THE SPIN-OFF REPORT

September 28, 2011

General Growth Properties, Inc. (Pre-Spin)

Current Share Price (9/28/11): $12.81
Fair Value Estimate: $15 per share
Shares Outstanding: 946.8 million
Market Capitalization: $12.0 billion

Ticker: GGP
Dividend: $0.40
Yield: 3.1%

General Growth Properties, Inc. (Post-Spin)

Fair Value Estimate: $14 per share
Shares Outstanding: 946.8 million
Market Capitalization: $13.3 billion

Ticker: GGP
Dividend: $0.40
Yield: 2.9%

Rouse Properties, Inc.

Fair Value Estimate: $5 per share
Shares Outstanding: 94.7 million**
Market Capitalization: $473.5 million

Ticker: RSE
Dividend: Nil
Yield: N/A

**Assumes an exchange ratio of 1:10.
Note: Market capitalization is based on fair value estimate for post-spin entities and current market cap for pre-spin GGP.

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Investment Thesis

On August 29, 2011, General Growth Properties Inc. (NYSE: GGP) filed a Form 10 Registration Statement with the SEC to effect a pro rata, taxable special dividend spin-off to existing shareholders of a 30-mall portfolio, totaling 21.1 million square feet. The spin-off is part of General Growth's ongoing plan to focus on its core assets, which management defines as high-quality premier malls, and is expected to be completed before year-end 2011. The spun-off company, which will be named Rouse Properties ("Rouse"), will consist of 30 "B" malls, is expected to qualify as a real estate investment trust (REIT) and be listed on the New York Stock Exchange under the symbol RSE. GGP Management intends for the special dividend to satisfy a portion of its 2011 REIT taxable income distribution requirement.

Upon the distribution, GGP will be composed almost entirely of "A" mall locations with high-quality tenants that on average are generating sales approaching $500 per square foot. After spinning off the lower-producing and more capital-intensive assets of Rouse, the parent company's key operating metrics, such as occupancy and sales per square foot, will compare favorably with those of its peers. If applying roughly an in-line capitalization rate to post-spin GGP, one arrives at a fair value estimate of $14 per share.

As a standalone entity, Rouse's pure-play portfolio of "B" malls, while not as high quality as the parent company's portfolio, will be uniquely positioned, as a majority of the company's properties are the dominant players in their respective markets. Further, many of Rouse's malls are located in one-mall markets where one could argue that new competition is not likely to enter for the foreseeable future. With Rouse as a standalone entity, its management will be able to make necessary capital investments that would likely not have been made within the context of the larger GGP profile, and this in turn could result in an improved tenant base moving forward. Even given the existing state of the portfolio, investors can arrive at a fair value estimate of $5 per share, assuming a 1:10 distribution ratio.

Considering these fair value estimates, near-term upside to the current $13 per share price is approximately 17%. However, investors with a longer investment horizon, beyond two years, could likely see significant upside potential in both post-spin entities as GGP receives an increased valuation multiple and RSE appreciates due to improved performance as its asset base is enhanced.

Company Description

General Growth Properties, Inc. is the second largest mall Real Estate Investment Trust (REIT) in the United States based on the number of malls in its portfolio. The company operates, manages, develops, and acquires rental properties, primarily regional malls. The company's current portfolio consists of 166 mall properties, 34 strip shopping centers, and 30 office buildings, representing nearly 169 million square feet.

In April 2009 General Growth declared bankruptcy owing to a combination of high debt levels and the company's inability to refinance its debt during the depths of the credit crisis. The company emerged from bankruptcy in November 2010. As part of the reorganization plan, it spun off The Howard Hughes Corp. (NYSE: HHC), a developer of Master Planned Communities and mixed-use real estate, as a separately traded company. Since emerging from bankruptcy GGP has focused on strengthening its balance sheet through refinancing of its core properties and streamlining its portfolio through non-core asset sales.

