MACERICH CO
Form 10-Q
August 03, 2018

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 June 30, 2018
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 x NO o

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 x NO o

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.

| Large accelerated filer x | Accelerated filer o | Non-accelerated filer o (Do not check if a smaller reporting company) | Smaller reporting company o |
|---|---|---|---|
| | | | Emerging growth company o |

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.o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
YES o NO x

Number of shares outstanding as of August 3, 2018 of the registrant's common stock, par value $0.01 per share: 141,050,902 shares

THE MACERICH COMPANY
FORM 10-Q
INDEX


| | | |
|---|---|---|
| Part I | Financial Information | |
| Item 1. | Financial Statements (Unaudited) | 3 |
| | Consolidated Balance Sheets as of June 30, 2018 and December 31, 2017 | 3 |
| | Consolidated Statements of Operations for the three and six months ended June 30, 2018 and 2017 | 4 |
| | Consolidated Statements of Comprehensive Income (Loss) for the three and six months ended June 30, 2018 and 2017 | 5 |
| | Consolidated Statement of Equity for the six months ended June 30, 2018 | 6 |
| | Consolidated Statements of Cash Flows for the six months ended June 30, 2018 and 2017 | 7 |
| | Notes to Consolidated Financial Statements | 9 |
| Item 2. | Management's Discussion and Analysis of Financial Condition and Results of Operations | 27 |
| Item 3. | Quantitative and Qualitative Disclosures About Market Risk | 41 |
| Item 4. | Controls and Procedures | 42 |
| Part II | Other Information | |
| Item 1. | Legal Proceedings | 43 |
| Item 1A. | Risk Factors | 43 |
| Item 2. | Unregistered Sales of Equity Securities and Use of Proceeds | 43 |
| Item 3. | Defaults Upon Senior Securities | 43 |
| Item 4. | Mine Safety Disclosures | 43 |
| Item 5. | Other Information | 43 |
| Item 6. | Exhibits | 44 |
| Signature | | 45 |

Table of Contents

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

| | June 30, 2018 | December 31, 2017 |
|---|---|---|
| ASSETS: | | |
| Property, net | $6,868,844 | $7,109,230 |
| Assets held for sale | 143,327 | — |
| Cash and cash equivalents | 92,452 | 91,038 |
| Restricted cash | 50,060 | 52,067 |
| Tenant and other receivables, net | 92,143 | 112,653 |
| Deferred charges and other assets, net | 403,758 | 449,190 |
| Due from affiliates | 83,275 | 82,162 |
| Investments in unconsolidated joint ventures | 1,381,358 | 1,709,522 |
| Total assets | $9,115,217 | $9,605,862 |
| LIABILITIES AND EQUITY: | | |
| Mortgage notes payable: | | |
| Related parties | $169,038 | $171,569 |
| Others | 4,066,059 | 4,066,511 |
| Total | 4,235,097 | 4,238,080 |
| Bank and other notes payable | 732,801 | 932,184 |
| Accounts payable and accrued expenses | 57,880 | 58,412 |
| Other accrued liabilities | 292,725 | 325,701 |
| Distributions in excess of investments in unconsolidated joint ventures | 92,216 | 83,486 |
| Financing arrangement obligation | 389,323 | — |
| Total liabilities | 5,800,042 | 5,637,863 |
| Commitments and contingencies | | |
| Equity: | | |
| Stockholders' equity: | | |
| Common stock, $0.01 par value, 250,000,000 shares authorized, 141,184,335 and 140,993,985 shares issued and outstanding at June 30, 2018 and December 31, 2017, respectively | 1,412 | 1,410 |
| Additional paid-in capital | 4,558,873 | 4,510,489 |
| Accumulated deficit | (1,489,742) | (830,279) |
| Accumulated other comprehensive loss | (33) | (42) |
| Total stockholders' equity | 3,070,510 | 3,681,578 |
| Noncontrolling interests | 244,665 | 286,421 |
| Total equity | 3,315,175 | 3,967,999 |
| Total liabilities and equity | $9,115,217 | $9,605,862 |

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 June 30, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Revenues: | | | | |
| Minimum rents | $142,883 | $152,893 | $285,290 | $298,448 |
| Percentage rents | 1,515 | 2,060 | 3,399 | 3,978 |
| Tenant recoveries | 66,762 | 68,948 | 134,854 | 141,360 |
| Other | 12,889 | 13,519 | 26,698 | 28,783 |
| Management Companies | 10,496 | 10,003 | 21,038 | 21,899 |
| Total revenues | 234,545 | 247,423 | 471,279 | 494,468 |
| Expenses: | | | | |
| Shopping center and operating expenses | 68,072 | 71,032 | 142,582 | 146,929 |
| Management Companies' operating expenses | 20,966 | 26,216 | 59,289 | 54,733 |
| REIT general and administrative expenses | 4,956 | 7,458 | 12,975 | 15,921 |
| Costs related to shareholder activism | 19,369 | — | 19,369 | — |
| Depreciation and amortization | 78,868 | 83,243 | 158,805 | 166,316 |
| | 192,231 | 187,949 | 393,020 | 383,899 |
| Interest (income) expense: | | | | |
| Related parties | (2,762) | 2,181 | 7,407 | 4,392 |
| Other | 41,677 | 40,140 | 84,143 | 79,230 |
| | 38,915 | 42,321 | 91,550 | 83,622 |
| Total expenses | 231,146 | 230,270 | 484,570 | 467,521 |
| Equity in income of unconsolidated joint ventures | 15,669 | 16,936 | 32,541 | 32,779 |
| Co-venture expense | — | (4,123) | — | (8,000) |
| Income tax (expense) benefit | (684) | (437) | 2,265 | 3,047 |
| (Loss) gain on sale or write down of assets, net | (9,518) | (477) | (47,030) | 49,088 |
| Net income (loss) | 8,866 | 29,052 | (25,515) | 103,861 |
| Less net income attributable to noncontrolling interests | 1,050 | 2,414 | 242 | 7,980 |
| Net income (loss) attributable to the Company | $7,816 | $26,638 | $(25,757) | $95,881 |
| Earnings per common share—attributable to common stockholders: | | | | |
| Basic | $0.05 | $0.19 | $(0.19) | $0.67 |
| Diluted | $0.05 | $0.19 | $(0.19) | $0.67 |
| Weighted average number of common shares outstanding: | | | | |
| Basic | 141,137,000 | 141,695,000 | 141,081,000 | 142,640,000 |
| Diluted | 141,137,000 | 141,728,000 | 141,081,000 | 142,687,000 |

