from Macerich and Simon Properties Group.

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Hovde Uses Macerich Transactions as Comparables, but They are of Limited Relevance

- **Macerich's sales of JV interests in malls to Heitman and GI Partners were consummated in August and September when market-based mall cap rates were substantially higher**
- **The sale of a JV interest does not reflect a control premium because it is not an outright sale**
- **Single-asset JV sales to non-strategic partners are not comparable to the potential value of GGP's entire platform on a standalone basis or the sale of control of GGP to a strategic acquirer in a competitive auction**
- **Given Macerich's liquidity situation at the time, its property sale transactions were executed under distress**

Hovde Uses Macerich Transactions as Comparables, but They are of Limited Relevance (Cont'd)

The mortgages on the malls sold by Macerich are at materially higher interest rates and mature substantially sooner than those of Pro Forma GGP, reducing the value of these assets compared to GGP

	Mortgage Maturity	Interest Rate
Queens Center (1)	Mar-13	7.30%
Flatiron Crossing Mall (1)	Dec-13	5.26%
Freehold Raceway Mall (1)	Jul-11	4.68%
Chandler Fashion Center (1)	Nov-12	5.52%
Macerich Weighted Average	**Oct-12**	**6.11%**
Pro Forma GGP (2)	**Jun-16**	**5.33%**

(1) Source: Macerich Q3'09 operating supplement.

(2) Assumes a 5.33% cash interest rate for GGP's secured debt. Assumes GGP's $10.3bn extension announcement applies to its remaining secured debt ("Key provisions of the plans include maturity date extensions resulting in an average loan duration of approximately 6.4 years from Jan 1, 2010, with no loan maturing prior to January 2014"). Source: GGP 12/15/09 press release.

Pershing Square's Updated Valuation Analysis

What's Changed Since our GGP Presentation on May 27, 2009?

Hovde argues that investors have relied on a dated Pershing Square analysis in determining that GGP's assets are worth more than its liabilities. We agree that our GGP analysis from May 2009, "*The Buck's Rebound Begins Here*," is dated. Events have unfolded since May 2009 that need to be taken into account when valuing GGP

- ✓ **At least two well-capitalized buyers have announced a sizeable position in the unsecured debt of GGP and are evaluating a potential acquisition of the company**
- ✓ **Tenant stock prices are up, many have improved their cost structures and deleveraged, and many have announced expansion plans for 2010**
- ✓ **GGP has restructured $10.3bn of its secured debt on favorable terms**
- ✓ **In August, Simon announced a goal of delivering flat regional mall same-store NOI growth in 2010 (1)**

(1) Source: Simon Q2'09 earnings transcript (August 4, 2009).

What's Changed Since our GGP Presentation on May 27, 2009? (Cont'd)

- ✓ **GGP's operating fundamentals have remained resilient, and in some cases have meaningfully improved since Q1'09 (1)**
  - ✓ LTM cash NOI has fallen less than 2% from Q1'09 to Q3'09
  - ✓ Occupancy has increased 40bps
  - ✓ Provisions for doubtful accounts as a percentage of revenue are roughly flat
  - ✓ Rental rates for new and renewing leases have improved ~15%
- ✓ **The U.S. economy has begun to recover**
- ✓ **Credit markets have improved**
- ✓ **Consumer confidence is rebounding**
- ✓ **"Smart money" has invested in U.S. malls as demonstrated by Blackstone's recent transaction with Glimcher**
- ✓ **Mall cap rates have decreased materially, as evidenced by Simon's stock price rising from ~$50 to ~$80 per share**

(1) Source: GGP operating supplements. ~15% new lease improvement implied by increase in YTD rates on new / renewal leases as disclosed in GGP operating supplements.

Pershing Square's Valuation Methodology

- **Since GGP is a national mall platform, not simply a collection of assets, the best way to value GGP is by reference to the most relevant publicly traded comparable, Simon Property Group**

- **GGP and Simon both own portfolios of similar size and with similar footprints, possess national platforms, and, according to Green Street, have assets of comparable quality**

- **GGP and Simon are different in that, as a result of the bankruptcy, the capital structure of GGP upon emergence will principally be comprised of low-cost, non-recourse, long-dated mortgages that will provide more attractive financing than that of Simon**

- **The bankruptcy process requires a company to maximize value for all stakeholders. GGP has publicly disclosed that it is considering both standalone emergence and strategic alternatives. Therefore, GGP's valuation should reflect the potential for a control premium whereas Simon's should not**

- **We perform a comparable analysis of GGP and Simon based on trailing NOI because this metric is objective and does not require forward projections**

Simon's Cap Rate is the Best Comp for GGP

As of December 21, 2009, Simon traded at a 6.7% cap rate

($ in millions, except per share data)	SPG
Share Price (as of 12/21/09)	**$79.40**
Shares & Units (1)	351
Market Cap	$27,876
Pro Rata for JVs: (2)	
Plus: Total Debt	25,041
Plus: Preferred Debt	153
Plus: Other Liabilities	2,082
Less: Cash (3)	(4,032)
Less: Other Assets (4)	(2,509)
Less: Development Pipeline (5)	(205)
TEV	48,406
Less: Mgmt Business (6)	(305)
Value of Simon's REIT	48,101
LTM Cash NOI (7)	**$3,227**
Implied Cap Rate	**6.71%**

As of December 18, 2009, Westfield Group traded at an implied cap rate of 6.5%*

**Source: Green Street Advisors weekly pricing update (12/18/09)*

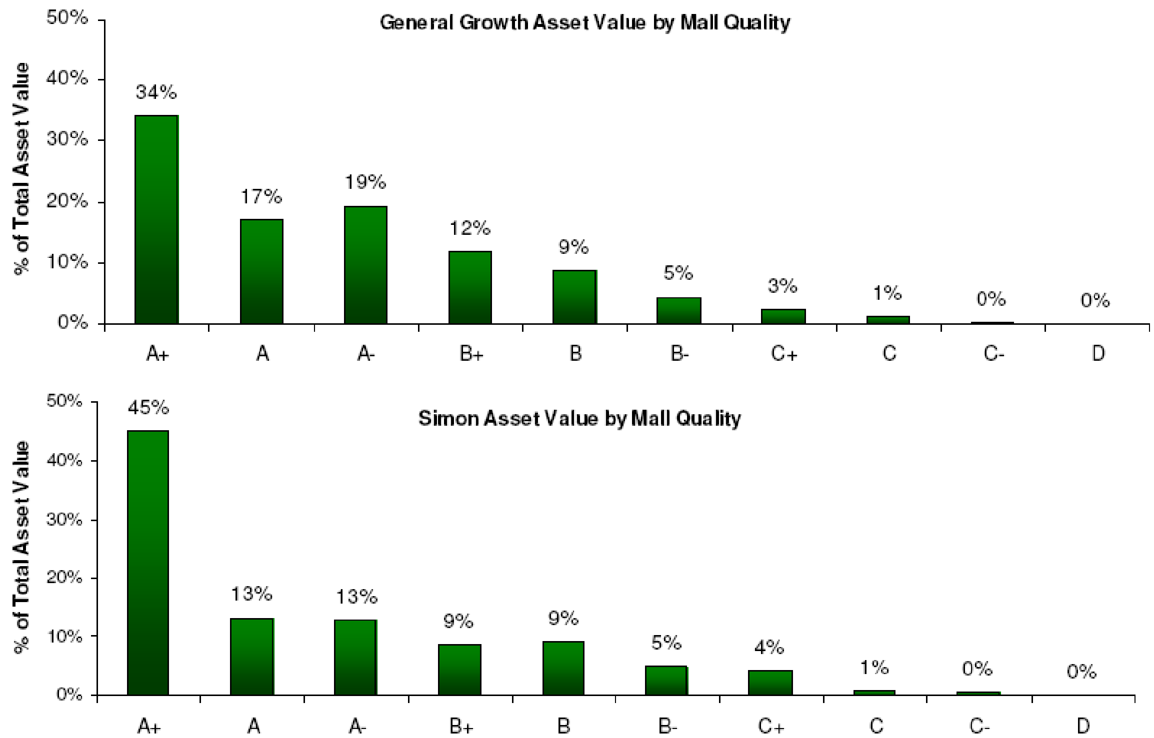
(1) Includes 1.8mm share issuance as part of Simon's 12/18/09 dividend. Includes Series I preferred shares and options (Source: Simon Q3'09 operating supplement).
(2) As reported in Simon's pro rata balance sheet (Source: Simon Q3'09 operating supplement).
(3) Adjusts for $34.1mm cash dividend issued 12/18/09.
(4) Excludes $20mm of goodwill (Source: Simon 2008 10-K).
(5) Applies 25% discount to Simon's share of U.S. CIP (page 43 of Q3'09 operating supplement).
(6) Applies 25% EBIT margin to LTM fee income of $122mm and a 10x EBIT multiple.
(7) Excludes mgmt income. Deducts interest income and gains on land sales from other income.
Adjusts for non-cash revenue items such as straight-line rent and FAS 141.
Cash NOI calculation is done this way to make it apples to apples with GGP Cash NOI calculation.