The regional mall properties in GGP's current portfolio are considered high value and attractively positioned within their respective markets. Its highest-quality malls, defined as having average sales per square foot approaching $500 and above, generally are the dominant players in major markets. The portfolio being spun off consists of "B" malls with sales levels generally $200- $350 per square foot, with many located in secondary and tertiary markets that have little to no competition.

Mall REIT revenue is closely tied to consumer spending. Retail tenants provide up to three streams of revenue to the company, in the form of minimum rents, tenant recoveries, and overage rents. Minimum rent, which contributes two-thirds of the company's top line, is the contracted rental rate, set at the start of a lease, often with scheduled rate increases over time. Tenant recoveries are the next largest revenue component (29% of revenues) and represent tenant payments for real estate taxes and operating expenses, including common area maintenance, utilities, and insurance costs. Lastly, overage rent is calculated as a percentage of sales above some agreed-upon threshold, as stipulated in the leasing contract. Given the seasonality of retail sales, which tend to be strongest during the holiday shopping season, overage revenues are typically at their highest during the fourth quarter, although the contribution to total revenues is negligible.

The company as a whole proved fairly resilient through the economic downturn beginning in 2008. During the period 2008 to 2010, minimum rent revenues and tenant recoveries remained relatively unchanged, declining a respective 4% and 7%, although overage revenues, hampered by weak retail sales, declined 26% to $62 million (see Exhibit 1).

Exhibit 1 Pre-Spin GGP: Historical Regional Mall Revenue, Net Operating Income

($ in thousands)

	Year Ended			6 Months Ended	
	2008	**2009**	**2010**	**6/30/2010**	**6/30/2011**
Property revenues:					
Minimum rents	2,286,215	2,217,939	2,195,004	891,276	869,043
Tenant recoveries	1,022,522	984,720	952,303	402,271	395,804
Overage rents	77,286	56,200	62,029	15,969	18,268
Other, including non-controlling interest	116,328	95,172	85,427	36,695	34,324
Total property revenues	3,502,351	3,354,031	3,294,763	1,346,211	1,317,439
Year over year %		-4.2%	-1.8%		-2.1%
Total property operating expenses	1,070,003	1,060,827	1,048,727	425,681	426,480
Retail and other net operating income	2,432,348	2,293,204	2,246,036	920,530	890,959
Margin	*69.4%*	*68.4%*	*68.2%*	*68.4%*	*67.6%*

Source: Company reports, *Spin-Off Report* estimates.

However, a divergence in performance results has emerged across the two classes of malls within GGP. Class “A” malls have generally shown improvements in occupancy, sales per square foot, and increased rent rates upon renewals that have outpaced the “B” malls. Each of these “A” malls is typically the dominant mall in a highly populated area. The “B” malls have seen occupancy, sales per square foot, and renewals improving of late, but not nearly at the pace of GGP’s core assets, as will be shown later.

Rouse’s portfolio will need significant capital investment to position the asset base for better returns on the emergence of stronger consumer spending. The separation into two separate companies makes sense for Rouse, as, within the context of GGP’s larger portfolio, the necessary capital investments likely would not have cleared the required hurdles. The Rouse properties contribute only 7% of current GGP’s net operating income (NOI).

Post-Spin GGP

GGP will continue to have a well-diversified regional mall portfolio, in terms of both geography and tenant base, with core assets of 136 shopping malls across 43 states. During FY 2010, properties along the East Coast generated 33% of NOI, the West Coast and Hawaii, 33%, the north-central United States, 20%, and Texas and the surrounding states, 14%. The company’s properties consist of premier mall locations located in high-traffic markets.

GGP’s tenant mix ranges from luxury brands such as Chanel and Versace to more accessible stores like The Gap and American Eagle. One can assume that the tenant mix will not shift meaningfully post-spin versus 2010, so no one tenant will be contributing more than 2.9% to revenue, and the top ten tenants will contribute approximately 19.0% going forward (see Exhibit 2). Because of its fairly wide tenant base, the company has been largely unaffected by tenant bankruptcies.