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

Table of Contents

THE MACERICH COMPANY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Dollars in thousands, except per share amounts)
(Unaudited)

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Net income (loss) | 8,866 | 29,052 | $(25,515) | $103,861 |
| Other comprehensive income (loss): | | | | |
| Interest rate cap | (52) | — | 9 | — |
| Comprehensive income (loss) | 8,814 | 29,052 | (25,506) | 103,861 |
| Less net income attributable to noncontrolling interests | 1,050 | 2,414 | 242 | 7,980 |
| Comprehensive income (loss) attributable to the Company | $7,764 | $26,638 | $(25,748) | $95,881 |

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 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Common Stock | | | | | | | |
| | Shares | Par Value | Additional Paid-in Capital | Accumulated Deficit | Accumulated Other Comprehensive (Loss) Income | Total Stockholders' Equity | Noncontrolling Interests | Total Equity |
| Balance at January 1, 2018 | 140,993,985 | $1,410 | $4,510,489 | $(830,279) | $ (42) | $3,681,578 | $ 286,421 | $3,967,999 |
| Net loss | — | — | — | (25,757) | — | (25,757) | 242 | (25,515) |
| Cumulative effect of adoption of ASU 2014-09 | — | — | — | (424,859) | — | (424,859) | — | (424,859) |
| Interest rate cap | — | — | — | — | 9 | 9 | — | 9 |
| Amortization of share and unit-based plans | 118,407 | 1 | 23,602 | — | — | 23,603 | — | 23,603 |
| Employee stock purchases | 17,240 | — | 806 | — | | 806 | — | 806 |
| Distributions declared ($1.48) per share | — | — | — | (208,847) | — | (208,847) | — | (208,847) |
| Distributions to noncontrolling interests | — | — | — | — | — | — | (17,898) | (17,898) |
| Conversion of noncontrolling interests to common shares | 54,703 | 1 | 74 | — | — | 75 | (75) | — |
| Redemption of noncontrolling interests | — | — | (84) | — | — | (84) | (39) | (123) |
| Adjustment of noncontrolling interests in Operating Partnership | — | — | 23,986 | — | — | 23,986 | (23,986) | — |
| Balance at June 30, 2018 | 141,184,335 | $1,412 | $4,558,873 | $(1,489,742) | $ (33) | $3,070,510 | $ 244,665 | $3,315,175 |

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 Six Months Ended June 30, | |
|---|---|---|
| | 2018 | 2017 |
| Cash flows from operating activities: | | |
| Net (loss) income | $(25,515) | $103,861 |
| Adjustments to reconcile net (loss) income to net cash provided by operating activities: | | |
| Loss (gain) on sale or write down of assets, net | 47,030 | (49,088) |
| Depreciation and amortization | 162,418 | 169,216 |
| Amortization of premium on mortgage notes payable | (463) | (1,860) |
| Amortization of share and unit-based plans | 19,090 | 19,652 |
| Straight-line rent adjustment | (5,419) | (4,544) |
| Amortization of above and below-market leases | (1,782) | (1,082) |
| Provision for doubtful accounts | 2,599 | 3,358 |
| Income tax benefit | (2,265) | (3,047) |
| Equity in income of unconsolidated joint ventures | (32,541) | (32,779) |
| Distributions of income from unconsolidated joint ventures | 669 | — |
| Change in fair value of financing arrangement obligation | (4,386) | — |
| Co-venture expense | — | 8,000 |
| Changes in assets and liabilities, net of dispositions: | | |
| Tenant and other receivables | 13,876 | 5,401 |
| Other assets | (2,676) | 2,346 |
| Due from affiliates | (1,113) | (13,365) |
| Accounts payable and accrued expenses | 4,245 | (2,002) |
| Other accrued liabilities | (8,917) | (13,840) |
| Net cash provided by operating activities | 164,850 | 190,227 |
| Cash flows from investing activities: | | |
| Development, redevelopment, expansion and renovation of properties | (98,852) | (60,603) |
| Property improvements | (17,421) | (16,750) |
| Proceeds from repayment of notes receivable | 618 | 619 |
| Deferred leasing costs | (18,323) | (19,553) |
| Distributions from unconsolidated joint ventures | 448,067 | 170,734 |
| Contributions to unconsolidated joint ventures | (75,017) | (51,303) |
| Proceeds from sale of assets | 27,063 | 167,631 |
| Net cash provided by investing activities | 266,135 | 190,775 |

Table of Contents

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

| | For the Six Months Ended June 30, | |
|---|---|---|
| | 2018 | 2017 |
| Cash flows from financing activities: | | |
| Proceeds from mortgages, bank and other notes payable | 195,000 | 300,000 |
| Payments on mortgages, bank and other notes payable | (400,338) | (279,419) |
| Deferred financing costs | (178) | (32) |
| Proceeds from share and unit-based plans | 806 | 986 |
| Stock repurchases | — | (181,740) |
| Redemption of noncontrolling interests | (123) | (85) |
| Dividends and distributions | (226,745) | (219,946) |
| Distributions to co-venture partner | — | (7,326) |
| Net cash used in financing activities | (431,578) | (387,562) |
| Net decrease in cash, cash equivalents and restricted cash | (593) | (6,560) |
| Cash, cash equivalents and restricted cash, beginning of period | 143,105 | 143,997 |
| Cash, cash equivalents and restricted cash, end of period | $142,512 | $137,437 |
| Supplemental cash flow information: | | |
| Cash payments for interest, net of amounts capitalized | $93,032 | $82,864 |
| Non-cash investing and financing transactions: | | |
| Accrued development costs included in accounts payable and accrued expenses and other accrued liabilities | $36,841 | $31,500 |
| Conversion of Operating Partnership Units to common stock | $75 | $11,796 |

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 and square foot 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 June 30, 2018, 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 consolidated variable interest entities ("VIEs").