Simon and GGP Assets are of Similar Quality

The most highly regarded, independent REIT analyst, Green Street Advisors, considers Simon's and GGP's assets of similar quality and we agree

Exhibit 3

From a quality standpoint, Simon's portfolio is quite similar to that of General Growth.



Sources: Company disclosures and Green Street estimates.

Source: Green Street Advisors research (*"General Growth Properties: The Shopping Spree of a Lifetime"*) dated December 7, 2009.

GGP Deserves a Lower Cap Rate than Simon

Although Simon and GGP possess assets of similar quality, GGP post-emergence will possess lower-cost, longer-dated financing than Simon

	Simon (1)	PF GGP (2)
Weighted Average Debt Maturity	**4.3 yrs**	**6.4 yrs**
% of Debt that is Unsecured	**48.3%**	**0.0%**
Weighted Average Interest Rate	**5.45%**	**5.33%**
Debt / LTM Cash NOI	**7.8x**	**8.3x**

GGP's leverage will be far less than the 16.5x Hovde suggests based on a faulty numerator and denominator

As a result of the bankruptcy process, a controlling interest in GGP is now available for sale. GGP's valuation should be adjusted upward due to the potential for a sale of control

(1) Source: Simon Q3'09 operating supplement (page 46).
(2) Assumes a 5.33% cash interest rate for GGP's secured debt. Assumes GGP's $10.3bn extension announcement applies to its remaining secured debt ("Key provisions of the plans include maturity date extensions resulting in an average loan duration of approximately 6.4 years from Jan 1, 2010, with no loan maturing prior to January 2014"). Assumes GGP unsecured debt converts to equity as a result of the bankruptcy for illustrative purposes. Source: GGP 12/15/09 press release.

GGP's Assets are Substantially Greater than its Liabilities

Using a 50bps+/- spread to Simon, we assign a 6.21% to 7.21% cap rate range to GGP. We think this is reasonable given that GGP and Simon possess assets of similar quality, GGP will have better financing than Simon, and GGP's cap rate deserves some benefit to reflect the potential for a control premium. As a result, Pershing Square's updated valuation analysis implies GGP is worth between $24 and $43 per share, excluding the value of GGP's MPC segment

($ in millions, except per share data)	Low	Mid	High
LTM Cash NOI (1)	$2,478	$2,478	$2,478
Cap Rate	**7.21%**	**6.71%**	**6.21%**
Implied Value of GGP's REIT	$34,374	$36,936	$39,911
Pro Rata for JVs: (2)			
Less: Total Debt (3)	(27,868)	(27,868)	(27,868)
Less: Preferred Securities	(121)	(121)	(121)
Less: Other Liabilities (4)	(1,786)	(1,786)	(1,786)
Less: Exit costs (5)	(400)	(300)	(200)
Plus: Cash	791	791	791
Plus: Other Assets (6)	1,792	1,792	1,792
Plus: Development Pipeline (7)	779	779	779
Implied Equity Value	$7,561	$10,223	$13,298
Shares & Op Units (8)	319.6	319.6	319.6
GGP REIT	**$23.66**	**$31.99**	**$41.61**
Plus: MPC	?	?	?
Plus: GGMI (9)	0.54	0.73	0.95
Implied GGP Equity Value	**$24.20**	**$32.72**	**$42.56**

Hovde fails to include MPC and GGMI in its valuation analysis

(1) See previous page on Pershing Square's definition of NOI for details. Source: GGP operating supplements.
(2) Applies 50% to metrics in GGP's unconsolidated balance sheet. Source: pages 3 and 24 of GGP Q3 10-Q.
(3) Source: page 2 of GGP's Q3'09 operating supplement.
(4) Excludes deferred tax liabilities, many of which apply to GGP's MPC segment. Includes accounts payable and accrued expenses included in liabilities subject to compromise (source: page 35 of GGP Q3 10-Q).
(5) Pershing Square assumption of bankruptcy exit costs that will not go to pay down other liabilities.
(6) Excludes goodwill.
(7) Applies 35% discount to pro rata developments in progress.
(8) Source: page 25 of GGP's Q3 operating supplement.
(9) Applies 22.5% to 32.5% EBIT margin assumption to LTM management income of $85mm. Applies 9.0x to 11.0x multiple to implied LTM EBIT. Source for LTM fee income: GGP operating supplements.

Additional Thoughts

- **GGP's unsecured creditors are entitled to receive no more than the face value of their claims plus accrued interest, if any**
- **As a result, any control premium for GGP will be shared only among GGP's common equity, which at $9.15 per share, has a market cap of only $2.9bn**
- **With 320mm shares outstanding, each dollar per share of incremental value represents only a 1% increase in enterprise value for a potential buyer of GGP, but more than a 10% increase in share price to GGP owners**
- **The bankruptcy creates a once-in-a-lifetime opportunity for a large, strategic buyer (e.g., Brookfield Asset Management, Simon Property Group, Westfield Group, etc.) to acquire GGP**
- **In addition, GGP will be a must-own equity upon emergence – as likely the 2nd or 3rd largest market cap REIT in the U.S. – for all REIT mutual funds, ETFs, institutional managers and index funds. This will create a large pool of full-priced demand for shares of a standalone GGP entity**

