

MACERICH CO
Form 10-Q
November 03, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2017
Commission File No. 1-12504

THE MACERICH COMPANY

(Exact name of registrant as specified in its charter)

MARYLAND 95-4448705

(State or other jurisdiction of
incorporation or organization) (I.R.S. Employer Identification Number)

401 Wilshire Boulevard, Suite 700, Santa Monica, California 90401

(Address of principal executive office, including zip code)

(310) 394-6000

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since
last report)

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 twelve (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 ninety (90) days.

YES ☒ NO ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding twelve (12) months (or for such shorter period that the registrant was required to submit and post such files).

YES ☒ NO ☐

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 definitions of large accelerated filer, accelerated filer, smaller reporting company and emerging growth company in Rule 12b-2 of the Exchange Act.

Non-accelerated filer ☐

Large accelerated filer ☒ Accelerated filer ☐ (Do not check if a smaller
reporting company) 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 Exchange Act).

YES ☐ NO ☒

Number of shares outstanding as of November 2, 2017 of the registrant's common stock, par value \$0.01 per share:
140,772,872 shares

THE MACERICH COMPANY
FORM 10-Q
INDEX

Part I Financial Information

<u>Item 1.</u>	<u>Financial Statements (Unaudited)</u>	<u>3</u>
	<u>Consolidated Balance Sheets as of September 30, 2017 and December 31, 2016</u>	<u>3</u>
	<u>Consolidated Statements of Operations for the three and nine months ended September 30, 2017 and 2016</u>	<u>4</u>
	<u>Consolidated Statement of Equity for the nine months ended September 30, 2017</u>	<u>5</u>
	<u>Consolidated Statements of Cash Flows for the nine months ended September 30, 2017 and 2016</u>	<u>6</u>
	<u>Notes to Consolidated Financial Statements</u>	<u>8</u>
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>28</u>
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>43</u>
<u>Item 4.</u>	<u>Controls and Procedures</u>	<u>44</u>
Part II Other Information		
<u>Item 1.</u>	<u>Legal Proceedings</u>	<u>45</u>
<u>Item 1A.</u>	<u>Risk Factors</u>	<u>45</u>
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>45</u>
<u>Item 3.</u>	<u>Defaults Upon Senior Securities</u>	<u>45</u>
<u>Item 4.</u>	<u>Mine Safety Disclosures</u>	<u>45</u>
<u>Item 5.</u>	<u>Other Information</u>	<u>45</u>
<u>Item 6.</u>	<u>Exhibits</u>	<u>47</u>
	<u>Signature</u>	<u>48</u>

Table of Contents

THE MACERICH COMPANY
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except par value)
(Unaudited)

	September 30, 2017	December 31, 2016
ASSETS:		
Property, net	\$ 7,164,649	\$ 7,357,310
Cash and cash equivalents	71,088	94,046
Restricted cash	50,736	49,951
Tenant and other receivables, net	111,153	136,998
Deferred charges and other assets, net	439,495	478,058
Due from affiliates	81,184	68,227
Investments in unconsolidated joint ventures	1,688,606	1,773,558
Total assets	\$ 9,606,911	\$ 9,958,148
LIABILITIES AND EQUITY:		
Mortgage notes payable:		
Related parties	\$ 172,810	\$ 176,442
Others	3,910,864	3,908,976
Total	4,083,674	4,085,418
Bank and other notes payable	966,757	880,482
Accounts payable and accrued expenses	69,617	61,316
Other accrued liabilities	302,082	366,165
Distributions in excess of investments in unconsolidated joint ventures	88,569	78,626
Co-venture obligation	59,118	58,973
Total liabilities	5,569,817	5,530,980
Commitments and contingencies		
Equity:		
Stockholders' equity:		
Common stock, \$0.01 par value, 250,000,000 shares authorized, 140,918,189 and 143,985,036 shares issued and outstanding at September 30, 2017 and December 31, 2016, respectively	1,409	1,440
Additional paid-in capital	4,503,670	4,593,229
Accumulated deficit	(758,758)	(488,782)
Total stockholders' equity	3,746,321	4,105,887
Noncontrolling interests	290,773	321,281
Total equity	4,037,094	4,427,168
Total liabilities and equity	\$ 9,606,911	\$ 9,958,148

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

THE MACERICH COMPANY
CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in thousands, except per share amounts)

(Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2017	2016	2017	2016
Revenues:				
Minimum rents	\$ 144,991	\$ 154,018	\$ 443,439	\$ 457,514
Percentage rents	2,806	3,871	6,784	9,279
Tenant recoveries	72,897	74,447	214,257	230,568
Other	11,701	12,048	40,484	42,985
Management Companies	10,056	8,983	31,955	28,925
Total revenues	242,451	253,367	736,919	769,271
Expenses:				
Shopping center and operating expenses	75,598	76,310	222,527	229,544
Management Companies' operating expenses	22,046	23,285	76,779	75,484
REIT general and administrative expenses	5,287	6,930	21,208	23,240
Depreciation and amortization	83,147	86,976	249,463	259,097
	186,078	193,501	569,977	587,365
Interest expense:				
Related parties	2,175	2,224	6,567	6,752
Other	41,090	37,759	120,320	114,202
	43,265	39,983	126,887	120,954
Gain on extinguishment of debt, net	—	(5,284)) —	(1,709)
Total expenses	229,343	228,200	696,864	706,610
Equity in income of unconsolidated joint ventures	23,993	11,261	56,772	37,537
Co-venture expense	(3,150)	(3,006)) (11,150)	(9,507)
Income tax (expense) benefit	(2,869)	(905)) 178	(2,736)
(Loss) gain on sale or write down of assets, net	(11,854)	(19,321)) 37,234	426,050
Net income	19,228	13,196	123,089	514,005
Less net income (loss) attributable to noncontrolling interests	1,730	(534)) 9,710	34,138
Net income attributable to the Company	\$ 17,498	\$ 13,730	\$ 113,379	\$ 479,867
Earnings per common share—net income attributable to common stockholders:				
Basic	\$ 0.12	\$ 0.09	\$ 0.79	\$ 3.25
Diluted	\$ 0.12	\$ 0.09	\$ 0.79	\$ 3.25
Weighted average number of common shares outstanding:				
Basic	141,299,000	143,923,000	142,188,000	147,504,000
Diluted	141,310,000	144,036,000	142,223,000	147,630,000