Exhibit 2 Post-Spin GGP: Top 10 Retail Tenants, by Revenue Contribution

Top Ten Largest Tenants	Percent of Minimum Rents, Tenant Recoveries and Other	Number of Locations
The Gap, Inc.	2.9%	237
Limited Brands, Inc.	2.9%	315
Abercrombie & Fitch Stores, Inc.	2.3%	226
Foot Locker, Inc.	2.3%	384
Golden Gate Capital	1.7%	178
American Eagle Outfitters, Inc.	1.6%	161
Forever 21, Inc.	1.4%	100
Macy's Inc.	1.4%	145
Luxottica Retail North Am	1.3%	321
Genesco, Inc.	1.2%	372
	19.0%	

Source: Company reports, *Spin-Off Report* estimates.

The spin-off of the weaker-performing Rouse properties will raise average tenant sales per square foot and occupancy percentages while lowering debt levels. As a result, post-spin GGP compares more favorably with its peers (Exhibit 3).

Exhibit 3 Post-Spin GGP versus Peers: Occupancy and Sales per Square Foot

	As of June 30 2011	
	Occupancy	Sales per sq. ft.
Simon Property Group	93.5%	$513
The Macerich Company	92.3%	$458
Glimcher Realty Trust	93.6%	$393
Taubman Centers, Inc.	88.2%	$600
CBL & Associates	90.4%	$328
Average (ex GGP)	91.6%	$458
GGP	93.3%	$488

Source: Company reports, *Spin-Off Report* estimates.

The positioning of GGP's properties as premier locations has helped maintain its occupancy rates as retailers look to expand into high-traffic quality locations. In fact, just by excluding the Rouse properties, GGP's current regional mall occupancy rates increase to 93.3%, while sales per square foot increases to $488. Consequently, a minimal level of vacancies could result in post-spin GGP's ability to raise average rents on renewal, helping to offset a slight decrease in occupancy, thus minimizing declines in revenue and margin (see Exhibit 4).

Exhibit 4 GGP ex Rouse: Historical Revenue, Net Operating Income

($ in thousands)

	Year Ended			6 Months Ended	
	2008	**2009**	**2010**	**6/30/2010**	**6/30/2011**
Property revenues:					
Minimum rents	2,081,432	2,033,609	2,024,850	805,009	794,087
Tenant recoveries	932,857	904,209	878,418	364,068	359,866
Overage rents	71,446	51,794	57,431	14,483	16,506
Other, including non-controlling interest	107,860	88,187	78,783	33,644	31,626
Total property revenues	3,193,595	3,077,799	3,039,482	1,217,204	1,202,085
Year over year growth		*-3.6%*	*-1.2%*		*-1.2%*
Property operating expenses:					
Total property operating expenses	966,775	962,520	951,777	377,362	377,729
Retail and other net operating income	2,226,820	2,115,279	2,087,705	839,842	824,356
Margin	*69.7%*	*68.7%*	*68.7%*	*69.0%*	*68.6%*

Source: Company reports, *Spin-Off Report* estimates.

With a focus on its premium assets, GGP management has been selling non-core assets. Year to date the company has sold non-core assets and special consideration properties, those classified as discontinued operations, for a total of approximately $430 million. The proceeds have been used to reduce outstanding debt. Further strengthening of its balance sheet has resulted from refinancing of its core assets with non-recourse loans that have lower interest rates and generated net cash, which has also been used to retire debt. When combined with the $1.1 billion in debt that will be assigned to Rouse, post-spin GGP will have a stronger balance sheet and plans to continue paying its $0.10 quarterly dividend.

Rouse Properties, Inc.

Following the spin-off, Rouse Properties ("RSE") will be the eighth largest publicly traded regional mall operator in the United States based on square footage and will be a focused pure-play "B" mall operator. RSE's portfolio will consist of 30 regional malls in 19 states totaling over 21 million square feet of retail and ancillary space. The company's average sales per square foot is $279, ranging from $200 to $350, with current occupancy of 87.7%. Sales and occupancy levels place the company's portfolio at the low end of what is generally considered a "B" mall.