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

| | June 30, 2018 | December 31, 2017 |
|---|---|---|
| Assets: | | |
| Property, net | $264,570 | $ 288,881 |
| Other assets | 55,955 | 60,586 |
| Total assets | $320,525 | $ 349,467 |
| Liabilities: | | |
| Mortgage notes payable | $127,265 | $ 129,436 |
| Other liabilities | 73,090 | 72,705 |
| Total liabilities | $200,355 | $ 202,141 |

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 and square foot 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, 2017. 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, 2017 has been derived from the audited financial statements but does not include all disclosures required by GAAP.

Shareholder Activism Costs:

During the three months ended June 30, 2018, the Company incurred $19,369 in costs associated with activities related to shareholder activism. These costs were primarily for legal and advisory services.

Recent Accounting Pronouncements:

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update ("ASU") 2014-09, “Revenue From Contracts With Customers (ASC 606)," which outlines a comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The standard 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 the standard specifically references contracts with customers, it may apply to certain other transactions such as the sale of real estate or equipment. The standard applies to the Company's recognition of management companies and other revenues. The Company's adoption of the standard on January 1, 2018 did not have an impact on the pattern of revenue recognition for management companies and other revenues.

Additionally, under ASC 606, the Company changed its accounting for its joint venture in Chandler Freehold from a co-venture arrangement to a financing arrangement (See Note 11—Financing Arrangement). Upon adoption of the standard on January 1, 2018, the Company replaced its $31,150 distributions in excess of co-venture obligation (See Note 8—Deferred Charges and Other Assets, net) with a financing arrangement obligation of $393,709 on its consolidated balance sheets. This resulted in the recognition of a $424,859 increase in the Company’s accumulated deficit as a cumulative effect adjustment under the modified retrospective method of adoption.

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. Under the standard, 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. The standard will impact the accounting and disclosure requirements for these leases. The standard 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.

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. On January 1, 2018, the Company adopted the standard and retrospectively applied the guidance of the standard to the prior period presented, which resulted in an increase of $353 in net cash provided by investing activities on its consolidated statements of cash flows for the six months ended June 30, 2017.

Table of Contents
THE MACERICH COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollars in thousands, except per share and square foot amounts)
(Unaudited)
2. Summary of Significant Accounting Policies: (Continued)

Recent Accounting Pronouncements: (Continued)
The following table presents a reconciliation of the beginning of period and end of period cash, cash equivalents and restricted cash reported on the Company's consolidated balance sheets to the totals shown on its consolidated statements of cash flows:

| | For the Six Months Ended June 30, | |
|---|---|---|
| | 2018 | 2017 |
| Beginning of period | | |
| Cash and cash equivalents | $91,038 | $94,046 |
| Restricted cash | 52,067 | 49,951 |
| Cash, cash equivalents and restricted cash | $143,105 | $143,997 |
| End of period | | |
| Cash and cash equivalents | $92,452 | $87,133 |
| Restricted cash | 50,060 | 50,304 |
| Cash, cash equivalents and restricted cash | $142,512 | $137,437 |

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 and should be treated as an asset acquisition. The guidance also requires a business to include at least one substantive process and narrows the definition of outputs. The primary difference between business combinations and asset acquisitions is the recognition of transaction costs, which are expensed as period costs for business combinations and capitalized for asset acquisitions. The Company's adoption of this standard on January 1, 2018 did not 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 has concluded that property sales represent transactions with non-customers. Sales of property generally represent only one performance obligation and are recognized when an enforceable contract is in place, collectability is ensured and control is transferred to the buyer. The Company's adoption of this standard on January 1, 2018 did not have a significant impact on its consolidated financial statements.
In August 2017, the FASB issued ASU 2017-12, “Targeted Improvements to Accounting for Hedging Activities,” which aims to (i) improve the transparency and understandability of information conveyed to financial statement users about an entity’s risk management activities by better aligning the entity’s financial reporting for hedging relationships with those risk management activities and (ii) reduce the complexity of and simplify the application of hedge accounting by preparers. The standard is effective for the Company beginning January 1, 2019, with early adoption permitted. The Company does not expect the adoption of this standard to 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 and square foot 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 six months ended June 30, 2018 and 2017 (shares in thousands):

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Numerator | | | | |
| Net income (loss) | $8,866 | $29,052 | $(25,515) | $103,861 |
| Less net income attributable to noncontrolling interests | 1,050 | 2,414 | 242 | 7,980 |
| Net income (loss) attributable to the Company | 7,816 | 26,638 | (25,757) | 95,881 |
| Allocation of earnings to participating securities | (304) | (188) | (547) | (375) |
| Numerator for basic and diluted EPS—net income (loss) attributable to common stockholders | $7,512 | $26,450 | $(26,304) | $95,506 |
| Denominator | | | | |
| Denominator for basic EPS—weighted average number of common shares outstanding | 141,137 | 141,695 | 141,081 | 142,640 |
| Effect of dilutive securities(1): | | | | |
| Share and unit-based compensation plans | — | 33 | — | 47 |
| Denominator for diluted EPS—weighted average number of common shares outstanding | 141,137 | 141,728 | 141,081 | 142,687 |
| EPS—net (loss) income attributable to common stockholders: | | | | |
| Basic | $0.05 | $0.19 | $(0.19) | $0.67 |
| Diluted | $0.05 | $0.19 | $(0.19) | $0.67 |

(1) Diluted EPS excludes 90,619 convertible preferred partnership units for the three and six months ended June 30, 2018 and 2017, as their impact was antidilutive.

Diluted EPS excludes 10,397,726 and 10,526,547 Operating Partnership units ("OP Units") for the three months ended June 30, 2018 and 2017, respectively, and 10,344,766 and 10,558,809 OP Units for the six months ended June 30, 2018 and 2017, respectively, as their impact was antidilutive.

4. Investments in Unconsolidated Joint Ventures:

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

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 unconsolidated joint ventures. The Company used its share of the proceeds to fund repurchases under the 2017 Stock Buyback Program (See Note 13—Stockholders' Equity).