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

THE MACERICH COMPANY
CONSOLIDATED STATEMENT OF EQUITY
(Dollars in thousands, except per share data)
(Unaudited)

	Stockholders' Equity		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity	Noncontrolling Interests	Total Equity
	Common Stock Shares	Par Value					
Balance at January 1, 2017	143,985,036	\$ 1,440	\$ 4,593,229	\$ (488,782)	\$ 4,105,887	\$ 321,281	\$ 4,427,168
Net income	—	—	—	113,379	113,379	9,710	123,089
Cumulative effect of adoption of ASU 2016-09	—	—	—	6,484	6,484	—	6,484
Amortization of share and unit-based plans	87,632	1	30,436	—	30,437	—	30,437
Employee stock purchases	20,443	—	986	—	986	—	986
Stock repurchases	(3,627,390)	(36)	(135,176)	(86,216)	(221,428)	—	(221,428)
Distributions declared (\$2.13) per share	—	—	—	(303,623)	(303,623)	—	(303,623)
Distributions to noncontrolling interests	—	—	—	—	—	(25,110)	(25,110)
Conversion of noncontrolling interests to common shares	452,468	4	15,191	—	15,195	(15,195)	—
Redemption of noncontrolling interests	—	—	(608)	—	(608)	(301)	(909)
Adjustment of noncontrolling interests in Operating Partnership	—	—	(388)	—	(388)	388	—
Balance at September 30, 2017	140,918,189	\$ 1,409	\$ 4,503,670	\$ (758,758)	\$ 3,746,321	\$ 290,773	\$ 4,037,094

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

THE MACERICH COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)
(Unaudited)

	For the Nine Months Ended September 30,	
	2017	2016
Cash flows from operating activities:		
Net income	\$ 123,089	\$ 514,005
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on early extinguishment of debt, net	—	(1,709)
Gain on sale or write down of assets, net	(37,234)	(426,050)
Depreciation and amortization	253,793	263,514
Amortization of net premium on mortgage notes payable	(2,799)	(3,082)
Amortization of share and unit-based plans	25,159	27,643
Straight-line rent adjustment	(7,502)	(3,449)
Amortization of above and below-market leases	(408)	(9,115)
Provision for doubtful accounts	3,806	2,460
Income tax (benefit) expense	(178)	2,736
Equity in income of unconsolidated joint ventures	(56,772)	(37,537)
Distributions of income from unconsolidated joint ventures	—	5,607
Co-venture expense	11,150	9,507
Changes in assets and liabilities, net of acquisitions and dispositions:		
Tenant and other receivables	838	2,370
Other assets	11,743	(6,100)
Due from affiliates	(13,004)	14,729
Accounts payable and accrued expenses	11,263	(6,459)
Other accrued liabilities	(23,094)	(17,983)
Net cash provided by operating activities	299,850	331,087
Cash flows from investing activities:		
Development, redevelopment, expansion and renovation of properties	(90,758)	(153,131)
Property improvements	(34,425)	(24,638)
Proceeds from repayment of notes receivable	628	3,361
Deferred leasing costs	(25,045)	(21,326)
Distributions from unconsolidated joint ventures	226,152	411,405
Contributions to unconsolidated joint ventures	(80,332)	(404,283)
Proceeds from sale of assets	168,471	696,716
Restricted cash	(785)	(13,978)
Net cash provided by investing activities	163,906	494,126

Table of Contents

THE MACERICH COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
(Dollars in thousands)
(Unaudited)

	For the Nine Months Ended September 30,	
	2017	2016
Cash flows from financing activities:		
Proceeds from mortgages, bank and other notes payable	510,000	2,716,138
Payments on mortgages, bank and other notes payable	(424,439)	(2,024,965)
Deferred financing costs	(2,586)	(8,822)
Payment of finance deposits	(8,600)	(7,200)
Proceeds from share and unit-based plans	986	834
Payment of debt extinguishment costs	—	(12,028)
Stock repurchases	(221,428)	(800,018)
Redemption of noncontrolling interests	(909)	(30)
Settlement of contingent consideration	—	(10,012)
Dividends and distributions	(328,733)	(667,785)
Distributions to co-venture partner	(11,005)	(13,654)
Net cash used in financing activities	(486,714)	(827,542)
Net decrease in cash and cash equivalents	(22,958)	(2,329)
Cash and cash equivalents, beginning of period	94,046	86,510
Cash and cash equivalents, end of period	\$71,088	\$84,181
Supplemental cash flow information:		
Cash payments for interest, net of amounts capitalized	\$124,686	\$113,187
Non-cash investing and financing transactions:		
Accrued development costs included in accounts payable and accrued expenses and other accrued liabilities	\$30,706	\$29,777
Mortgage notes payable assumed in exchange for investments in unconsolidated joint ventures	\$—	\$997,695
Mortgage note payable settled by deed-in-lieu of foreclosure	\$—	\$37,000
Conversion of Operating Partnership Units to common stock	\$15,195	\$10,720
The accompanying notes are an integral part of these consolidated financial statements.		

Table of Contents

THE MACERICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands, except per share amounts)

(Unaudited)

1. Organization:

The Macerich Company (the "Company") is involved in the acquisition, ownership, development, redevelopment, management and leasing of regional and community/power shopping centers (the "Centers") located throughout the United States.

The Company commenced operations effective with the completion of its initial public offering on March 16, 1994. As of September 30, 2017, the Company was the sole general partner of and held a 93% ownership interest in The Macerich Partnership, L.P. (the "Operating Partnership"). The Company was organized to qualify as a real estate investment trust ("REIT") under the Internal Revenue Code of 1986, as amended (the "Code").

The property management, leasing and redevelopment of the Company's portfolio is provided by the Company's management companies, Macerich Property Management Company, LLC, a single member Delaware limited liability company, Macerich Management Company, a California corporation, Macerich Arizona Partners LLC, a single member Arizona limited liability company, Macerich Arizona Management LLC, a single member Delaware limited liability company, Macerich Partners of Colorado LLC, a single member Colorado limited liability company, MACW Mall Management, Inc., a New York corporation, and MACW Property Management, LLC, a single member New York limited liability company. All seven of the management companies are collectively referred to herein as the "Management Companies."

All references to the Company in this Quarterly Report on Form 10-Q include the Company, those entities owned or controlled by the Company and predecessors of the Company, unless the context indicates otherwise.