In Light of the Foregoing Considerations

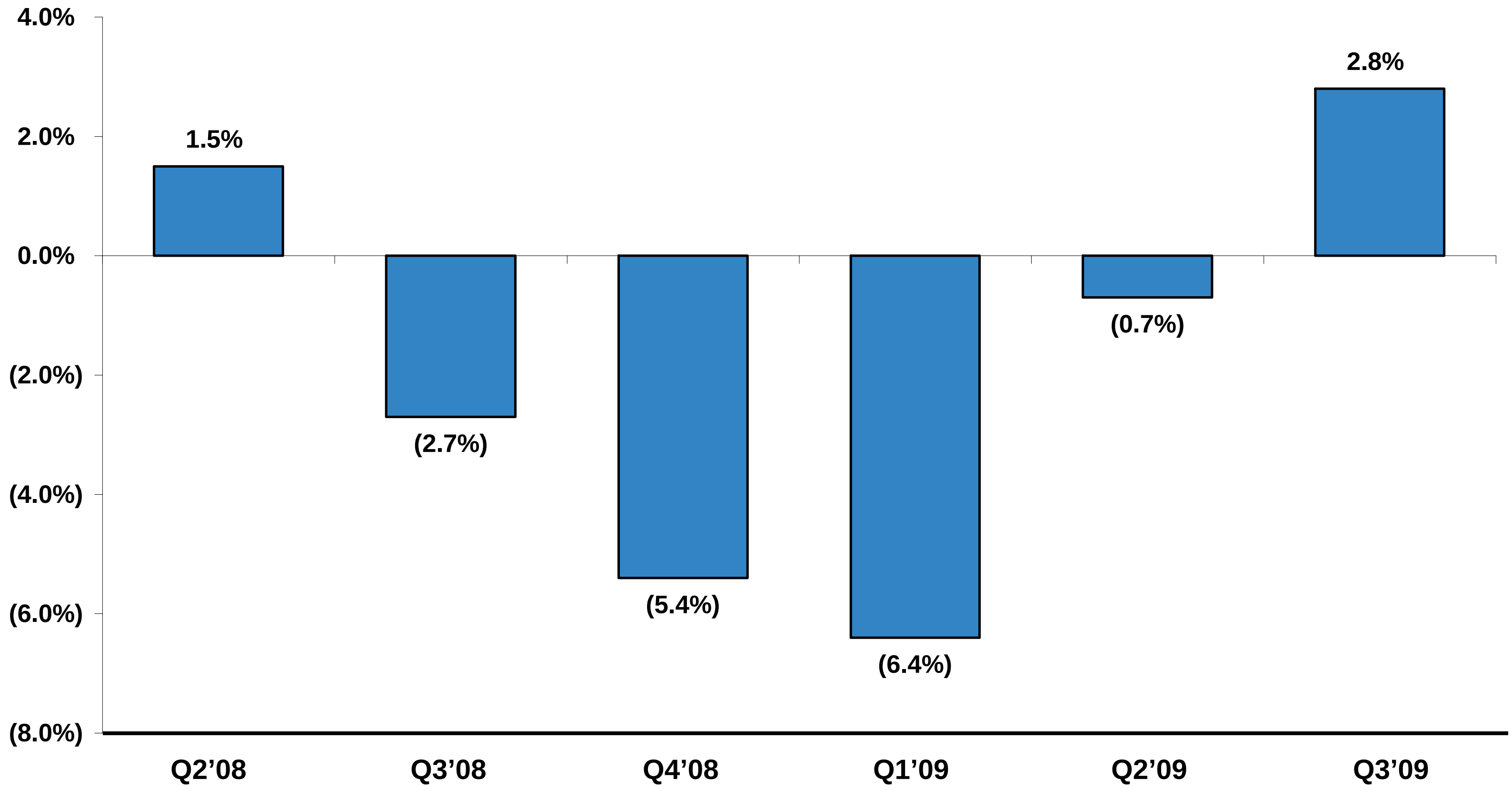
Who in their right mind would short this stock?

We Disagree with Hovde's Analysis of Malls and the U.S. Consumer

The Recession is "Very Likely Over"

GDP grew 2.8% in Q3'09 and Federal Reserve Chairman Bernanke said the recession is "very likely over"

<u>Real GDP (% Change)</u>



Source: Bureau of Economic Analysis (11/24/09).

Hovde Savings Rate Chart is Misleading

Hovde bases its analysis on a savings rate in excess of 8%, but the savings rate declined to 4.4% in October

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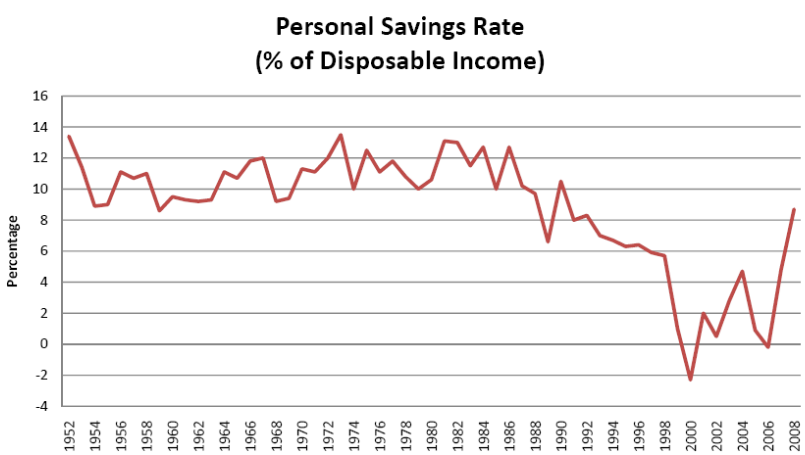
Consumers Are Saving More and Spending Less



Source: U.S. Bureau of Economic Analysis.

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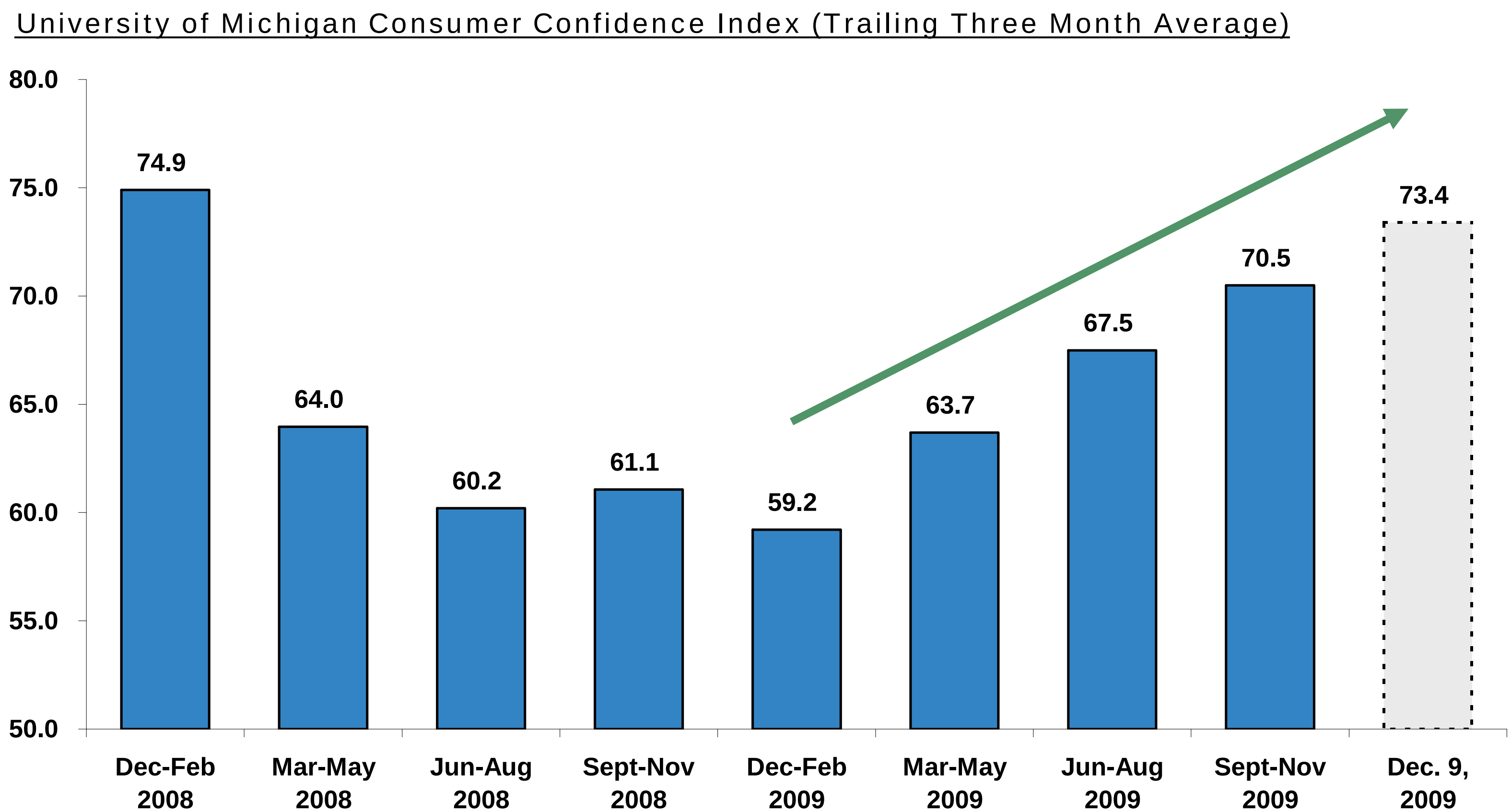
"Personal saving as a percentage of disposable personal income was 4.4 percent in October, compared with 4.6 percent in September."