On September 18, 2017, the Company's joint venture in Fashion District Philadelphia sold its ownership interest in an office building for $61,500, resulting in a gain on sale of assets of $13,078. The Company's pro rata share of the gain on the sale of assets of $6,539 was included in equity in income from unconsolidated joint ventures. The Company used its share of the proceeds to fund repurchases under the 2017 Stock Buyback Program (See Note 13—Stockholders' Equity).

On December 14, 2017, the Company’s joint venture in Westcor/Queen Creek LLC sold land for $30,491, resulting in a gain on sale of assets of $14,853. The Company’s share of the gain on sale was $5,436, which was included in equity in income of unconsolidated joint ventures. The Company used its portion of the proceeds to pay down its line of credit and for general corporate purposes.

12

Table of Contents
THE MACERICH COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollars in thousands, except per share and square foot amounts)
(Unaudited)
4. Investments in Unconsolidated Joint Ventures: (Continued)

On February 16, 2018, the Company's joint venture in Fashion District Philadelphia sold its ownership interest in an office building for $41,800, resulting in a gain on sale of assets of $5,545. The Company's pro rata share of the gain on the sale of assets of $2,773 was included in equity in income from unconsolidated joint ventures. The Company used its share of the proceeds to pay down its line of credit and for general corporate purposes.

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:

| | June 30, 2018 | December 31, 2017 |
|---|---|---|
| Assets(1): | | |
| Property, net | $9,002,271 | $9,052,105 |
| Other assets | 620,500 | 635,838 |
| Total assets | $9,622,771 | $9,687,943 |
| Liabilities and partners' capital(1): | | |
| Mortgage and other notes payable(2) | $5,964,691 | $5,296,594 |
| Other liabilities | 386,509 | 405,052 |
| Company's capital | 1,839,908 | 2,188,057 |
| Outside partners' capital | 1,431,663 | 1,798,240 |
| Total liabilities and partners' capital | $9,622,771 | $9,687,943 |
| Investments in unconsolidated joint ventures: | | |
| Company's capital | $1,839,908 | $2,188,057 |
| Basis adjustment(3) | (550,766) | (562,021) |
| | $1,289,142 | $1,626,036 |
| | | |
| Assets—Investments in unconsolidated joint ventures | $1,381,358 | $1,709,522 |
| Liabilities—Distributions in excess of investments in unconsolidated joint ventures | (92,216) | (83,486) |
| | $1,289,142 | $1,626,036 |

(1) These amounts include the assets of $3,059,530 and $3,106,105 of Pacific Premier Retail LLC (the "PPR Portfolio") as of June 30, 2018 and December 31, 2017, respectively, and liabilities of $1,859,679 and $1,872,227 of the PPR Portfolio as of June 30, 2018 and December 31, 2017, respectively.

(2) Included in mortgage and other notes payable are amounts due to an affiliate of Northwestern Mutual Life ("NML") of $701,884 and $482,332 as of June 30, 2018 and December 31, 2017, respectively. NML is considered a related party because it is a joint venture partner with the Company in Macerich Northwestern Associates—Broadway Plaza. Interest expense on these borrowings was $7,158 and $4,929 for the three months ended June 30, 2018 and 2017, respectively, and $12,116 and $8,089 for the six months ended June 30, 2018 and 2017, respectively.

(3) 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 assets. The amortization of this difference was $3,524 and $4,197 for the three months ended June 30, 2018 and 2017, respectively, and $7,627 and $8,224 for the six months ended June 30, 2018 and 2017, respectively.

Table of Contents
THE MACERICH COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollars in thousands, except per share and square foot 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 June 30, 2018 | | | |
| Revenues: | | | |
| Minimum rents | $32,881 | $123,940 | $156,821 |
| Percentage rents | 269 | 1,262 | 1,531 |
| Tenant recoveries | 11,400 | 47,312 | 58,712 |
| Other | 1,244 | 14,973 | 16,217 |
| Total revenues | 45,794 | 187,487 | 233,281 |
| Expenses: | | | |
| Shopping center and operating expenses | 9,517 | 60,325 | 69,842 |
| Interest expense | 16,770 | 37,356 | 54,126 |
| Depreciation and amortization | 24,071 | 60,973 | 85,044 |
| Total operating expenses | 50,358 | 158,654 | 209,012 |
| Gain on sale or write down of assets, net | — | 559 | 559 |
| Net (loss) income | $(4,564) | $29,392 | $24,828 |
| Company's equity in net (loss) income | $(257) | $15,926 | $15,669 |
| Three Months Ended June 30, 2017 | | | |
| Revenues: | | | |
| Minimum rents | $32,045 | $126,765 | $158,810 |
| Percentage rents | 221 | 2,126 | 2,347 |
| Tenant recoveries | 11,373 | 46,119 | 57,492 |
| Other | 1,402 | 13,017 | 14,419 |
| Total revenues | 45,041 | 188,027 | 233,068 |
| Expenses: | | | |
| Shopping center and operating expenses | 9,711 | 58,886 | 68,597 |
| Interest expense | 16,675 | 32,976 | 49,651 |
| Depreciation and amortization | 24,802 | 62,090 | 86,892 |
| Total operating expenses | 51,188 | 153,952 | 205,140 |
| Loss on sale or write down of assets, net | — | (2) | (2) |
| Net (loss) income | $(6,147) | $34,073 | $27,926 |
| Company's equity in net (loss) income | $(1,034) | $17,970 | $16,936 |