2. Summary of Significant Accounting Policies:

Basis of Presentation:

The accompanying consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles in the United States ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. They do not include all of the information and footnotes required by GAAP for complete financial statements and have not been audited by an independent registered public accounting firm.

The Company's sole significant asset is its investment in the Operating Partnership and as a result, substantially all of the Company's assets and liabilities represent the assets and liabilities of the Operating Partnership. In addition, the Operating Partnership has investments in a number of variable interest entities ("VIEs").

The Operating Partnership's VIEs included the following assets and liabilities:

	September 30, 2017	December 31, 2016
Assets:		
Property, net	\$ 300,149	\$ 307,582
Other assets	70,881	68,863
Total assets	\$ 371,030	\$ 376,445
Liabilities:		
Mortgage notes payable	\$ 130,403	\$ 133,245
Other liabilities	77,272	75,913
Total liabilities	\$ 207,675	\$ 209,158

All intercompany accounts and transactions have been eliminated in the consolidated financial statements.

Table of Contents

THE MACERICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

2. Summary of Significant Accounting Policies: (Continued)

The unaudited interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2016. In the opinion of management, all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the consolidated financial statements for the interim periods have been made. The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The accompanying consolidated balance sheet as of December 31, 2016 has been derived from the audited financial statements but does not include all disclosures required by GAAP.

Recent Accounting Pronouncements:

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, "Revenue From Contracts With Customers," which outlines a comprehensive model for entities to use in accounting for revenue arising from contracts with customers. ASU 2014-09 states that "an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services." While ASU 2014-09 specifically references contracts with customers, it may apply to certain other transactions such as the sale of real estate or equipment. ASU 2014-09 is effective for the Company beginning January 1, 2018, with early adoption permitted beginning January 1, 2017. The Company has evaluated each of its revenue streams and related accounting policies under the standard. The standard will initially apply to the Company's recognition of management companies and other revenues. This standard will not apply to the Company's recognition of tenant recoveries until January 1, 2019, when it adopts ASU 2016-02, "Leases (Topic 842)", as discussed below. Upon adoption of the standard, the Company has determined that the pattern of revenue recognition for management companies and other revenues will not change. Additionally, the Company will account for its joint venture in Chandler Fashion Center and Freehold Raceway Mall (See Note 10—Co-Venture Arrangement) as a financing arrangement. As a result, the Company will replace the co-venture obligation on its consolidated balance sheet with a financing arrangement liability. The financing arrangement liability will be recorded at fair value upon adoption with any subsequent changes in fair value recognized as interest expense in its consolidated statements of operations.

In February 2016, the FASB issued ASU 2016-02, which sets out principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The standard requires that lessors expense, on an as-incurred basis, certain initial direct costs that are not incremental in negotiating a lease. Under existing standards, certain of these costs are capitalizable and therefore this new standard may result in certain of these costs being expensed as incurred after adoption. Additionally, under the standard, certain common area maintenance recoveries must be accounted for as a non-lease component. The Company will evaluate whether bifurcating common area maintenance will affect the timing or recognition of such revenues.

Under ASU 2016-02, lessees apply a dual approach, classifying leases as either finance or operating leases. A lessee is required to record a right-of-use asset and a lease liability for all leases with a term of greater than twelve months, regardless of their lease classification. The Company is a lessee on ground leases at certain properties, on certain office space leases and on certain other improvements and equipment. ASU 2016-02 will impact the accounting and disclosure requirements for these leases. ASU 2016-02 is effective for the Company under a modified retrospective approach beginning January 1, 2019. The Company is evaluating the impact of the adoption of this standard on its consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, "Compensation-Stock Compensation (Topic 718)," which amended the accounting for share-based payments, including the income tax consequences, classification of awards and

classification on the statement of cash flows. The Company's adoption of this standard on January 1, 2017 under the modified retrospective method resulted in the recognition of excess tax benefits of \$6,484 as a cumulative effect adjustment, which reduced its accumulated deficit and increased its deferred tax assets by the same amount.

Table of Contents

THE MACERICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

2. Summary of Significant Accounting Policies: (Continued)

Recent Accounting Pronouncements: (Continued)

In August 2016, the FASB issued ASU 2016-15, "Statement of Cash flows (Topic 230)," which amended the accounting for the statement of cash flows by providing guidance on how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The Company's adoption of this standard on January 1, 2017 resulted in the reclassification of \$12,028 of debt extinguishment costs from operating activities to financing activities on its consolidated statement of cash flows for the nine months ended September 30, 2016.

On November 17, 2016, the FASB issued ASU 2016-18, "Restricted Cash," which requires that the statement of cash flows explain the change during a reporting period in the total of cash, cash equivalents, and amounts generally described as restricted cash and restricted cash equivalents. This standard states that transfers between cash, cash equivalents, and restricted cash are not part of the entity's operating, investing, and financing activities. Therefore, restricted cash should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. ASU 2016-18 is effective for the Company beginning January 1, 2018 with early adoption permitted. The Company does not believe that the adoption of ASU 2016-18 will have a significant impact on its consolidated statements of cash flows.

On January 5, 2017, the FASB issued ASU 2017-01, "Business Combinations," which clarifies the definition of a business. The objective of the standard is to add further guidance that assists entities in evaluating whether a transaction will be accounted for as an acquisition of an asset or a business. The guidance requires an entity to evaluate if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets. If so, the set of transferred assets and activities are not a business. The guidance also requires a business to include at least one substantive process and narrows the definition of outputs. ASU 2017-01 is effective for the Company beginning January 1, 2018 with early adoption permitted using a prospective transition method. The Company does not believe that the adoption of 2017-01 will have a significant impact on its consolidated financial statements.

In February 2017, the FASB issued ASU No. 2017-05, "Other Income-Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets," which clarifies the scope of asset derecognition and adds further guidance for recognizing gains and losses from the transfer of nonfinancial assets in contracts with non-customers. The Company is required to adopt ASU 2017-05 beginning January 1, 2018 with early adoption permitted. The Company does not believe that the adoption of ASU No. 2017-05 will have a significant impact on its consolidated financial statements.