Rouse's best competitive advantage arises from the locations of its malls (see Exhibit 5). While parent GGP's portfolio has malls with high traffic and sales, the spun-off company's properties are in secondary and tertiary markets, many of which have no or minimal competition within a wide geographic radius. The degree of competition is likely to remain minimal in isolated markets, given population levels and the current state of the consumer (discussed later), which are both prohibitive to investment by new market entrants.

Exhibit 5 Rouse Portfolio Property Locations

Source: Company reports, *Spin-Off Report* estimates.

Rouse's key operating metrics have declined as the U.S. consumer reigned in spending through the economic downturn (see Exhibit 6). Weak store sales in turn resulted in increased vacancy rates. Short-term lease renewals have helped maintain occupancy rates above 87% while reducing average rent per square foot. RSE revenue in 2010 was down 7.6% from 2009 levels, with weakness continuing through 2Q 2011. Lower revenue over the large fixed costs base had an amplified impact on NOI and margins, as shown in Exhibit 7.

Exhibit 6 Rouse: Historical Occupancy and Average Rent per Square Foot

Year Ended	Mall & Freestanding GLA	Leased GLA	Occupancy (1)	Average Effective Gross Rent per square foot (2)(3)
2006	9,220,133	8,583,148	93.1%	38.82
2007	9,186,647	8,605,380	93.7%	39.88
2008	9,144,576	8,320,291	91.0%	40.54
2009	9,083,253	8,085,081	89.0%	39.51
2010	9,065,852	7,996,849	88.2%	39.74
June 30, 2011	9,084,909	7,969,510	87.7%	39.09

(1) Occupancy represents contractual obligations for space in regional malls or predominantly retail centers and excludes traditional anchor stores.
(2) Excludes tenants with spaces in excess of 10,000 square feet.
(3) Rent is presented on a cash basis and consists of base minimum rent, common area costs and real estate taxes.

Source: Company reports.

Exhibit 7 Rouse Properties: Historical Revenue, Net Operating Income

($ in thousands)

	Year Ended			6 Months Ended	
	2008	2009	2010	6/30/2010	6/30/2011
Property revenues:					
Minimum rents	204,783	184,330	170,154	86,267	74,956
Tenant recoveries	89,665	80,511	73,885	38,203	35,938
Overage rents	5,840	4,406	4,598	1,486	1,762
Other, including non-controlling interest	8,468	6,985	6,644	3,051	2,698
Total property revenues	308,756	276,232	255,281	129,007	115,354
Year over year growth		-10.5%	-7.6%		-10.6%
Total property operating expenses	103,228	98,307	96,950	48,319	48,751
Retail and other net operating income	205,528	177,925	158,331	80,688	66,603
Margin	*66.6%*	*64.4%*	*62.0%*	*62.5%*	*57.7%*

Source: Company reports

The decline in productivity from the portfolio could be attributable to current GGP's not investing properly in the Rouse properties given its minimal contribution to overall NOI. The company will see a significant number of leases expire through 2014, which will provide an opportunity for property improvements (see Exhibit 8). Thirty-two percent of leased gross area will come up for renewal through 2014. An additional 14.9% of specialty leasing, at very low rent rates, potentially becomes available, as those leases can be cancelled at RSE's discretion with a 60-day notice. Investors might assume that with RSE as a standalone entity, increased lease turnover will allow management to re-tenant and re-constitute properties so as to better match surrounding demographics. Further, one might posit that capital improvements will result in a more attractive customer shopping experience, leading to permanent lease renewals at higher than expiring rates.