Table of Contents
THE MACERICH COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollars in thousands, except per share and square foot amounts)
(Unaudited)
4. Investments in Unconsolidated Joint Ventures: (Continued)

| | PPR Portfolio | Other Joint Ventures | Total |
|---|---|---|---|
| Six Months Ended June 30, 2018 | | | |
| Revenues: | | | |
| Minimum rents | $65,620 | $251,648 | $317,268 |
| Percentage rents | 701 | 3,073 | 3,774 |
| Tenant recoveries | 22,800 | 95,416 | 118,216 |
| Other | 2,261 | 26,064 | 28,325 |
| Total revenues | 91,382 | 376,201 | 467,583 |
| Expenses: | | | |
| Shopping center and operating expenses | 19,198 | 121,646 | 140,844 |
| Interest expense | 33,496 | 70,388 | 103,884 |
| Depreciation and amortization | 48,555 | 123,385 | 171,940 |
| Total operating expenses | 101,249 | 315,419 | 416,668 |
| Gain on sale or write down of assets, net | — | 1,529 | 1,529 |
| Net (loss) income | $(9,867) | $62,311 | $52,444 |
| Company's equity in net (loss) income | $(873) | $33,414 | $32,541 |
| Six Months Ended June 30, 2017 | | | |
| Revenues: | | | |
| Minimum rents | $65,581 | $250,268 | $315,849 |
| Percentage rents | 951 | 3,864 | 4,815 |
| Tenant recoveries | 22,812 | 94,034 | 116,846 |
| Other | 2,428 | 24,528 | 26,956 |
| Total revenues | 91,772 | 372,694 | 464,466 |
| Expenses: | | | |
| Shopping center and operating expenses | 19,471 | 121,081 | 140,552 |
| Interest expense | 33,401 | 65,255 | 98,656 |
| Depreciation and amortization | 51,078 | 124,969 | 176,047 |
| Total operating expenses | 103,950 | 311,305 | 415,255 |
| (Loss) gain on sale or write down of assets, net | (35) | 4,579 | 4,544 |
| Net (loss) income | $(12,213) | $65,968 | $53,755 |
| Company's equity in net (loss) income | $(1,996) | $34,775 | $32,779 |

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 and square foot amounts)
(Unaudited)

5. Derivative Instruments and Hedging Activities:

The Company recorded other comprehensive income (loss) related to the marking-to-market of an interest rate cap agreement of $(52) and $9 for the three and six months ended June 30, 2018. There were no derivatives outstanding during the three and six months ended June 30, 2017.

The following derivative was outstanding at June 30, 2018:

| Property | Notional Amount | Product | LIBOR Rate | Maturity | Fair Value |
|---|---|---|---|---|---|
| Santa Monica Place | $300,000 | Cap | 4.00 % | 12/9/2019 | $ 6 |

The above interest rate cap agreement was designated as a hedging instrument with a fair value (Level 2 measurement) of $6 and $11 at June 30, 2018 and December 31, 2017, respectively, was included in deferred charges and other assets, net.

6. Property, net:

Property, net consists of the following:

| | June 30, 2018 | December 31, 2017 |
|---|---|---|
| Land | $1,518,161 | $1,567,152 |
| Buildings and improvements | 6,099,577 | 6,385,035 |
| Tenant improvements | 616,150 | 620,352 |
| Equipment and furnishings | 190,031 | 187,998 |
| Construction in progress | 437,386 | 366,996 |
| | 8,861,305 | 9,127,533 |
| Less accumulated depreciation | (1,992,461 ) | (2,018,303 ) |
| | $6,868,844 | $7,109,230 |

Depreciation expense was $66,850 and $69,364 for the three months ended June 30, 2018 and 2017, respectively, and $134,794 and $138,320 for the six months ended June 30, 2018 and 2017, respectively.

The (loss) gain on sale or write down of assets, net was $(9,518) and $(477) for the three months ended June 30, 2018 and 2017, respectively, and $(47,030) and $49,088 for the six months ended June 30, 2018 and 2017, respectively.

The (loss) gain on sale or write down of assets, net for the three and six months ended June 30, 2018 includes impairment losses of $7,494 on two freestanding stores and $1,660 on Southridge Center. In addition, the (loss) gain on sale or write down of assets, net for the six months ended June 30, 2018 includes impairment losses of $36,338 on SouthPark Mall and $1,043 on Promenade at Casa Grande. The impairment losses were due to the reduction of the estimated holding period of the properties.

The (loss) gain on sale or write down of assets, net for three and six months ended June 30, 2018 includes a loss of $311 on the sale of Promenade at Casa Grande (See Note 15—Dispositions). In addition, the (loss) gain on sale or write down of assets, net for the six months ended June 30, 2017 includes a gain of $59,713 on the sale of Cascade Mall and Northgate Mall (See Note 15—Dispositions) offset in part by a loss of $10,138 on the write down of an investment in non-real estate assets.

Table of Contents
THE MACERICH COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollars in thousands, except per share and square foot amounts)
(Unaudited)
6. Property, net: (Continued)

The following table summarizes certain of the Company's assets that were measured on a nonrecurring basis as a result of impairment losses recorded for the three and six months ended June 30, 2018 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) |
|---|---|---|---|---|
| June 30, 2018 | $ 72,700 | $ — | $ 72,700 | $ — |

The fair values relating to the impairments were based on sales contracts.

7. Tenant and Other Receivables, net:

Included in tenant and other receivables, net is an allowance for doubtful accounts of $2,996 and $2,786 at June 30, 2018 and December 31, 2017, respectively. Also included in tenant and other receivables, net are accrued percentage rents of $917 and $8,711 at June 30, 2018 and December 31, 2017, respectively, and a deferred rent receivable due to straight-line rent adjustments of $66,419 and $61,859 at June 30, 2018 and December 31, 2017, respectively.

8. Deferred Charges and Other Assets, net:

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

| | June 30, 2018 | December 31, 2017 |
|---|---|---|
| Leasing | $215,499 | $ 232,819 |
| Intangible assets: | | |
| In-place lease values | 97,204 | 108,432 |
| Leasing commissions and legal costs | 24,421 | 25,958 |
| Above-market leases | 150,829 | 164,040 |
| Deferred tax assets | 30,834 | 29,006 |
| Deferred compensation plan assets | 54,441 | 52,221 |
| Distributions in excess of co-venture obligation(1) | — | 31,150 |
| Other assets | 67,652 | 66,990 |
| | 640,880 | 710,616 |
| Less accumulated amortization(2) | (237,122 ) | (261,426 ) |
| | $403,758 | $ 449,190 |

(1) See Note 11—Financing Arrangement.