Table of Contents

THE MACERICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

3. Earnings per Share ("EPS"):

The following table reconciles the numerator and denominator used in the computation of EPS for the three and nine months ended September 30, 2017 and 2016 (shares in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2017	2016	2017	2016
Numerator				
Net income	\$19,228	\$13,196	\$123,089	\$514,005
Net income attributable to noncontrolling interests	(1,730)	534	(9,710)	(34,138)
Net income attributable to the Company	17,498	13,730	113,379	479,867
Allocation of earnings to participating securities	(193)	(170)	(567)	(586)
Numerator for basic and diluted EPS—net income attributable to common stockholders	\$17,305	\$13,560	\$112,812	\$479,281
Denominator				
Denominator for basic EPS—weighted average number of common shares outstanding	141,299	143,923	142,188	147,504
Effect of dilutive securities(1):				
Share and unit-based compensation plans	11	113	35	126
Denominator for diluted EPS—weighted average number of common shares outstanding	141,310	144,036	142,223	147,630
Earnings per common share—net income attributable to common stockholders:				
Basic	\$0.12	\$0.09	\$0.79	\$3.25
Diluted	\$0.12	\$0.09	\$0.79	\$3.25

Diluted EPS excludes 90,619 and 138,759 convertible preferred partnership units for the three months ended (1) September 30, 2017 and 2016, respectively, and 90,619 and 138,759 convertible preferred partnership units for the nine months ended September 30, 2017 and 2016, respectively, as their impact was antidilutive.

Diluted EPS excludes 10,324,376 and 10,666,565 Operating Partnership units ("OP Units") for the three months ended September 30, 2017 and 2016, respectively, and 10,479,806 and 10,773,029 OP Units for the nine months ended September 30, 2017 and 2016, respectively, as their impact was antidilutive.

Table of Contents

THE MACERICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

4. Investments in Unconsolidated Joint Ventures:

The Company has made the following recent investments and dispositions in its unconsolidated joint ventures:

On January 6, 2016, the Company sold a 40% ownership interest in Arrowhead Towne Center, a 1,197,000 square foot regional shopping center in Glendale, Arizona, for \$289,496, resulting in a gain on the sale of assets of \$101,629. The sales price was funded by a cash payment of \$129,496 and the assumption of a pro rata share of the mortgage note payable on the property of \$160,000. The Company used the cash proceeds from the sale to pay down its line of credit and for general corporate purposes, which included funding the Special Dividend (See Note 12—Stockholders' Equity). Upon completion of the sale of the ownership interest, the Company no longer has a controlling interest in the joint venture due to the substantive participation rights of the outside partner. Accordingly, the Company accounts for its investment in Arrowhead Towne Center under the equity method of accounting.

On January 14, 2016, the Company formed a joint venture, whereby the Company sold a 49% ownership interest in Deptford Mall, a 1,040,000 square foot regional shopping center in Deptford, New Jersey; FlatIron Crossing, a 1,432,000 square foot regional shopping center in Broomfield, Colorado; and Twenty Ninth Street, an 847,000 square foot regional shopping center in Boulder, Colorado (the "MAC Heitman Portfolio"), for \$771,478, resulting in a gain on the sale of assets of \$340,734. The sales price was funded by a cash payment of \$478,608 and the assumption of a pro rata share of the mortgage notes payable on the properties of \$292,870. The Company used the cash proceeds from the sale to pay down its line of credit and for general corporate purposes. Upon completion of the sale of the ownership interest, the Company no longer has a controlling interest in the joint venture due to the substantive participation rights of the outside partner. Accordingly, the Company accounts for its investment in the MAC Heitman Portfolio under the equity method of accounting.

On March 1, 2016, the Company, through a 50/50 joint venture, acquired Country Club Plaza, a 1,001,000 square foot regional shopping center in Kansas City, Missouri, for a purchase price of \$660,000. The Company funded its pro rata share of the purchase price of \$330,000 from borrowings under its line of credit. On March 28, 2016, the joint venture placed a \$320,000 loan on the property that bears interest at an effective rate of 3.88% and matures on April 1, 2026. The Company used its pro rata share of the proceeds to pay down its line of credit and for general corporate purposes. On March 17, 2017, the Company's joint venture in Country Club Plaza sold an office building for \$78,000, resulting in a gain on sale of assets of \$4,580. The Company's pro rata share of the gain on the sale of assets of \$2,290 was included in equity in income from joint ventures. The Company used its share of the proceeds to fund repurchases under the 2017 Stock Buyback Program (See Note 12—Stockholders' Equity).

On September 18, 2017, the Company's joint venture in Fashion District Philadelphia sold an office building for \$61,500, resulting in a gain on sale of assets of \$13,426. The Company's pro rata share of the gain on the sale of assets of \$6,713 was included in equity in income from joint ventures. The Company used its share of the proceeds to fund repurchases under the 2017 Stock Buyback Program (See Note 12—Stockholders' Equity).

Table of Contents

THE MACERICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

4. Investments in Unconsolidated Joint Ventures: (Continued)

Combined and condensed balance sheets and statements of operations are presented below for all unconsolidated joint ventures.

Combined and Condensed Balance Sheets of Unconsolidated Joint Ventures:

	September 30, 2017	December 31, 2016
Assets(1):		
Property, net	\$ 9,058,868	\$ 9,176,642
Other assets	655,905	614,607
Total assets	\$ 9,714,773	\$ 9,791,249
Liabilities and partners' capital(1):		
Mortgage and other notes payable(2)	\$ 5,311,238	\$ 5,224,713
Other liabilities	438,235	403,369
Company's capital	2,166,954	2,279,819
Outside partners' capital	1,798,346	1,883,348
Total liabilities and partners' capital	\$ 9,714,773	\$ 9,791,249
Investments in unconsolidated joint ventures:		
Company's capital	\$ 2,166,954	\$ 2,279,819
Basis adjustment(3)	(566,917)	(584,887)
	\$ 1,600,037	\$ 1,694,932
Assets—Investments in unconsolidated joint ventures	\$ 1,688,606	\$ 1,773,558
Liabilities—Distributions in excess of investments in unconsolidated joint ventures	(88,569)	(78,626)
	\$ 1,600,037	\$ 1,694,932

These amounts include the assets of \$3,120,534 and \$3,179,255 of Pacific Premier Retail LLC (the "PPR (1)Portfolio") as of September 30, 2017 and December 31, 2016, respectively, and liabilities of \$1,878,719 and \$1,887,952 of the PPR Portfolio as of September 30, 2017 and December 31, 2016, respectively.