Exhibit 8 Rouse Properties: Lease Expirations Schedule

Year	Number of Expiring Leases	Expiring GLA	Percent of Total	Expiring Effective Gross Rent per square foot
Specialty Leasing	395	1,170,716	14.9%	$9.22
2011	135	349,874	4.5%	$36.89
2012	336	922,088	1.7%	$34.70
2013	288	1,110,180	14.1%	$30.47
2014	276	933,571	11.9%	$35.79
2015	166	592,035	7.5%	$34.30
2016	139	509,076	6.5%	$37.43
2017	103	418,103	5.3%	$48.26
2018	60	320,700	4.1%	$37.26
2019	53	381,607	4.8%	$27.30
2020	33	188,416	2.4%	$28.95
Subsequent	67	963,997	12.3%	$15.08
	2,051	7,860,363	100.0%	$28.26

Source: Company reports.

Management approximates that 40% of its properties, likely the underperformers, have potential for significant growth. Investments totaling $230 million through 2015 are planned for the portfolio to boost property productivity. Major drivers of traffic in malls are the anchor and big box tenants. While Rouse has solid anchors in most locations, there are 11 empty anchors in its portfolio and ample opportunities to add additional big box square footage. As leases expire, low-value in-line areas can be converted to big box space more suited to customer demographics, including sporting goods and electronics stores, fitness centers or supermarkets.

Outlook

Given that GGP's and RSE's portfolios consist of properties catering almost exclusively to retail outlets, it would be prudent to view drivers of profitability as being directly related to the outlook for the American consumer. As a result of the lingering impact of the economic downturn, consumer confidence remains choppy, which has caused retail sales to increase only moderately through 2011. With an unemployment rate that still hovers above 9%, investors likely do not expect a return to robust retail sales in the near term.

If retail sales continue at the moderate pace experienced thus far in 2011, one could expect "A" mall operators to maintain occupancy rates within 1%-2% of current levels, providing a fair degree of stabilization in the largest revenue sources (minimum rents and tenant recoveries). It could also be argued that lower-producing (in terms of sales per square foot), lower-occupancy malls would see increasing pressure on revenue and margins as tenants struggle to remain open. Consequently, investors likely will favor mall operators with higher occupancy and sales per square foot, such as the post-spin parent GGP, as there is a larger margin of safety for maintaining occupancy, revenue, and margins.

With a longer investment time horizon, one might see this scenario as providing an attractive investment opportunity in the out-of-favor "B" mall operators. If one were to consider the $230 million that Rouse will be investing in its portfolio over the next three-plus years, one could come to the conclusion that Rouse could build a better tenant base. As stronger retailers move in, the company would be positioned to take market share from other "B" mall operators. A depressed valuation of RSE could provide significant upside potential over the longer term (three to five years) as a stronger consumer spending environment emerges, allowing RSE to improve revenue, margins, and profitability.

Valuation Analysis

Pre-spin GGP, currently hovering around $13 per share, trades at a sharp discount to peers based on projected funds from operations (FFO) (see Exhibit 9). The majority of the discount is likely warranted, given current consolidated metrics of occupancy rate and sales per square foot, which, as shown earlier, lag those of peers and can be partially attributable to the weaker-performing portfolio of "B" malls. However, one could view the shares as too heavily discounted, given plans to spin off the Rouse portfolio, which will make GGP appear more on par with peers. Pre-spin GGP shares imply a capitalization rate of 7.7% based on 2010 pro forma NOI. Given the current consolidated performance, near-term upside potential is likely capped at 17% to our $15 fair value estimate as GGP will investors will continue to discount shares versus peers.

Exhibit 9 Pre-Spin GGP: Relative Valuation

($ in millions, except per share amounts)

	General Growth Properties (NYSE: GGP)	Simon Property Group (NYSE: SPG)	Macerich (NYSE: MAC)	Taubman (NYSE: TCO)
Share Price (9/28/11)	$12.81	$113.60	$45.61	$53.09
FD Shares Out(mn.)	946.8	293.6	131.9	57.9
Market Capitalization	12,128.5	33,353.0	6,016.0	3,073.9
Net Debt	16,971.0	16,224.1	3,023.6	2,487.5
Enterprise Value	29,099.5	49,577.1	9,039.6	5,561.4
2011E FFO per share	$0.92	$6.80	$2.64	$2.73
P/FFO	13.9x	16.7x	17.3x	19.4x
Average, ex. GGP	*17.8x*			
2012E FFO per share	$0.98	$7.16	$3.14	$3.03
P/FFO	13.1x	15.9x	14.5x	17.5x
Average, ex. GGP	*16.0x*			

Source: Company reports, Thomson One, *Spin-Off Report* estimates.