(2) Accumulated amortization includes $69,192 and $74,507 relating to in-place lease values, leasing commissions and legal costs at June 30, 2018 and December 31, 2017, respectively. Amortization expense of in-place lease values, leasing commissions and legal costs was $3,552 and $5,545 for the three months ended June 30, 2018 and 2017, respectively, and $7,390 and $11,549 for the six months ended June 30, 2018 and 2017, respectively.

Table of Contents
THE MACERICH COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollars in thousands, except per share and square foot amounts)
(Unaudited)
8. Deferred Charges and Other Assets, net: (Continued)

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

| | June 30, 2018 | December 31, 2017 |
|---|---|---|
| Above-Market Leases | | |
| Original allocated value | $150,829 | $ 164,040 |
| Less accumulated amortization | (53,429) | (60,210) |
| | $97,400 | $ 103,830 |
| Below-Market Leases(1) | | |
| Original allocated value | $114,988 | $ 120,573 |
| Less accumulated amortization | (57,301) | (55,489) |
| | $57,687 | $ 65,084 |

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

9. Mortgage Notes Payable:

Mortgage notes payable at June 30, 2018 and December 31, 2017 consist of the following:

| | Carrying Amount of Mortgage Notes(1) | | | | | | |
|---|---|---|---|---|---|---|---|
| | June 30, 2018 | | December 31, 2017 | | | | |
| Property Pledged as Collateral | Related Party | Other | Related Party | Other | Effective Interest Rate(2) | Monthly Debt Service(3) | Maturity Date(4) |
| Chandler Fashion Center(5) | $— | $199,937 | $— | $199,904 | 3.77 % | $ 625 | 2019 |
| Danbury Fair Mall | 102,863 | 102,863 | 104,599 | 104,598 | 5.53 % | 1,538 | 2020 |
| Fashion Outlets of Chicago(6) | — | 199,460 | — | 199,298 | 3.64 % | 580 | 2020 |
| Fashion Outlets of Niagara Falls USA | — | 111,219 | — | 112,770 | 4.89 % | 727 | 2020 |
| Freehold Raceway Mall(5) | — | 398,129 | — | 398,050 | 3.94 % | 1,300 | 2029 |
| Fresno Fashion Fair | — | 323,360 | — | 323,261 | 3.67 % | 971 | 2026 |
| Green Acres Commons(7) | — | 127,545 | — | 107,219 | 4.69 % | 447 | 2021 |
| Green Acres Mall | — | 288,043 | — | 291,366 | 3.61 % | 1,447 | 2021 |
| Kings Plaza Shopping Center | — | 442,204 | — | 447,231 | 3.67 % | 2,229 | 2019 |
| Oaks, The | — | 194,409 | — | 196,732 | 4.14 % | 1,064 | 2022 |
| Pacific View | — | 122,895 | — | 124,397 | 4.08 % | 668 | 2022 |
| Queens Center | — | 600,000 | — | 600,000 | 3.49 % | 1,744 | 2025 |
| Santa Monica Place(8) | — | 296,695 | — | 296,366 | 3.67 % | 844 | 2022 |
| SanTan Village Regional Center | — | 123,151 | — | 124,703 | 3.14 % | 589 | 2019 |
| Towne Mall | — | 20,948 | — | 21,161 | 4.48 % | 117 | 2022 |
| Tucson La Encantada | 66,175 | — | 66,970 | — | 4.23 % | 368 | 2022 |
| Victor Valley, Mall of | — | 114,646 | — | 114,617 | 4.00 % | 380 | 2024 |
| Vintage Faire Mall | — | 261,025 | — | 263,818 | 3.55 % | 1,256 | 2026 |
| Westside Pavilion(9) | — | 139,530 | — | 141,020 | 4.49 % | 783 | 2022 |
| | $169,038 | $4,066,059 | $171,569 | $4,066,511 | | | |

Table of Contents
THE MACERICH COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollars in thousands, except per share and square foot amounts)
(Unaudited)
9. Mortgage Notes Payable: (Continued)

(1) The mortgage notes payable balances includes an unamortized debt premium. Debt premiums represent the excess of the fair value of debt over 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. The loan on Fashion Outlets of Niagara Falls USA had a premium of $2,166 and $2,630 at June 30, 2018 and December 31, 2017, respectively.

The mortgage notes payable 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 $15,638 and $17,838 at June 30, 2018 and December 31, 2017, respectively.

(2) The interest rate disclosed represents the effective interest rate, including the impact of debt premium and deferred finance costs.

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

(4) The maturity date assumes that all extension options are fully exercised and that the Company does not opt to 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.

(5) A 49.9% interest in the loan has been assumed by a third party in connection with the Company's joint venture in Chandler Freehold (See Note 11—Financing Arrangement).

(6) The loan bears interest at LIBOR plus 1.50%. At June 30, 2018 and December 31, 2017, the total interest rate was 3.64% and 3.02%, respectively.

(7) On March 1, 2018, the Company borrowed the remaining $20,000 available under the loan agreement on the property. The loan bears interest at LIBOR plus 2.15%. At June 30, 2018 and December 31, 2017, the total interest rate was 4.69% and 4.07%, respectively.

(8) The loan bears interest at LIBOR plus 1.35%. At June 30, 2018 and December 31, 2017, the total interest rate was 3.67% and 3.13%, respectively.

(9) On March 1, 2018, the Company entered into an agreement to contribute the underlying property into an unconsolidated joint venture (See Note 14—Collaborative Arrangement).

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 $4,670 and $3,343 for the three months ended June 30, 2018 and 2017, respectively, and $9,001 and $5,977 for the six months ended June 30, 2018 and 2017, respectively.

Related party mortgage notes payable are amounts due to an affiliate of NML. See Note 17—Related Party Transactions for interest expense associated with loans from NML.

The estimated fair value (Level 2 measurement) of mortgage notes payable at June 30, 2018 and December 31, 2017 was $4,229,459 and $4,250,816, 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.