Included in mortgage and other notes payable are amounts due to an affiliate of Northwestern Mutual Life ("NML") of \$484,716 and \$265,863 as of September 30, 2017 and December 31, 2016, respectively. NML is considered a related party because it is a joint venture partner with the Company in Macerich Northwestern (2) Associates—Broadway Plaza. Interest expense on these borrowings was \$4,903 and \$2,775 for the three months ended September 30, 2017 and 2016, respectively, and \$12,992 and \$14,133 for the nine months ended September 30, 2017 and 2016, respectively.

The Company amortizes the difference between the cost of its investments in unconsolidated joint ventures and the book value of the underlying equity into income on a straight-line basis consistent with the lives of the underlying (3) assets. The amortization of this difference was \$4,227 and \$4,988 for the three months ended September 30, 2017 and 2016, respectively, and \$12,451 and \$14,114 for the nine months ended September 30, 2017 and 2016, respectively.

Table of Contents

THE MACERICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

4. Investments in Unconsolidated Joint Ventures: (Continued)

Combined and Condensed Statements of Operations of Unconsolidated Joint Ventures:

	PPR Portfolio	Other Joint Ventures	Total
Three Months Ended September 30, 2017			
Revenues:			
Minimum rents	\$35,052	\$123,663	\$158,715
Percentage rents	903	3,953	4,856
Tenant recoveries	12,015	47,841	59,856
Other	1,713	12,329	14,042
Total revenues	49,683	187,786	237,469
Expenses:			
Shopping center and operating expenses	10,591	60,394	70,985
Interest expense	16,890	33,214	50,104
Depreciation and amortization	25,449	62,958	88,407
Total operating expenses	52,930	156,566	209,496
Gain on sale or write down of assets, net	—	13,426	13,426
Net (loss) income	\$(3,247)	\$44,646	\$41,399
Company's equity in net income	\$620	\$23,373	\$23,993
Three Months Ended September 30, 2016			
Revenues:			
Minimum rents	\$33,332	\$121,109	\$154,441
Percentage rents	1,117	4,228	5,345
Tenant recoveries	11,933	48,540	60,473
Other	987	11,697	12,684
Total revenues	47,369	185,574	232,943
Expenses:			
Shopping center and operating expenses	9,897	61,335	71,232
Interest expense	16,688	32,126	48,814
Depreciation and amortization	27,091	70,030	97,121
Total operating expenses	53,676	163,491	217,167
Loss on sale or write down of assets, net	—	(343)	(343)
Net (loss) income	\$(6,307)	\$21,740	\$15,433
Company's equity in net (loss) income	\$(871)	\$12,132	\$11,261

Table of Contents

THE MACERICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

4. Investments in Unconsolidated Joint Ventures: (Continued)

	PPR Portfolio	Other Joint Ventures	Total
Nine Months Ended September 30, 2017			
Revenues:			
Minimum rents	\$ 100,633	\$ 373,931	\$ 474,564
Percentage rents	1,854	7,817	9,671
Tenant recoveries	34,827	141,875	176,702
Other	4,141	36,857	40,998
Total revenues	141,455	560,480	701,935
Expenses:			
Shopping center and operating expenses	30,062	181,475	211,537
Interest expense	50,291	98,469	148,760
Depreciation and amortization	76,527	187,927	264,454
Total operating expenses	156,880	467,871	624,751
(Loss) gain on sale or write down of assets, net	(35)	18,005	17,970
Net (loss) income	\$(15,460)	\$ 110,614	\$ 95,154
Company's equity in net (loss) income	\$(1,376)	\$ 58,148	\$ 56,772
Nine Months Ended September 30, 2016			
Revenues:			
Minimum rents	\$ 95,389	\$ 347,146	\$ 442,535
Percentage rents	2,219	8,605	10,824
Tenant recoveries	35,828	138,635	174,463
Other	4,514	34,801	39,315
Total revenues	137,950	529,187	667,137
Expenses:			
Shopping center and operating expenses	28,997	173,563	202,560
Interest expense	47,957	91,130	139,087
Depreciation and amortization	81,971	187,327	269,298
Total operating expenses	158,925	452,020	610,945
Loss on sale or write down of assets, net	—	(343)	(343)
Net (loss) income	\$(20,975)	\$ 76,824	\$ 55,849
Company's equity in net (loss) income	\$(3,845)	\$ 41,382	\$ 37,537

Significant accounting policies used by the unconsolidated joint ventures are similar to those used by the Company.

Table of Contents

THE MACERICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

5. Property, net:

Property, net consists of the following:

	September 30, 2017	December 31, 2016
Land	\$ 1,578,877	\$ 1,607,590
Buildings and improvements	6,412,728	6,511,741
Tenant improvements	613,854	622,878
Equipment and furnishings	184,379	177,036
Construction in progress	342,539	289,966
	9,132,377	9,209,211
Less accumulated depreciation	(1,967,728)	(1,851,901)
	\$ 7,164,649	\$ 7,357,310

Depreciation expense was \$69,343 and \$68,792 for the three months ended September 30, 2017 and 2016, respectively, and \$207,663 and \$206,870 for the nine months ended September 30, 2017 and 2016, respectively.

The (loss) gain on sale or write down of assets, net was \$(11,854) and \$(19,321) for the three months ended September 30, 2017 and 2016, respectively, and \$37,234 and \$426,050 for the nine months ended September 30, 2017 and 2016, respectively.

The (loss) gain on sale or write down of assets, net for the nine months ended September 30, 2017 includes a gain of \$59,698 on the sale of Cascade Mall and Northgate Mall (See Note 14—Dispositions) offset in part by a loss of \$10,138 on the write down of an investment in non-real estate assets.

The (loss) gain on sale or write down of assets, net for the nine months ended September 30, 2016 includes a gain of \$101,629 on the sale of a 40% ownership interest in Arrowhead Towne Center (See Note 4—Investments in Unconsolidated Joint Ventures), a gain of \$340,734 on the sale of a 49% ownership interest in the MAC Heitman Portfolio (See Note 4—Investments in Unconsolidated Joint Ventures), a gain of \$24,894 on the sale of Capitola Mall (See Note 14—Dispositions), a loss of \$3,066 on the sale of a former Mervyn's store (See Note 14—Dispositions) and a loss of \$12,180 on an adjustment to contingent consideration (See Note 13—Acquisitions).