Source: Bureau of Economic Analysis, 11/25/09
http://www.bea.gov/newsreleases/national/pi/pinewsrelease.htm

Consumer Confidence is Improving

Despite concerns regarding the consumer's willingness to spend, consumer confidence has been steadily improving



Source: University of Michigan / Bloomberg. Most recent data point available as of 12/9/09.

Reports of the Death of U.S. Consumer Credit have been Greatly Exaggerated

"We think certainly many of the headlines that we have seen in the last year that have talked about the death of credit, the scarcity of credit, consumer credit certainly – but our view, as Mark Twain so eloquently noted when he saw his own obituary in the New York Journal, 'the reports of my death have been greatly exaggerated' – we venture to say that the same is true for credit cards today."

– Tim Murphy, MasterCard Incorporated at Goldman Sachs US Financial Services Conference, December 8, 2009

Consumer's Focus on Value is not Bad for Malls

Mall-based retailers are increasingly shifting their product offerings to focus on value-oriented concepts

- Macy's gaining traction with its 'Everyday Value' campaign
- Value-oriented concepts, including Forever 21, Rue21 and H&M, have expanded their mall footprints throughout 2009 and are looking to expand further in 2010
- Retailers are rolling out new product lines with a focus on value (i.e. Coach's new Poppy product line, Liz Claiborne's LCNY line, Bebe phasing out Bebe Sport and replacing it with PH8, etc…)

Unlike retailers who are exposed to fashion risk and changing consumer preferences, mall REITs are in the business of owning and leasing real estate and can reconfigure their tenancy to meet evolving consumer demands

Consumer's Focus on Value is not Bad for Malls (Cont'd)

Hovde notes that several "Non-Mall Retailers" are seeing improving performance. All but two of Hovde's "Non-Mall Retailers" are GGP tenants

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Non-Mall Retailers Are Seeing Improving Performance

Same-Store Retail Sales (% Chg.)	Nov-09	Oct-09	Sep-09	Aug-09	Jul-09	Jun-09	May-09	Apr-09	Mar-09	Feb-09	Jan-09	Dec-08
Non-Mall Average	**1.2**	**2.8**	**1.4**	**(0.9)**	**(4.0)**	**(4.4)**	**(1.8)**	**(1.7)**	**(2.7)**	**(3.4)**	**(8.5)**	**(4.8)**
BJ's Wholesale Club Inc	1.0	3.7	5.5	2.2	1.8	2.7	4.0	(4.9)	8.5	8.2	7.6	5.9
Cato Corp/The	2.0	-	6.0	5.0	(3.0)	(3.0)	(3.0)	11.0	6.0	8.0	(10.0)	(2.0)
Costco Wholesale Corp	2.0	4.0	4.0	2.0	(1.0)	1.0	1.0	-	4.0	4.0	5.0	2.0
Kohl's Corp	3.3	1.4	5.5	0.2	0.4	(5.6)	(0.4)	(6.2)	(4.3)	(1.6)	(13.4)	(1.4)
Nordstrom: Rack Stores	3.3	5.9	-	3.8	(0.5)	0.6	2.2	4.4	0.1	(0.6)	(2.2)	(1.8)
Old Navy North Amer	6.0	14.0	13.0	4.0	(8.0)	(7.0)	3.0	1.0	-	(13.0)	(34.0)	(16.0)
Rite Aid Corp	(0.8)	(0.5)	(0.3)	(1.9)	(0.6)	(0.6)	0.6	1.8	(0.7)	(0.9)	1.0	(0.2)
Ross Stores Inc	8.0	9.0	8.0	6.0	4.0	1.0	4.0	6.0	3.0	1.0	(2.0)	-
Stage Stores Inc	(12.5)	(0.1)	(5.6)	(9.5)	(11.9)	(12.6)	(7.2)	(1.5)	(15.0)	(8.6)	(13.1)	(4.9)
Stein Mart Inc	(7.2)	(4.9)	(5.4)	(8.9)	(5.5)	(8.0)	0.2	(12.3)	(1.4)	(12.2)	(16.7)	(8.5)
Target Corp	(1.5)	(0.1)	(1.7)	(2.9)	(6.5)	(6.2)	(6.1)	0.3	(6.3)	(4.1)	(3.3)	(4.1)
TJX Cos Inc	8.0	10.0	7.0	5.0	4.0	4.0	5.0	3.0	2.0	-	(4.0)	-
Walgreen Co	3.9	(6.2)	(17.6)	(16.6)	(25.5)	(23.0)	(27.0)	(24.6)	(31.2)	(24.2)	(25.8)	(31.2)

Source: Bloomberg.

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With the exception of BJ's and Walgreen, each one of these concepts is a GGP tenant. Further, many of these concepts are pursuing mall-based expansion plans

Hovde Anticipates Retail Bankruptcies and Store Closings…

Based on the 2009 sales performance of mall-based retailers, Hovde anticipates retail bankruptcies and store closings

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Mall-Based Retailers are Performing Poorly

We Believe This Is Likely to Lead to Retail Bankruptcies and Store Closings

Same-Store Retail Sales (% Chg.)

	Nov-09	Oct-09	Sep-09	Aug-09	Jul-09	Jun-09	May-09	Apr-09	Mar-09	Feb-09	Jan-09	Dec-08
Mall-based Average	**(6.7)**	**(2.6)**	**(3.8)**	**(9.3)**	**(10.5)**	**(10.6)**	**(10.1)**	**(6.1)**	**(11.6)**	**(8.3)**	**(10.6)**	**(8.6)**
Abercrombie & Fitch Co	(17.0)	(15.0)	(18.0)	(29.0)	(28.0)	(32.0)	(28.0)	(22.0)	(34.0)	(30.0)	(20.0)	(24.0)
Aeropostale Inc	7.0	3.0	19.0	9.0	6.0	12.0	19.0	20.0	3.0	11.0	11.0	12.0
American Eagle Outfitters Inc	(2.0)	(5.0)	-	(7.0)	(11.0)	(11.0)	(7.0)	(5.0)	(16.0)	(7.0)	(22.0)	(17.0)
Banana Republic N. Amer	(4.0)	5.0	(12.0)	(8.0)	(7.0)	(20.0)	(14.0)	(8.0)	(16.0)	(16.0)	(22.0)	(15.0)
Bon-Ton Stores Inc/The	(6.0)	3.1	(4.8)	(5.1)	(9.8)	(8.0)	(12.1)	(5.1)	(11.2)	(8.5)	(8.2)	(5.8)
Buckle Inc/The	1.4	4.3	5.1	3.6	2.8	9.6	13.4	18.2	14.7	21.0	14.7	13.5
Childrens Place Retail Stores Inc/The	(13.0)	(2.0)	4.0	(8.0)	(4.0)	(12.0)	(9.0)	5.0	(2.0)	-	(11.0)	-
Destination Maternity Corp	(11.6)	(5.2)	(7.0)	(10.6)	(8.3)	(10.7)	(5.4)	(1.2)	(7.6)	(3.5)	5.1	(6.9)
Dillard's Inc	(11.0)	(8.0)	(6.0)	(12.0)	(12.0)	(14.0)	(12.0)	(6.0)	(19.0)	(13.0)	(12.0)	(5.0)
Gap North America	(4.0)	(6.0)	(8.0)	(7.0)	(9.0)	(10.0)	(11.0)	(10.0)	(14.0)	(12.0)	(18.0)	(12.0)
HOT Topic Inc	(11.7)	(2.6)	(4.0)	(8.1)	(8.5)	(7.9)	(6.4)	3.1	7.1	10.8	6.0	4.3
JC Penney Co Inc	(5.9)	(4.5)	(1.4)	(7.9)	(12.3)	(8.2)	(8.2)	(6.6)	(7.2)	(8.8)	(16.4)	(8.1)
Ltd Brands Inc	3.0	(4.0)	1.0	(4.0)	(7.0)	(12.0)	(7.0)	(6.0)	(9.0)	(7.0)	(9.0)	(10.0)
Macy's Inc	(6.1)	(0.8)	(2.3)	(8.1)	(10.7)	(8.9)	(9.1)	(9.1)	(9.2)	(8.5)	(4.5)	(4.0)
Neiman Marcus Group	(5.9)	(6.0)	(16.9)	(19.6)	(27.3)	(20.8)	(23.3)	(22.5)	(29.9)	(20.9)	(24.4)	(27.5)
Nordstrom: Full-line Stores	(0.6)	3.7	(3.9)	(12.9)	(7.8)	(13.6)	(16.7)	(13.4)	(16.9)	(19.7)	(18.1)	(12.8)
Saks Inc	(26.1)	0.7	(11.6)	(19.6)	(16.3)	(4.4)	(26.6)	(32.0)	(23.6)	(26.0)	(23.7)	(19.8)
Wet Seal Inc/The	(5.0)	(1.3)	(4.5)	(11.2)	(12.1)	(11.1)	(8.4)	(2.2)	(12.5)	(6.6)	(14.7)	(12.5)
Zumiez Inc	(8.5)	(8.9)	(0.8)	(12.1)	(16.8)	(19.3)	(20.7)	(13.8)	(17.9)	(13.4)	(14.8)	(12.3)