Table of Contents
THE MACERICH COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollars in thousands, except per share and square foot amounts)
(Unaudited)

10. 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 June 30, 2018, the borrowing rate on the facility was LIBOR plus 1.45%. As of June 30, 2018 and December 31, 2017, borrowings under the line of credit were $735,000 and $935,000, respectively, less unamortized deferred finance costs of $6,313 and $7,548, respectively, at a total interest rate of 3.71% and 3.13%, respectively. As of June 30, 2018 and December 31, 2017, the Company's availability under the line of credit for additional borrowings was $704,412 and $504,412, respectively, The estimated fair value (Level 2 measurement) of the line of credit at June 30, 2018 and December 31, 2017 was $724,122 and $919,158, respectively, based on a present value model using a credit interest rate spread offered to the Company for comparable debt.

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 June 30, 2018 and December 31, 2017, the note had a balance of $4,114 and $4,732, respectively. The estimated fair value (Level 2 measurement) of the note at June 30, 2018 and December 31, 2017 was $4,111 and $4,717, 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 June 30, 2018 and December 31, 2017, the Company was in compliance with all applicable financial loan covenants.

11. Financing Arrangement:

On September 30, 2009, the Company formed a joint venture, whereby a third party acquired a 49.9% interest in Chandler Fashion Center, a 1,318,000 square foot regional shopping center in Chandler, Arizona, and Freehold Raceway Mall, a 1,672,000 square foot regional shopping center in Freehold, New Jersey, referred to herein as Chandler Freehold. As a result of the Company having certain rights under the agreement to repurchase the assets after the seventh year of the formation of Chandler Freehold, the transaction did not qualify for sale treatment. The Company, however, is not obligated to repurchase the assets. The transaction was initially accounted for as a co-venture 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 net cash proceeds received from the third party less costs allocated to a warrant. The co-venture obligation was increased for the allocation of income to the co-venture partner and decreased for distributions to the co-venture partner.

Upon adoption of ASC 606 on January 1, 2018, the Company changed its accounting for Chandler Freehold from a co-venture arrangement to a financing arrangement. Accordingly, the Company replaced its $31,150 distributions in excess of co-venture obligation (See Note 8—Deferred Charges and Other Assets, net) with a financing arrangement liability of $393,709 on its consolidated balance sheets. This resulted in the recognition of a $424,859 increase in the Company’s accumulated deficit as a cumulative effect adjustment under the modified retrospective method of adoption. The fair value (Level 3 measurement) of the financing arrangement obligation was based upon a multiple on net operating income of 21 times, a discount rate of 5.8% and market rents per square foot of $20 to $225. The fair value of the financing arrangement obligation is sensitive to these significant unobservable inputs and a change in these inputs may result in a significantly higher or lower fair value measurement. Distributions to the partner and subsequent changes in fair value of the financing arrangement obligation are recognized as interest expense in the Company's consolidated statements of operations.

20

Table of Contents
THE MACERICH COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollars in thousands, except per share and square foot amounts)
(Unaudited)
11. Financing Arrangement: (Continued)

During the three and six months ended June 30, 2018 and 2017, the Company incurred interest (income) expense in connection with the financing arrangement as follows:

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Distributions of the partner's share of net income | $2,464 | $ — | $4,466 | $ — |
| Distributions in excess of the partner's share of net income | 1,411 | — | 3,049 | — |
| Adjustment to fair value of financing arrangement obligation | (8,768) | — | (4,386) | — |
| | $(4,893) | $ — | $3,129 | $ — |

12. 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 June 30, 2018 and December 31, 2017. The remaining 7% limited partnership interest as of June 30, 2018 and December 31, 2017 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 June 30, 2018 and December 31, 2017, the aggregate redemption value of the then-outstanding OP Units not owned by the Company was $590,571 and $671,592, 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.
13. Stockholders' Equity:
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, from time to time as permitted by securities laws and other legal requirements.
During the period from February 12, 2017 to December 31, 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 15—Dispositions), its share of the proceeds from the sale of ownership interests in 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. There

were no repurchases during the three and six months ended June 30, 2018.

Table of Contents
THE MACERICH COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollars in thousands, except per share and square foot amounts)
(Unaudited)
13. 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 Program expired by its terms in August 2017. No shares were sold under the ATM Program.
14. Collaborative Arrangement:
On March 1, 2018, the Company formed a 25/75 joint venture with a third party, whereby the Company agreed to contribute Westside Pavilion, a 755,000 square foot regional shopping center in Los Angeles, California in exchange for a cash payment of $142,500. The Company expects to complete the transfer during the next twelve months. Both partners share operating control of the property and the Company will be reimbursed by the outside partner for 75% of the carrying cost of the property, which are defined in the agreement as operating expenses in excess of revenues, debt service and capital expenditures.
Since March 1, 2018, the Company has accounted for the operations of Westside Pavilion as a collaborative arrangement. Accordingly, the Company has reduced minimum rents, percentage rents, tenant recoveries, other revenue, shopping center and operating expenses and interest expense by its partner's 75% share and recorded a receivable due from its partner, which will be settled upon completion of the transfer of the property. The Company's partner's reimbursable 75% share of mortgage loan principal payments and capital expenditures are recorded as a receivable and a deferred gain that will be recognized when the transfer is completed.
Additionally, the Company has classified the long-lived assets of Westside Pavilion as held for sale on its consolidated balance sheet and has ceased the recognition of depreciation and amortization expense as of March 1, 2018.
15. Dispositions:
The following are recent dispositions of properties:
On January 18, 2017, the Company sold Cascade Mall, a 589,000 square foot regional shopping center in Burlington, Washington; and Northgate Mall, a 750,000 square foot regional shopping center in San Rafael, California, in a combined transaction for $170,000, resulting in a gain on the sale of assets of $59,713. The proceeds were used to pay off the mortgage note payable on Northgate Mall and to repurchase shares of the Company's common stock under the 2017 Stock Buyback Program (See Note 13—Stockholders' Equity).
On November 16, 2017, the Company sold 500 North Michigan Avenue, a 326,000 square foot office building in Chicago, Illinois for $86,350, resulting in a gain on sale of assets of $14,597. The Company used the proceeds from the sale to pay down its line of credit and for other general corporate purposes.
On May 17, 2018, the Company sold Promenade at Casa Grande, a 761,000 square foot community center in Casa Grande, Arizona for $26,000, resulting in a loss on sale of assets of $311. The Company used the proceeds from the sale to pay down its line of credit and for other general corporate purposes.
16. Commitments and Contingencies:
The Company has certain properties that are subject to non-cancelable operating leases. The leases expire at various times through 2098, subject in some cases to options to extend the terms of the lease. Certain leases provide for contingent rent payments based on a percentage of base rental income, as defined in the lease. Rent expense was $4,572 and $4,267 for the three months ended June 30, 2018 and 2017, respectively, and $8,808 and $8,484 for the six months ended June 30, 2018 and 2017, respectively.
No contingent rent was incurred during the three and six months ended June 30, 2018 or 2017.