The (loss) gain on sale or write down of assets, net also includes impairment losses of \$12,036 on Southridge Center for the three and nine months ended September 30, 2017, \$23,335 on Promenade at Casa Grande for the three and nine months ended September 30, 2016 and \$7,188 on The Marketplace at Flagstaff for the nine months ended September 30, 2016. The impairment losses are due to the reduction of the estimated holding period of the properties. The following table summarizes certain of the Company's assets that were measured on a nonrecurring basis as a result of impairment charges recorded for the three and nine months ended September 30, 2017 and 2016 as described above:

Total Fair Value Measurement	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Unobservable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2017 \$ 11,500	\$ —	\$ 11,500	\$ —
2016 \$ 66,000	\$ —	\$ —	\$ 66,000

Table of Contents

THE MACERICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

5. Property, net: (Continued)

The fair value relating to impairment assessments were based upon a discounted cash flow model that includes all cash inflows and outflows over a specific holding period, or the negotiated sales price, if applicable. Projected cash flows are comprised of contractual rental revenues and forecasted rental revenues and expenses based upon market conditions and expectations for growth. Terminal capitalization rates and discount rates utilized in these models are based on a reasonable range of current market rates for each property analyzed. Based upon these inputs, the Company determined that its valuations of properties using a discounted cash flow model are classified within Level 3 of the fair value hierarchy.

The following table sets forth quantitative information about the unobservable inputs of the Company's Level 3 real estate recorded as of September 30, 2016:

Terminal capitalization rate	7.0% - 8.0%
Discount rate	8.0% - 9.5%
Market rents per square foot	\$5.75 - \$20.00

6. Tenant and Other Receivables, net:

Included in tenant and other receivables, net is an allowance for doubtful accounts of \$2,559 and \$1,991 at September 30, 2017 and December 31, 2016, respectively. Also included in tenant and other receivables, net are accrued percentage rents of \$1,866 and \$9,509 at September 30, 2017 and December 31, 2016, respectively, and a deferred rent receivable due to straight-line rent adjustments of \$62,182 and \$56,761 at September 30, 2017 and December 31, 2016, respectively.

On March 17, 2014, in connection with the sale of Lake Square Mall, the Company issued a note receivable for \$6,500 that bore interest at an effective rate of 6.5%, which was collateralized by a trust deed on Lake Square Mall and that was to mature on March 17, 2018. At September 30, 2017 and December 31, 2016, the note had a balance of \$6,245 and \$6,284, respectively. On October 20, 2017, the note was repaid in full. The Company used the proceeds from the repayment for general corporate purposes.

Table of Contents

THE MACERICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

7. Deferred Charges and Other Assets, net:

Deferred charges and other assets, net consist of the following:

	September 30, 2017	December 31, 2016
Leasing	\$ 232,443	\$ 239,983
Intangible assets:		
In-place lease values	112,994	140,437
Leasing commissions and legal costs	27,621	32,384
Above-market leases	171,156	181,851
Deferred tax assets	44,964	38,301
Deferred compensation plan assets	49,430	42,711
Other assets	59,358	72,206
	697,966	747,873
Less accumulated amortization(1)	(258,471)	(269,815)
	\$ 439,495	\$ 478,058

Accumulated amortization includes \$75,818 and \$88,785 relating to in-place lease values, leasing commissions and legal costs at September 30, 2017 and December 31, 2016, respectively. Amortization expense of in-place lease (1) values, leasing commissions and legal costs was \$4,206 and \$8,983 for the three months ended September 30, 2017 and 2016, respectively, and \$15,755 and \$26,033 for the nine months ended September 30, 2017 and 2016, respectively.

The allocated values of above-market leases and below-market leases consist of the following:

	September 30, 2017	December 31, 2016
Above-Market Leases		
Original allocated value	\$ 171,156	\$ 181,851
Less accumulated amortization	(61,000)	(57,505)
	\$ 110,156	\$ 124,346
Below-Market Leases(1)		
Original allocated value	\$ 128,750	\$ 144,713
Less accumulated amortization	(57,314)	(58,400)
	\$ 71,436	\$ 86,313

(1) Below-market leases are included in other accrued liabilities.

Table of Contents

THE MACERICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

8. Mortgage Notes Payable:

Mortgage notes payable at September 30, 2017 and December 31, 2016 consist of the following:

Property Pledged as Collateral	Carrying Amount of Mortgage Notes(1)				Effective Interest Rate(2)	Monthly Debt Service(3)	Maturity Date(4)
	September 30, 2017		December 31, 2016				
	Related Party	Other	Related Party	Other			
Chandler Fashion Center(5)	\$ —	\$ 199,885	\$ —	\$ 199,833	3.77 %	\$ 625	2019
Danbury Fair Mall	105,448	105,448	107,929	107,928	5.53 %	1,538	2020
Fashion Outlets of Chicago(6)	—	199,218	—	198,966	2.90 %	457	2020
Fashion Outlets of Niagara Falls USA	—	113,534	—	115,762	4.89 %	727	2020
Freehold Raceway Mall(5)(7)	—	217,379	—	220,643	4.20 %	1,132	2018
Fresno Fashion Fair	—	323,208	—	323,062	3.67 %	971	2026
Green Acres Commons(8)	—	107,446	—	—	3.96 %	312	2021
Green Acres Mall	—	293,004	—	297,798	3.61 %	1,447	2021
Kings Plaza Shopping Center	—	449,709	—	456,958	3.67 %	2,229	2019
Northgate Mall(9)	—	—	—	63,434	—	—	—
Oaks, The	—	197,875	—	201,235	4.14 %	1,064	2022
Pacific View	—	125,136	—	127,311	4.08 %	668	2022
Queens Center	—	600,000	—	600,000	3.49 %	1,744	2025
Santa Monica Place(10)	—	215,508	—	219,564	2.99 %	1,004	2018
SanTan Village Regional Center	—	125,470	—	127,724	3.14 %	589	2019
Stonewood Center(11)	—	94,994	—	99,520	1.80 %	640	2017
Towne Mall	—	21,266	—	21,570	4.48 %	117	2022
Tucson La Encantada	67,362	—	68,513	—	4.23 %	368	2022
Victor Valley, Mall of	—	114,602	—	114,559	4.00 %	380	2024
Vintage Faire Mall	—	265,195	—	269,228	3.55 %	1,256	2026
Westside Pavilion	—	141,987	—	143,881	4.49 %	783	2022
	\$172,810	\$3,910,864	\$176,442	\$3,908,976			