However, upon separation investors could expect GGP's valuation multiple to expand, reflecting its better fundamentals, while Rouse's "B" mall portfolio could be viewed as a laggard relative to peers. Investment opportunities in the two entities, post-spin, should be based on fair value estimates of $14 per share for GGP and $5 per share for RSE (assuming a 1:10 RSE share distribution).

Post-Spin General Growth Properties: Valuation

If one were to undertake the exercise of valuing post-spin GGP using a capitalization rate methodology, it is possible to arrive at a fair value estimate of $15. Given that 1H 2011 results include revenue declining only 1.2% and margins contracting only 10 basis points, it seems reasonable to assume that 2011 NOI for post-spin GGP will be essentially flat versus 2010 pro forma. Further, investors could assume that moving into 2012, GGP has opportunities to further increase average rents if the current new lease/renewal trends continue, as discussed above. Thus one may assume a return to NOI growth beginning in 2012 at an approximate rate of 5%. If investors survey the current market for "A" malls, they will find the most recent transaction data available indicating cap rates hovering between 6.5% and 7.5% (see Exhibit 10). Given that the market has been discounting pre-spin GGP shares versus peers, one could assign a cap rate of 7.0% to GGP's 2011E NOI to arrive at a fair value estimate of approximately $14 (see Exhibit 11). If one were to use a cap rate such as 6.5% that is more in line with recent transactions, one could arrive at a fair value estimate of approximately $16 per share.

Exhibit 10 National Regional Mall Market: Average Overall Capitalization Rates

Quarter	Class A+	Overall Market
1Q 2009	5.92%	6.99%
2Q 2009	6.57%	7.79%
3Q 2009	6.81%	7.98%
4Q 2009	7.40%	8.06%
1Q 2010	7.33%	8.34%
2Q 2010	6.93%	7.93%
3Q 2010	6.70%	7.81%
4Q 2010	6.53%	7.58%

Source: PWC Real Estate Investor Survey.

Exhibit 11 Post-Spin GGP: NOI Valuation
($ in millions, except per share amounts)

Cap Rates	6.0%	6.5%	7.0%	7.5%	8.0%
2011 E NOI	2,085.1	2,085.1	2,085.1	2,085.1	2,085.1
Property Value	34,751.4	32,078.2	29,786.9	27,801.1	26,063.6
Less Total Debt	16,490.2	16,490.2	16,490.2	16,490.2	16,490.2
Equity Value	18,261.2	15,588.1	13,296.8	11,311.0	9,573.4
Fully Diluted Shares Out	946.8	946.8	946.8	946.8	946.8
Value per share	**$19.29**	**$16.46**	**$14.04**	**$11.95**	**$10.11**

Source: Company reports, *Spin-Off Report* estimates.

Our fair value estimate of $14 per share of GGP post-spin implies a multiple of just 16.5x projected pro forma 2011 FFO of $0.85. When taken in conjunction with a cap rate of 7.0% and a peer group average of 19.1x 2011 estimated FFO, investors could infer share price appreciation beyond our fair value estimate given the improved fundamentals upon spin-off completion. If one were to apply a peer group average multiple to GGP's 2011E FFO, one could derive a fair value estimate of $16. Further, one could argue that elimination of the Rouse portfolio makes the $0.85 FFO estimate conservative, as growth in both FFO and NOI seems like a high-probability scenario as GGP continues to refinance properties at lower interest rates, generating cash proceeds that could lead to higher than anticipated NOI growth.