Source: Bloomberg.

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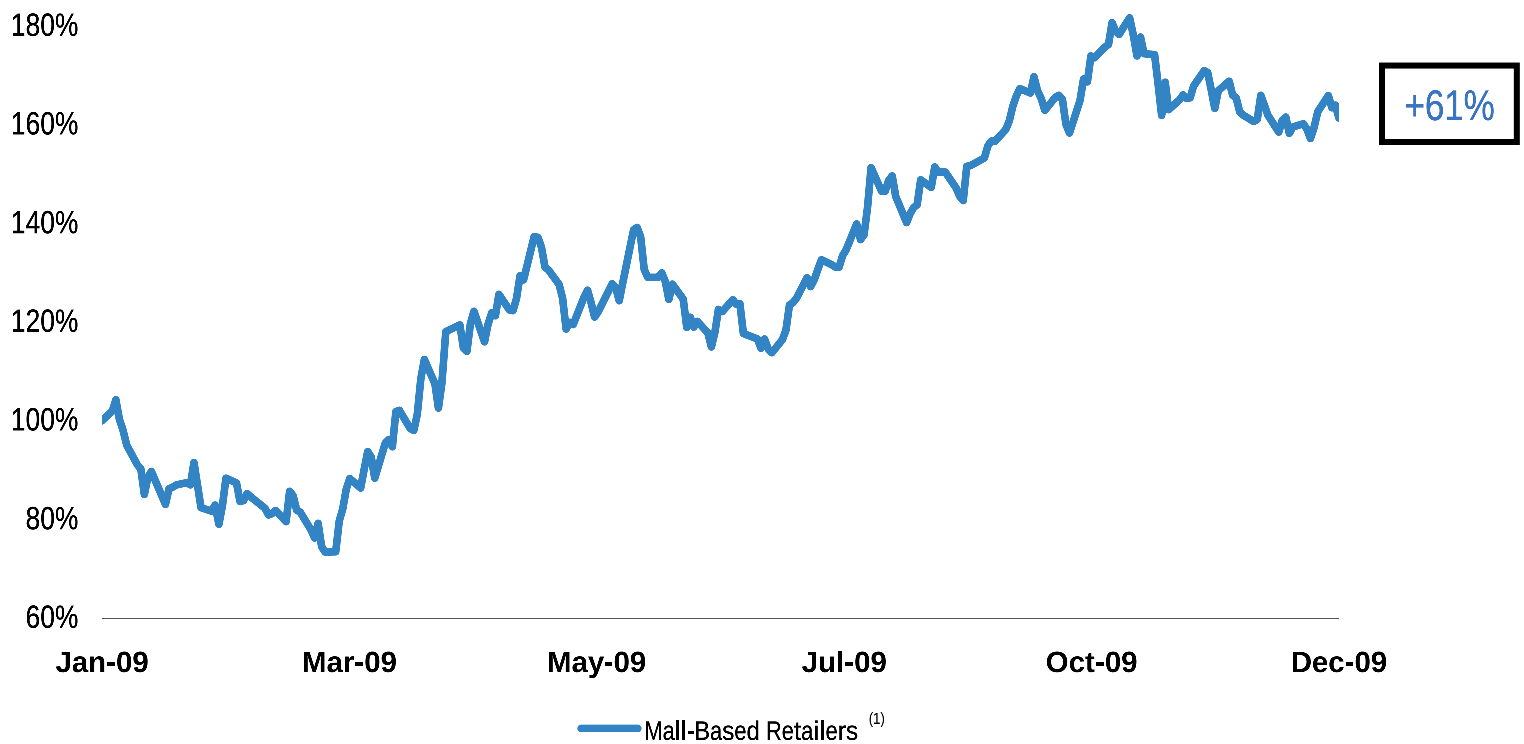
Mr. Market Disagrees

Despite YoY sales declines, mall-based retailer stock prices are up over 60% year-to-date



Source: Capital IQ. Stock price data through December 17, 2009.
(1) Market cap weighted average index of Hovde's mall-based retailer index (see previous page for company list).

Strong Retailers are Buying the Leases of Liquidating Retailers

We expect white knights will continue to mitigate the risk of future store closures

Selected Bankruptcies	White Knight	Comments
Eddie Bauer *Jun-09*	**Golden Gate** *Aug-09*	▶ In July, CCMP bid $202mm for Eddie Bauer w/ plan to liquidate 121 of 371 stores ▶ In August, Golden Gate beat out CCMP w/ a $286mm bid ▶ Golden Gate plans to keep "the substantial majority" of the company's stores open
Ritz Camera *Feb-09*	**David Ritz** *Jul-09*	▶ David Ritz and RCI Acquisition LLC beat out three liquidators at auction ▶ Ritz will attempt to keep all the remaining 375 stores open, though some closures still expected
Filene's *May-09*	**Vornado / Syms** *Jun-09*	▶ In May, Crown Acquisition bid $22mm for Filene's w/ plan to liquidate 8 stores ▶ In June, a joint venture formed by Syms and Vornado beat out Crown w/ a $62.4mm bid ▶ Vornado / Syms plan to operate Filene's remaining 22 outlets and re-open a location in Boston
J. Jill *Out of court*	**Golden Gate** *Jun-09*	▶ At the beginning of 2009, Talbots had been considering winding down its J. Jill concept ▶ In June, Golden Gate acquired the J. Jill retail chain for $75mm ▶ Golden Gate plans to keep 204 of the existing 279 locations open

Store closures that have arisen in bankruptcy have tended to be in low-quality, underperforming locations

Liquidations Should Ultimately Be Good For Malls

Retailers with successful concepts are acquiring leases from liquidating retailers, allowing malls to refresh their product offerings with concepts that should drive increased traffic