The mortgage notes payable balances include the unamortized debt premiums (discounts). Debt premiums (discounts) represent the excess (deficiency) of the fair value of debt over (under) the principal value of debt assumed in various acquisitions and are amortized into interest expense over the remaining term of the related debt in a manner that approximates the effective interest method. Debt premiums (discounts) consist of the following:

Property Pledged as Collateral	September 30, 2017	December 31, 2016
Fashion Outlets of Niagara Falls USA	\$ 2,862	\$ 3,558
Stonewood Center	246	2,349
	\$ 3,108	\$ 5,907

The mortgage notes payable balances also include unamortized deferred finance costs that are amortized into interest expense over the remaining term of the related debt in a manner that approximates the effective interest method. Unamortized deferred finance costs were \$12,810 and \$12,716 at September 30, 2017 and December 31, 2016, respectively.

(2) The interest rate disclosed represents the effective interest rate, including the debt premiums (discounts) and deferred finance costs.

(3) The monthly debt service represents the payment of principal and interest.

The maturity date assumes that all extension options are fully exercised and that the Company does not opt to
(4) refinance the debt prior to these dates. These extension options are at the Company's discretion, subject to certain conditions, which the Company believes will be met.

Table of Contents

THE MACERICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

8. Mortgage Notes Payable: (Continued)

(5) A 49.9% interest in the loan has been assumed by a third party in connection with a co-venture arrangement (See Note 10—Co-Venture Arrangement).

(6) The loan bears interest at LIBOR plus 1.50% and matures on March 31, 2020. At September 30, 2017 and December 31, 2016, the total interest rate was 2.90% and 2.43%, respectively.

(7) On October 19, 2017, the joint venture replaced the existing loan on the property with a new \$400,000 loan that bears interest at 3.90% and matures on November 1, 2029 (See Note 19—Subsequent Events).

(8) On September 29, 2017, the Company placed a new \$110,000 loan on the property that bears interest at LIBOR plus 2.15% and matures on March 29, 2021. The loan can be expanded, depending on certain conditions, up to \$130,000. At September 30, 2017, the total interest rate was 3.96%.

(9) On January 18, 2017, the loan was paid off in connection with the sale of the underlying property (See Note 14—Dispositions).

(10) On October 13, 2017, the Company entered into a loan commitment with a lender to replace the existing loan on the property with a new \$300,000 five-year floating rate loan. The new loan is expected to close in the fourth quarter of 2017. The Company expects to use the excess proceeds to pay down its line of credit (See Note 19—Subsequent Events).

(11) On November 1, 2017, the Company paid off the loan on the property (See Note 19—Subsequent Events).

Most of the mortgage loan agreements contain a prepayment penalty provision for the early extinguishment of the debt.

The Company's mortgage notes payable are secured by the properties on which they are placed and are non-recourse to the Company.

The Company expects that all loan maturities during the next twelve months will be refinanced, restructured, extended and/or paid-off from the Company's line of credit or with cash on hand.

Total interest expense capitalized was \$3,428 and \$2,707 for the three months ended September 30, 2017 and 2016, respectively, and \$9,405 and \$7,572 for the nine months ended September 30, 2017 and 2016, respectively.

Related party mortgage notes payable are amounts due to an affiliate of NML. See Note 16—Related Party Transactions for interest expense associated with loans from NML.

The estimated fair value (Level 2 measurement) of mortgage notes payable at September 30, 2017 and December 31, 2016 was \$4,112,364 and \$4,126,819, respectively, based on current interest rates for comparable loans. Fair value was determined using a present value model and an interest rate that included a credit value adjustment based on the estimated value of the property that serves as collateral for the underlying debt.

9. Bank and Other Notes Payable:

Bank and other notes payable consist of the following:

Line of Credit:

The Company has a \$1,500,000 revolving line of credit that bears interest at LIBOR plus a spread of 1.30% to 1.90%, depending on the Company's overall leverage level, and matures on July 6, 2020 with a one-year extension option.

The line of credit can be expanded, depending on certain conditions, up to a total facility of \$2,000,000.

Based on the Company's leverage level as of September 30, 2017, the borrowing rate on the facility was LIBOR plus 1.45%. As of September 30, 2017 and December 31, 2016, borrowings under the line of credit, were \$970,000 and \$885,000, respectively, less unamortized deferred finance costs of \$8,176 and \$10,039, respectively, at a total interest rate of 3.01% and 2.40%, respectively. The estimated fair value (Level 2 measurement) of the line of credit at September 30, 2017 and December 31, 2016 was \$960,233 and \$865,921, respectively, based on a present value model using a credit interest rate spread offered to the Company for comparable debt.

Table of Contents

THE MACERICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

9. Bank and Other Notes Payable: (Continued)

Prasada Note:

On March 29, 2013, the Company issued a \$13,330 note payable that bears interest at 5.25% and matures on May 30, 2021. The note payable is collateralized by a portion of a development reimbursement agreement with the City of Surprise, Arizona. At September 30, 2017 and December 31, 2016, the note had a balance of \$4,933 and \$5,521, respectively. The estimated fair value (Level 2 measurement) of the note at September 30, 2017 and December 31, 2016 was \$5,067 and \$5,786, respectively, based on current interest rates for comparable notes. Fair value was determined using a present value model and an interest rate that included a credit value adjustment based on the estimated value of the collateral for the underlying debt.

As of September 30, 2017 and December 31, 2016, the Company was in compliance with all applicable financial loan covenants.

10. Co-Venture Arrangement:

On September 30, 2009, the Company formed a joint venture, whereby a third party acquired a 49.9% interest in Freehold Raceway Mall, a 1,671,000 square foot regional shopping center in Freehold, New Jersey, and Chandler Fashion Center, a 1,318,000 square foot regional shopping center in Chandler, Arizona.

As a result of the Company having certain rights under the agreement to repurchase the assets after the seventh year of the venture formation, the transaction did not qualify for sale treatment. The Company, however, is not obligated to repurchase the assets. The transaction has been accounted for as a profit-sharing arrangement, and accordingly the assets, liabilities and operations of the properties remain on the books of the Company and a co-venture obligation was established for the amount of \$168,154, representing the net cash proceeds received from the third party. The co-venture obligation is increased for the allocation of income to the co-venture partner and decreased for distributions to the co-venture partner. The co-venture obligation was \$59,118 and \$58,973 at September 30, 2017 and December 31, 2016, respectively.