As an alternative, if one were to choose to view post-spin GGP purely on the basis of a return of a shareholders' invested capital, one could view the flexibility of capital allocation as providing an additional avenue to total return. For instance, given a scenario where post-spin GGP does not receive an increased EV/EBITDA multiple to reflect operating metrics that are closer to peers, it is still reasonable to expect a decent rate of return on an investment in GGP as a standalone entity. As an example, the current $0.40 annual dividend yields 3.2% on our fair value estimate of $14. Further, management may elect to use excess funds to delever its balance sheet. Assuming 2012E performance from above, it can be inferred that management has the ability to decrease its post-spin debt by 3.2% per year using excess funds from operations net of the $0.40 annual dividend. Again assuming no change to the valuation multiple it is reasonable to assume the debt reduction will result in a 3.2% increase in equity valuation, since this would maintain the same enterprise value. Particularly of note is that this scenario provides for a 6.0% return to the investor from dividend and increased share price without any improvements in operations or rent prices which could lead to additional capital appreciation.

Further, if debt reduction were to be the avenue management pursues, it is only right to assume that interest expense savings will result in an increase in pre-tax earnings given the 5.4% weighted average interest rate. At a 5.4% average debt coupon, the first year's interest expense reduction would add another 3% to earnings, for a base expected return of 9% before the benefits of operational improvements or valuation multiple expansion. As an aside, it should be noted that post-spin GGP will have approximately $585 million in cash on its balance sheet for use at management's discretion. Shareholder return could be further increased through sizeable share repurchases or further debt reduction if management were to choose this avenue.

Rouse Properties, Inc.: Valuation

Investors likely will approach the valuation of RSE shares in a similar manner as valuation of post-spin GGP, given the similarities in the underlying REIT business. However, one should look at the Rouse valuation with greater caution given the slumping performance the company's portfolio has experienced. Given that 1H 2011 revenue has declined 10.6% and NOI margin has declined 480 basis points, investors could expect NOI to contract 15% in 2011. One could use the same recent transaction data to determine an appropriate capitalization rate of 9.0% to arrive at a fair value estimate of approximately $5 per share for RSE, assuming a distribution of 1 share of RSE for every 10 shares of GGP (see Exhibit 12).

Exhibit 12 RSE: Post-Spin Valuation
($ in millions, except per share amounts)

Cap Rates	**7.5%**	**8.0%**	**8.5%**	**9.0%**	**9.5%**
2011 E NOI	134.7	134.7	134.7	134.7	134.7
Property Value	1,795.3	1,683.1	1,584.1	1,496.1	1,417.4
Less Total Debt	1,066.4	1,066.4	1,066.4	1,066.4	1,066.4
Equity Value	729.0	616.8	517.8	429.7	351.0
Fully Diluted Shares Out	94.7	94.7	94.7	94.7	94.7
Value per share	**$7.70**	**$6.51**	**$5.47**	**$4.54**	**$3.71**

Source: Company reports, *Spin-Off Report* estimates.

Again, if one were to infer a multiple of FFO from the fair value estimate of $5, one would arrive at a multiple of just 8.6x. While investors can certainly argue that a portion of this extreme discount to peers is warranted given the low operating performance, it can also be viewed as an attractive investment opportunity.

Given management's opportunities to invest in the properties and reposition the tenant mix as leases expire, investors could argue that a higher multiple is warranted as RSE is likely to see revenue and margin improvement as a stronger consumer emerges. If one were to assign the lower cap rate of 7.5% to RSE's 2011 projected NOI, a fair value estimate of $8 per share could be reached. An estimate of $8 per share would imply a 14.6x multiple on projected FFO, still a healthy, albeit likely warranted, 23.6% discount to the peer group average discussed above.

Further, it could be taken into consideration that management is targeting 2015 NOI in excess of $200 million. Investors with a longer time horizon could apply a market capitalization ratio of 8.0% to that projection to arrive at a fair value estimate of $15, implying a compounded annual share price appreciation in excess of 24%. Investors with a longer time horizon and a positive outlook on RSE's "B" mall portfolio would find significant value in Rouse shares at our fair value estimate of $5.