Selected Liquidations	Strategic Acquirer(s)	Comments
Gottschalks *Jan-09*	**Forever 21** *Jun-09*	▸ Gottschalks auctioned to liquidation company, Great American Group ▸ 13 retail spaces sold to Forever 21 on June 10, 2009
Joe's Sports *Mar-09*	**Dick's Sporting Goods** *Jul-09*	▸ Joe's Sports sold to liquidator Gordon Brothers for $61mm ▸ 6 retail spaces sold to Dick's Sporting Goods in July, which will be opened by year-end
Mervyn's *Jul-08*	**Forever 21 / Kohls** *Dec-08*	▸ In December, Kohls and Forever 21 acquired 46 Mervyn's leases for $6.25mm ▸ Forever 21 primarily focused on Mervyn's mall-based locations ▸ Speculation that Forever 21 has acquired additional Mervyn's spaces since December

These transactions are a win-win for mall REITs who replace unsuccessful retailers with concepts that should drive increased mall traffic

Expansions / New Concepts

Although there will continue to be store closures in 2010, there will also be store openings. Many retailers have announced expansion plans and intend to roll out new concepts

Aeropostale Rolling out 25-30 PS Kids new concept in '10 25 Aeropostale stores in 2010	A'gaci Growing store counts (per Simon)	American Eagle Plans to expand 77kids pop-up concept to a permanent brick & mortar store in 2010
Apple 20-25 domestic stores in 2010	Bebe 6 new stores in 2010 Expanding 2b bebe & PH8 concepts	Bed Bath & Beyond Expects to continue to add buybuy Baby locations
Best Buy Sees Best Buy Mobile as a growth vehicle going forward	The Buckle Continues to expand and has added 18 stores YTD	Build-A-Bear Sees potential for 350 stores in N.A.
California Pizza Kitchen Growing store counts (per Simon)	Charlotte Russe On track to open 20 stores in F2009 Already signed 11 leases for 2010	Cheesecake Factory Testing Grand Lux and Rock Pan Asian Kitchen concepts
Chico's 40 new stores in 2010 Expanding Soma concept	The Children's Place Rolling out new Tech II store format	CJ Banks Will opportunistically pursue store expansions in 2010, incl jewelry concept
Coach 20 new stores in N.A. in 2010	Coldwater Creek Sees opportunity to grow store base when margins improve	Cotton On Australian retailer looking to expand store base from 600 to the 1,000s

Note: This list is not meant to be comprehensive. It is based off publicly disclosed expansion / new concept plans. Some of these tenants are also considering selectively closing stores as well.

Expansions / New Concepts (Cont'd)

Dave & Buster's Growing store counts (per Simon)	Destination Maternity 12 to 17 stores in 2010 Opening new multi-brand store concept	Dick's Sporting Goods Sees potential for 800 stores nationwide (~420 in Oct-09)
Dressbarn 15 Dressbarn stores in 2010 35 Maurices in 2010	Five Below Aggressive growth plan -- 100+ stores in the next 3 years	Footlocker Plans to build out its CCS new concept in 2010
Forever 21 Rapid expansion in 2009 Rolling out Faith21 line	Gamestop 300 US stores in 2010	Genesco 60 to 70 stores in 2010, incl recently acquired Sports Fanatic concept
GNC Testing new prototype store Plans to open more domestic stores in 2010 than 2009 (>30)	Guess 60 accessory stores in 2010 (new concept)	Gymboree Goal of opening a minimum of 50 Crazy 8 stores next year
H&M Flagged US as market where it plans to grow the most in 2010	hhgregg At least 45 new stores in 2010	J Crew Considering rollout of Madewell concept
Jones Apparel Group Rolling out 6 Shoe Woo test stores by end of F2009	Jos A Bank Accelerating expansion plan to open 30 to 40 stores in 2010	Limited Expanding Henri Bendel in US

Note: This list is not meant to be comprehensive. It is based off publicly disclosed expansion / new concept plans. Some of these tenants are also considering selectively closing stores as well.

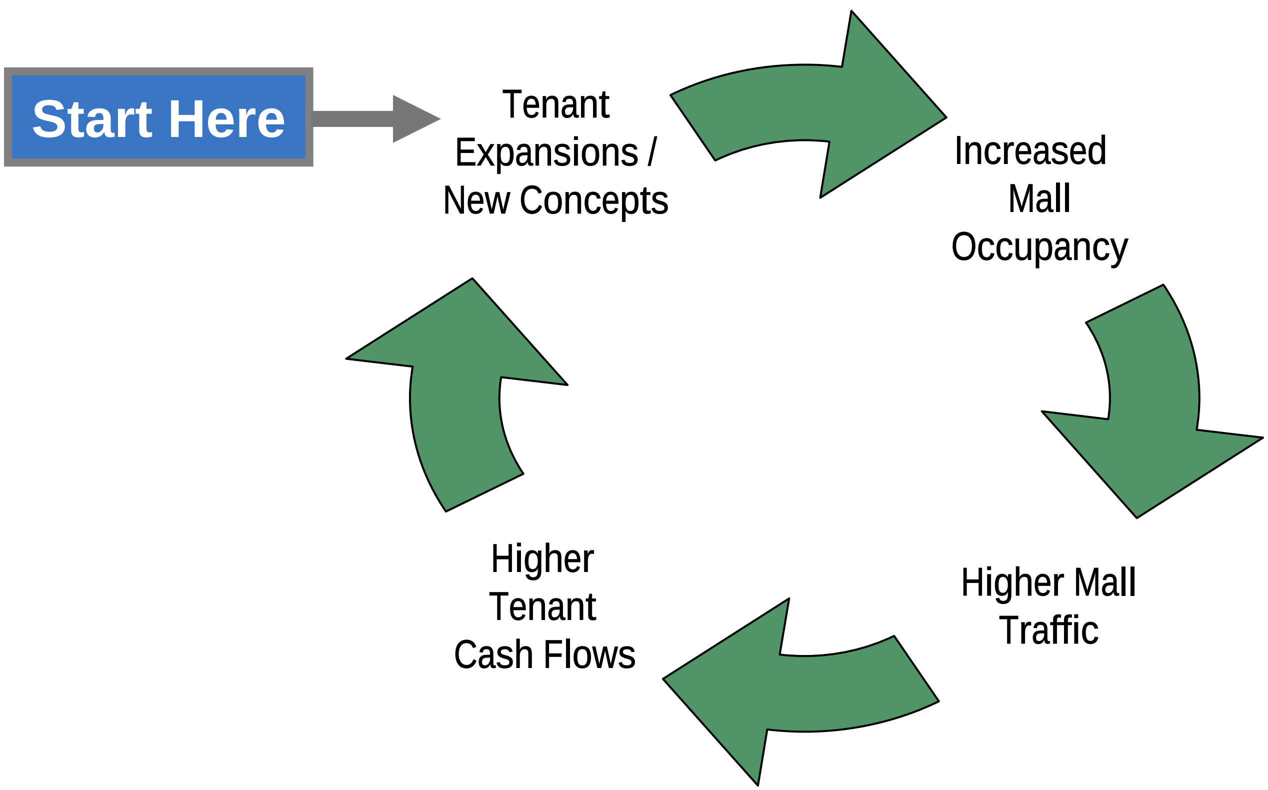
Expansions / New Concepts (Cont'd)

Liz Claiborne Rolling out LCNY new concept	**Lululemon** Sees potential for over 300 stores in N.A. (119 in Oct-09)	**Mattel** Expects to open more American Girl stores stores over time
Michael Kors Growing store counts (per Simon)	**Microsoft** Rolling out retail store to compete with Apple (new concept)	**Nordstrom** 3 full-line stores in 2010 15 Rack stores in 2010
Pandora Jewelry Has expanded to 10 US stores since opening first store in NC in 2007	**Payless** Growing Sperry TopSider stores (per Simon) Looking to expand Stride Rite in 2010	**Red Robin** Growing store counts (per Simon)
Restoration Hardware Rolling out Baby & Child concept	**Rue21** Sees opportunity to grow store base from 527 to >1,000 in 5 yrs Rolling out Rue21! larger box concept	**Saks (Off Fifth)** Growing store counts (per Simon)
Sephora Pursuing expansions in US, France and China	**Stage Stores** Increase from ~750 to 1,000 stores by 2014	**Target** Looking to grow store base, but they are constrained by new shopping center dvlpmt Looking to move into existing malls
Tiffany Objective to open 14 stores (net) in F2009 Experimenting w/ new, smaller concept	**TJ Maxx** Growing store counts (per Simon)	**Urban Outfitters** 50 new stores next year
VF Corp Selectively opening stores Expects to open 80 stores in F2009	**Wet Seal** Sees opportunity to nearly double its US store base (~400 stores)	**Williams Sonoma** Rolling out PBteen concept

Note: This list is not meant to be comprehensive. It is based off publicly disclosed expansion / new concept plans. Some of these tenants are also considering selectively closing stores as well.