11. Noncontrolling Interests:

The Company allocates net income of the Operating Partnership based on the weighted average ownership interest during the period. The net income of the Operating Partnership that is not attributable to the Company is reflected in the consolidated statements of operations as noncontrolling interests. The Company adjusts the noncontrolling interests in the Operating Partnership at the end of each period to reflect its ownership interest in the Company. The Company had a 93% ownership interest in the Operating Partnership as of September 30, 2017 and December 31, 2016. The remaining 7% limited partnership interest as of September 30, 2017 and December 31, 2016 was owned by certain of the Company's executive officers and directors, certain of their affiliates and other third party investors in the form of OP Units. The OP Units may be redeemed for shares of stock or cash, at the Company's option. The redemption value for each OP Unit as of any balance sheet date is the amount equal to the average of the closing price per share of the Company's common stock, par value \$0.01 per share, as reported on the New York Stock Exchange for the 10 trading days ending on the respective balance sheet date. Accordingly, as of September 30, 2017 and December 31, 2016, the aggregate redemption value of the then-outstanding OP Units not owned by the Company was \$555,597 and \$733,141, respectively.

The Company issued common and preferred units of MACWH, LP in April 2005 in connection with the acquisition of the Wilmorite portfolio. The common and preferred units of MACWH, LP are redeemable at the election of the holder. The Company may redeem them for cash or shares of the Company's stock at the Company's option and they are classified as permanent equity.

Included in permanent equity are outside ownership interests in various consolidated joint ventures. The joint ventures do not have rights that require the Company to redeem the ownership interests in either cash or stock.

Table of Contents

THE MACERICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

12. Stockholders' Equity:

2015 Stock Buyback Program:

On September 30, 2015, the Company's Board of Directors authorized the repurchase of up to \$1,200,000 of the Company's outstanding common shares over the period ending September 30, 2017, as market conditions warranted.

On November 12, 2015, the Company entered into an accelerated share repurchase program ("ASR") to repurchase \$400,000 of the Company's common stock. In accordance with the ASR, the Company made a prepayment of \$400,000 and received an initial share delivery of 4,140,788 shares. On January 19, 2016, the ASR was completed and the Company received delivery of an additional 970,609 shares. The average price of the 5,111,397 shares repurchased under the ASR was \$78.26 per share. The ASR was funded from proceeds in connection with the financing and sale of a 40% ownership interest in the PPR Portfolio.

On February 17, 2016, the Company entered into an ASR to repurchase an additional \$400,000 of the Company's common stock. In accordance with the ASR, the Company made a prepayment of \$400,000 and received an initial share delivery of 4,222,193 shares. On April 19, 2016, the ASR was completed and the Company received delivery of an additional 861,235 shares. The average price of the 5,083,428 shares repurchased under the ASR was \$78.69 per share. The ASR was funded from borrowings under the Company's line of credit, which had been paid down from the proceeds from the financings and sale of ownership interests in Arrowhead Towne Center and the MAC Heitman Portfolio (See Note 4—Investments in Unconsolidated Joint Ventures).

On May 9, 2016, the Company entered into an ASR to repurchase the remaining \$400,000 of the Company's common stock authorized for repurchase. In accordance with the ASR, the Company made a prepayment of \$400,000 and received an initial share delivery of 3,964,812 shares. On July 11, 2016, the ASR was completed and the Company received delivery of an additional 1,104,162 shares. The average price of the 5,068,974 shares repurchased under the ASR was \$78.91 per share. The ASR was funded from borrowings under the Company's line of credit, which had been paid down from the proceeds from the financings and sale of ownership interests in Arrowhead Towne Center and the MAC Heitman Portfolio (See Note 4—Investments in Unconsolidated Joint Ventures).

2017 Stock Buyback Program:

On February 12, 2017, the Company's Board of Directors authorized the repurchase of up to \$500,000 of its outstanding common shares as market conditions and the Company's liquidity warrant. Repurchases may be made through open market purchases, privately negotiated transactions, structured or derivative transactions, including ASR transactions, or other methods of acquiring shares and pursuant to Rule 10b5-1 of the Securities Act of 1934, from time to time as permitted by securities laws and other legal requirements.

During the period from February 12, 2017 to September 30, 2017, the Company repurchased a total of 3,627,390 of its common shares for \$221,428, representing an average price of \$61.01 per share. The Company funded the repurchases from the net proceeds of the sale of Cascade Mall and Northgate Mall (See Note 14—Dispositions), its share of the proceeds from the sale of office buildings at Fashion District Philadelphia and Country Club Plaza (See Note 4—Investments in Unconsolidated Joint Ventures) and from borrowings under its line of credit.

Special Dividends:

On October 30, 2015, the Company declared two special dividends/distributions ("Special Dividend"), each of \$2.00 per share of common stock and per OP Unit. The first Special Dividend was paid on December 8, 2015 to common stockholders and OP Unit holders of record on November 12, 2015. The second Special Dividend was paid on January 6, 2016 to common stockholders and OP Unit holders of record on November 12, 2015. The Special Dividends were funded from proceeds in connection with the financing and sale of ownership interests in the PPR Portfolio and Arrowhead Towne Center (See Note 4—Investments in Unconsolidated Joint Ventures).

Table of Contents

THE MACERICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

12. Stockholders' Equity: (Continued)

At-The-Market Stock Offering Program ("ATM Program"):

On August 20, 2014, the Company entered into an equity distribution agreement with a number of sales agents (the "ATM Program") to issue and sell, from time to time, shares of common stock, par value \$0.01 per share, having an aggregate offering price of up to \$500,000 (the "ATM Shares"). Sales of the ATM Shares could have been made in privately negotiated transactions and/or any other method permitted by law, including sales deemed to be an "at the market" offering, which included sales made directly on the New York Stock Exchange or sales made to or through a market maker other than on an exchange. The Company agreed to pay each sales agent a commission that was not to exceed, but could have been lower than, 2% of the gross proceeds of the ATM Shares sold through such sales agent under the distribution agreement. The ATM program expired by its term in August 2017. No shares were sold under the program.