Conclusion

A still choppy consumer spending environment will continue to place pressure on retail sales, resulting in a near-term difficult environment for retailers and consequently retail mall REITs such as GGP and RSE. Pre-spin GGP's current valuation already reflects the difficult operating environment. General Growth's performance is being dragged down by the "B" mall portfolio that is to be spun-off. GGP's share price of approximately $13 reflects minimal improvements in the overall pre-spin portfolio. However, one could perform an analysis of post-spin GGP and arrive at a fair value estimate of $14 when the Rouse portfolio is excluded and taking into consideration relatively stable revenue and margins while applying a capitalization rate more in line with the current market. In this scenario pre-spin GGP is essentially giving investors a free embedded call option on the Rouse portfolio.

As far as Rouse is concerned, a split from the much larger GGP portfolio will allow for what is arguably overdue investment in its properties. Rouse's geographic locations, with their minimal competition, should provide RSE with a competitive advantage to begin stabilizing revenues absent a complete collapse of the American consumer. Using a capitalization rate of 9.0%, well above the current industry average, investors can reach a $5 fair value estimate (assuming a 1:10 distribution) even when forecasting a significant decline in 2011 NOI. Investors with a longer time horizon would likely value shares using a rebound in net operating income and a lower capitalization rate to reflect management's planned investment in the portfolio. An optimistic fair value estimate approaching $15 could be reached when considering managements targeted $200 million in NOI in 2015.

A sum-of-the-parts valuation using our fair value estimates implies 17% near-term upside potential for the current $13 GGP share price. However, investors with a longer investment time horizon, likely greater than two years, could see significant share price appreciation in both post-spin GGP and RSE as business fundamentals improve.

Exhibit 13 Rouse Properties: Consolidated Income Statement
($ in thousands)

	2010	2009	2008
Revenues:			
Minimum rents	$ 170,154	$ 184,330	$ 204,783
Tenant recoveries	73,885	80,511	89,665
Overage rents	4,598	4,406	5,840
Other	6,644	6,985	8,468
Total revenues	255,281	276,232	308,756
Expenses:			
Real estate taxes	23,641	24,590	24,236
Property maintenance costs	12,534	12,269	11,584
Marketing	3,739	3,452	5,005
Other property operating costs	54,405	55,337	60,567
Provision for doubtful accounts	2,631	2,659	1,836
Property management and other costs	8,372	7,282	6,601
Strategic initiatives	-	4,471	213
Provisions for impairment	-	81,854	5,941
Depreciation and amortization	64,432	74,193	67,689
Other	329	-	-
Total expenses	170,083	266,107	183,672
Operating income	85,198	10,125	125,084
Interest income	57	18	78
Interest expense	(99,048)	(72,089)	(75,605)
(Loss) income before income taxes and reorganization items	(13,793)	(61,946)	49,557
Provision for income taxes	(588)	(877)	(467)
Reorganization items	(9,515)	32,671	-
Net (loss) income	$ (23,896)	$ (30,152)	$ 49,090

Source: Company reports.

Exhibit 14 Rouse Properties: Consolidated Balance Sheet
($ in thousands)

	6/30/2011
Assets:	
Investment in real estate:	
Land	299,941
Buildings and equipment	1,151,602
Less accumulated depreciation	(41,716
Developments in progress	826
Net investment in real estate	1,410,653
Cash and cash equivalents	131
Accounts and notes receivable, net	12,403
Deferred expenses, net	21,052
Prepaid expenses and other assets	159,893
Total assets	1,604,132
Liabilities:	
Mortgages, notes and loans payable	1,066,373
Accounts payable and accrued expenses	88,429
Total liabilities	1,154,802
Equity:	
GGP equity	449,330
Total liabilities and equity	1,604,132

Source: Company reports.