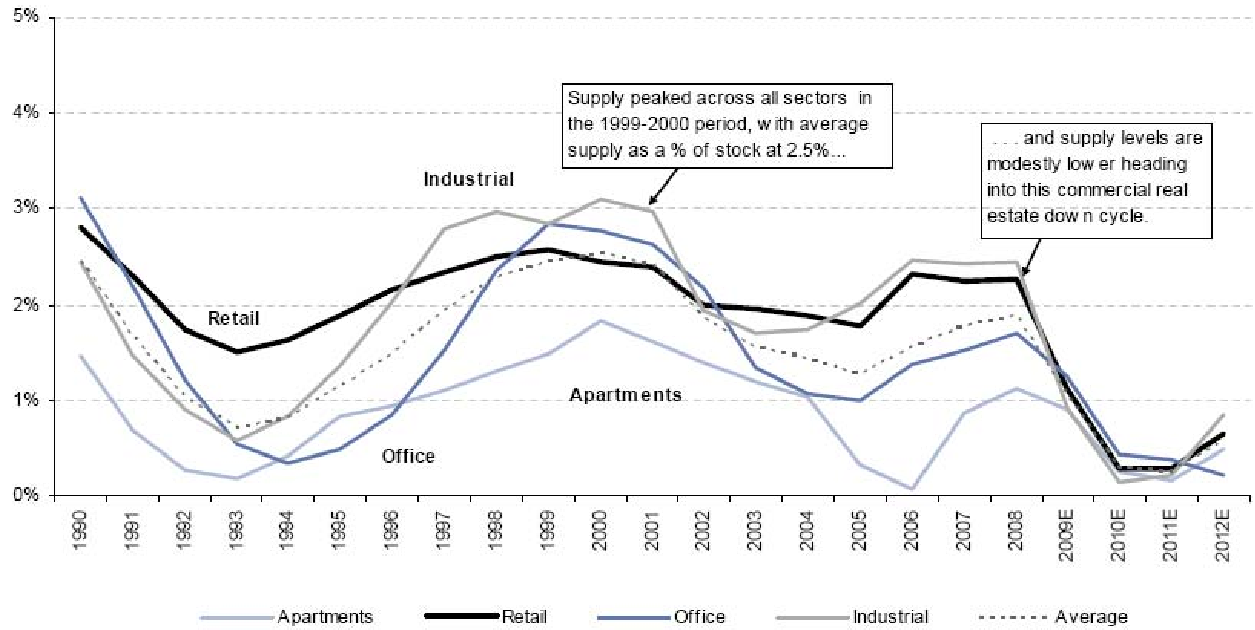
Store Expansions / New Concepts Create a Virtuous Cycle for Mall REITs and their Tenants

The current environment has set the stage for tenants with value-focused concepts, which are performing well in today's market, to expand and replace underperforming tenants. This mall "refresh" creates a virtuous cycle



Supply Constraints Enhance Virtuous Cycle

Exhibit 12: Supply levels have been lower heading into this downturn
Supply as % of stock as of 3Q 2009



"And frankly, when you look at the capital situation today, the construction in the retail sector is at a 20-year low. We certainly anticipate it will remain there, and the lack of new supply can only hopefully help the demand side for the existing product."

– Rick Sokolov, COO of Simon Property Group, December 4, 2009

Source: Goldman Sachs equity research November 2009.

Low Store Build-out Costs Enhance Virtuous Cycle

"A lot of contractors out there, you have a lot of architect firms, you have a lot of vendors that are doing fixtures, a lot of them are very aggressive right now and doing deals. So if you're going to grow and open up stores, there's an opportunity to really drive down your build-out costs there ."

– John Smith, SVP of Development, Collective Brands, October 6, 2009

We believe that retailer cash flows are a better gauge of mall-based retailer performance than 2009 YoY same-store sales comparisons

The New Paradigm: Sales vs. Cash Flow

Old Paradigm: Focus on Sales

- From 2003 to 2007, retailers achieved high sales with bloated cost structures. Driven by Wall Street's insatiable demand for same-store sales growth, retailers overspent to achieve high rates of same-store sales growth
- Even though mall REITs derive a small percentage of NOI from overage rent, retail real estate investors and landlords have focused disproportionately on tenant sales

New Paradigm: Focus on Cash Flow

- In 2009, retailers have used the economic crisis to improve their cost structures and enhance inventory management to generate more cash flow at meaningfully lower sales levels
- Retailer focus has shifted from growing sales to improving profit margins and increasing cash flow
- As same-store sales again begin to increase, retailer profitability should accelerate

It's Hard to Increase Sales When There is Less on the Shelves (Top Ten & Selected Anchor Tenants)

Comparing November same-store sales to October inventory levels partially explains why tenant sales were down in November

($ in millions)	Inventory			Memo:
Tenants	**Last Year**	**Current**	**Decrease**	***Nov SSS***
Top Ten Tenants [1]				
The Gap	$2,224	$1,999	*(10%)*	*0%*
Limited Brands	1,648	1,426	*(13%)*	*3%*
Abercrombie & Fitch	505	347	*(31%)*	*(17%)*
Foot Locker	1,262	1,228	*(3%)*	*NA*
American Eagle	422	425	*1%*	*(2%)*
Express	NA	NA	*NA*	*NA*
JCPenney Company	4,471	4,018	*(10%)*	*(6%)*
Forever 21	NA	NA	*NA*	*NA*
Macy's	7,161	6,622	*(8%)*	*(6%)*
Genesco	380	360	*(5%)*	*NA*
Subtotal / Wtd Avg	**$18,072**	**$16,425**	***(9%)***	***(5%)***
Selected Anchor Tenants				
Bon-Ton Stores	$979	$901	*(8%)*	*(6%)*
Dillard's	2,243	1,752	*(22%)*	*(11%)*
Nordstrom	1,278	1,193	*(7%)*	*2%*
Saks Incorporated	1,016	799	*(21%)*	*(26%)*
Sears Holdings	11,364	10,805	*(5%)*	*NA*
Subtotal / Wtd Avg	**$49,152**	**$44,876**	***(9%)***	***(9%)***

Inventories have declined more than same-store sales

Source: Capital IQ. Inventory data is most recent as of December 4, 2009.
[1] GGP's top ten tenants as disclosed in its quarterly operating supplement.

It's Hard to Increase Sales When There is Less on the Shelves (Selected In-line Tenants)

Comparing November same-store sales to October inventory levels partially explains why tenant sales were down in November

($ in millions)	Inventory			*Memo:*
Tenants	**Last Year**	**Current**	**Decrease**	***Nov SSS***
Selected In-line Tenants				
Anntaylor	$275	$211	*(23%)*	*NA*
Aeropostale	207	222	*7%*	*7%*
Bebe Stores	49	37	*(26%)*	*NA*
Borders	1,257	1,157	*(8%)*	*NA*
The Buckle	118	118	*0%*	*1%*
Chico's Fas	187	160	*(15%)*	*NA*
Claire's Stores	149	139	*(7%)*	*NA*
The Children's Place	233	251	*8%*	*(13%)*
Coach	402	338	*(16%)*	*NA*
Hot Topic	95	91	*(3%)*	*(10%)*
Liz Claiborne	549	410	*(25%)*	*NA*
Pacfic Sunwear Stores	234	168	*(28%)*	*NA*
RadioShack	681	737	*8%*	*NA*
Tiffany & Co.	1,639	1,542	*(6%)*	*NA*
Wet Seal	41	40	*(3%)*	*(5%)*
Zales Corporation	985	902	*(8%)*	*NA*
Zumiez	82	76	*(7%)*	*(9%)*
Subtotal / Wtd Avg	**$7,181**	**$6,599**	***(8%)***	***(4%)***
Total	**$74,406**	**$67,900**	***(9%)***	***(6%)***

Inventories have declined more than same-store sales

Source: Capital IQ. Inventory data is most recent as of December 4, 2009.
(1) GGP's top ten tenants as disclosed in its quarterly operating supplement.

Greater Efficiency = Higher Cash Flow
(Top Ten & Selected Anchor Tenants)

Tenant cash flows have gone from materially negative to materially positive. This is particularly impressive given that Q3 is usually cash flow negative for retailers as they build inventory for the holidays

($ in millions)	Cash Flow from Operations			*Inventory*
Tenants	**Q3'08**	**Q3'09**	**Improvement**	***Decrease***
Top Ten Tenants [1]				
The Gap	$272	$432	*59%*	*(10%)*
Limited Brands	(244)	(114)	*53%*	*(13%)*
Abercrombie & Fitch	NA	NA	*NA*	*(31%)*
Foot Locker	NA	NA	*NA*	*(3%)*
American Eagle	76	65	*(15%)*	*1%*
Express	NA	NA	*NA*	*NA*
JCPenney Company	(189)	(30)	*84%*	*(10%)*
Forever 21	NA	NA	*NA*	*NA*
Macy's	(275)	(52)	*81%*	*(8%)*
Genesco	NA	NA	*NA*	*(5%)*
Subtotal	**($361)**	**$301**	***183%***	***(9%)***
Selected Anchor Tenants				
Bon-Ton Stores	NA	NA	*NA*	*(8%)*
Dillard's	(69)	78	*214%*	*(22%)*
Nordstrom	83	104	*25%*	*(7%)*
Saks Incorporated	NA	NA	*NA*	*(21%)*
Sears Holdings	(962)	(35)	*96%*	*(5%)*
Subtotal	**($1,697)**	**$430**	***125%***	***(9%)***

Inventory declines, coupled with cost reduction measures, has resulted in materially higher tenant cash flows

Source: Capital IQ. Most Q3 periods ended in October.
[1] GGP's top ten tenants as disclosed in its quarterly operating supplement.

Greater Efficiency = Higher Cash Flow (Cont'd)
(Selected In-line Tenants)

Tenant cash flows have gone from materially negative to materially positive. This is particularly impressive given that Q3 is usually cash flow negative for retailers as they build inventory for the holidays

($ in millions) Tenants	Cash Flow from Operations Q3'08	Q3'09	Improvement	*Inventory Decrease*
Selected In-line Tenants				
Anntaylor	($1)	$8	*715%*	*(23%)*
Aeropostale	NA	NA	*NA*	*7%*
Bebe Stores	15	(10)	*(168%)*	*(26%)*
Borders	NM	NM	*NM*	*(8%)*
The Buckle	NA	NA	*NA*	*0%*
Chico's Fas	1	56	*3893%*	*(15%)*
Claire's Stores	NA	NA	*NA*	*(7%)*
The Children's Place	61	79	*29%*	*8%*
Coach	77	241	*214%*	*(16%)*
Hot Topic	14	17	*22%*	*(3%)*
Liz Claiborne	(121)	(101)	*17%*	*(25%)*
Pacfic Sunwear Stores	(7)	(7)	*(5%)*	*(28%)*
RadioShack	54	(20)	*(137%)*	*8%*
Tiffany & Co.	1	99	*8909%*	*(6%)*
Wet Seal	10	7	*(36%)*	*(3%)*
Zales Corporation	NA	NA	*NA*	*(8%)*
Zumiez	NA	NA	*NA*	*(7%)*
Subtotal	**$104**	**$369**	***253%***	***(8%)***
Total	**($1,953)**	**$1,100**	***156%***	***(9%)***

Inventory declines, coupled with cost reduction measures, has resulted in materially higher tenant cash flows

Source: Capital IQ. Most Q3 periods ended in October.
(1) GGP's top ten tenants as disclosed in its quarterly operating supplement.

Retailers Anticipated a Weak 2009 and Adjusted their Cost Structures Accordingly

On the sales side, I want to talk about sales and talk about our leasing activity and our leasing spread. As you know in the fourth quarter of last year, sales were off in general around 15% give or take, for most of the major mall owners including ourselves. That was a disastrous comp sales decrease from a retailer's viewpoint. Because it was totally unexpected from the retailer's viewpoint. As a result of that, it put the retailers into a freeze mode, not only into a freeze mode, they even got into a cutback mode, because it was totally unexpected. Over the course of this year, the retailers made major changes in their cost structure, major changes in their inventory levels and major changes in their business plan. Made plans for their businesses to be down roughly 10 to 15%.

In February this year, we told you that we anticipated that for the first three quarters of this year, that we anticipated double digit sales declines, and at the time, frankly, that was not a very thrilling prospect. In fact, we've had double digit sales declines, off 12% in the first quarter, 11% in the second quarter, 9% in the third. But we're seeing a moderation in the decreases, but more importantly, and I said this on the last call, is that you have to be careful about the comp sales, because this year the difference between the first three quarters of this year and the fourth quarter of last year is that our retailers planned to have their sales be off at this level. This was their business plan. They are meeting their business plan.

They are maintaining their margins. So being off 10% when you plan to be off 10% and you keep your margin is a significantly different situation than being off 15% when it wasn't your plan and your margins were decimated. As a consequence of that, it's put our retailers into a mood where they're willing to talk about new leasing and we're able to look at beginning to have some pickup in store growth. The moods of the retailers, and you've heard this on the other conference calls with our peers, is improving dramatically. They went from being in a freeze mode in the fourth quarter of last year, to things began to fall out in the second quarter of this year around ICSC. Now we're really having positive conversations with our retailers about how they can grow their business and how we can grow our business together.

– Art Coppola, Chairman & CEO of Macerich, November 5, 2009

Online Sales and Mall Sales are not Mutually Exclusive

Hovde says the online threat will ultimately destroy malls, but online sales are not necessarily detrimental for landlords. In addition to strengthening tenant cash flows, many retailers view mall-based stores as a strategic compliment to e-commerce initiatives

CJ Banks Q2’09 Earnings Call

- “We continue to be pleased with the performance of our e-commerce business. This channel provides an efficient and effective way of reaching existing and new customers to drive sales and store traffic”

Macy’s Q3’09 Earnings Release

- “Customers are increasingly using both vehicles to shop. Sometimes they are pre-shopping online, going to the store to try things on. Other times they walk through the store, they see something they want, don’t have time to stop, go home and order it online.”

Build-A-Bear Q3’09 Earnings Call

- “Now let me switch gears to our online channel. This engagement with our brand, the store-to-site synergy and site-to-store synergy are important benefits we get from having a presence in both the real and virtual worlds.”

Zales Q1’10 Earnings Call

- “Unlocking synergies between the stores and our online presence will also be key. Our research shows that over half of our online visitors purchase in the store. We have used this knowledge to build a robust website that compliments our store base and allows guests to do extensive research.”

Many online retailers are looking to establish a presence in U.S. malls. For example, Microsoft, one of the most tech-savvy companies in the world, is following Apple’s lead and expanding in malls

In Light of the Foregoing Considerations

Who in their right mind would short this stock?