Table of Contents
THE MACERICH COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollars in thousands, except per share and square foot amounts)
(Unaudited)

16. Commitments and Contingencies: (Continued)

As of June 30, 2018, the Company was contingently liable for $60,588 in letters of credit guaranteeing performance by the Company of certain obligations relating to the Centers. The Company does not believe that these letters of credit will result in a liability to the Company.

The Company has entered into a number of construction agreements related to its redevelopment and development activities. Obligations under these agreements are contingent upon the completion of the services within the guidelines specified in the agreements. At June 30, 2018, the Company had $10,034 in outstanding obligations which it believes will be settled in the next twelve months.

17. Related Party Transactions:

Certain unconsolidated joint ventures have engaged the Management Companies to manage the operations of the Centers. Under these arrangements, the Management Companies are reimbursed for compensation paid to on-site employees, leasing agents and project managers at the Centers, as well as insurance costs and other administrative expenses.

The following are fees charged to unconsolidated joint ventures:

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Management fees | $4,716 | $4,685 | $9,395 | $9,165 |
| Development and leasing fees | 3,321 | 2,721 | 6,925 | 7,991 |
| | $8,037 | $7,406 | $16,320 | $17,156 |

Certain mortgage notes on the properties are held by NML (See Note 9—Mortgage Notes Payable). Interest expense in connection with these notes was $2,131 and $2,181 for the three months ended June 30, 2018 and 2017, respectively, and $4,278 and $4,392 for the six months ended June 30, 2018 and 2017, respectively. Included in accounts payable and accrued expenses is interest payable on these notes of $705 and $716 at June 30, 2018 and December 31, 2017, respectively.

Interest expense from related party transactions also includes $(4,893) and $3,129 for the three and six months ended June 30, 2018 in connection with the Financing Arrangement (See Note 11—Financing Arrangement).

Due from affiliates includes unreimbursed costs and fees from unconsolidated joint ventures due to the Management Companies. As of June 30, 2018 and December 31, 2017, the amounts due from the unconsolidated joint ventures was $5,683 and $5,411, respectively.

In addition, due from affiliates at June 30, 2018 and December 31, 2017 included a note receivable from RED/303 LLC ("RED") that bears interest at 5.25% and matures on May 30, 2021. Interest income earned on this note was $57 and $68 for the three months ended June 30, 2018 and 2017, respectively, and $117 and $138 for the six months ended June 30, 2018 and 2017, respectively. The balance on this note was $4,114 and $4,796 at June 30, 2018 and December 31, 2017, respectively. RED is considered a related party because it is a partner in a joint venture development project. The note is collateralized by RED's membership interest in the development project.

Also included in due from affiliates is a note receivable from Lennar Corporation that bears interest at LIBOR plus 2% and matures upon the completion of certain milestones in connection with the development of Fashion Outlets of San Francisco. Interest income earned on this note was $773 and $607 for the three months ended June 30, 2018 and 2017, respectively, and $1,522 and $1,218 for the six months ended June 30, 2018 and 2017, respectively. The balance on this note was $73,478 and $71,955 at June 30, 2018 and December 31, 2017, respectively. Lennar Corporation is considered a related party because it is a joint venture partner in Fashion Outlets of San Francisco.

23

Table of Contents
THE MACERICH COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollars in thousands, except per share and square foot amounts)
(Unaudited)

18. Share and Unit-Based Plans:

Under the Long-Term Incentive Plan ("LTIP"), each award recipient is issued a form of units ("LTIP Units") in the Operating Partnership. Upon the occurrence of specified events and subject to the satisfaction of applicable vesting conditions, LTIP Units (after conversion into OP Units) are ultimately redeemable for common stock of the Company, or cash at the Company's option, on a one-unit for one-share basis. LTIP Units receive cash dividends based on the dividend amount paid on the common stock of the Company. The LTIP may include both market-indexed awards and service-based awards.

The market-indexed LTIP Units vest over the service period of the award based on the percentile ranking of the Company in terms of total return to stockholders (the "Total Return") per share of common stock relative to the Total Return of a group of peer REITs, as measured at the end of the measurement period.

During the six months ended June 30, 2018, the Company granted the following LTIP Units:

| Grant Date | Units | Type | Fair Value per LTIP Unit | Vest Date |
|---|---|---|---|---|
| 1/1/2018 | 65,466 | Service-based | $65.68 | 12/31/2020 |
| 1/1/2018 | 291,326 | Market-indexed | $44.28 | 12/31/2020 |
| 1/29/2018 | 13,632 | Service-based | $66.02 | 2/1/2022 |
| 1/29/2018 | 1,893 | Service-based | $66.02 | 12/31/2020 |
| 1/29/2018 | 7,775 | Market-indexed | $48.23 | 12/31/2020 |
| 3/2/2018 | 99,407 | Service-based | $59.04 | 3/2/2018 |
| 4/26/2018 | 89,637 | Service-based | $55.78 | 4/26/2018 |
| | 569,136 | | | |

The fair value of the market-indexed LTIP Units granted on January 1, 2018 were estimated on the date of grant using a Monte Carlo Simulation model that assumed a risk free interest rate of 1.98% and an expected volatility of 23.38%.

The fair value of the market-indexed LTIP Units granted on January 29, 2018 were estimated on the date of grant using a Monte Carlo Simulation model that assumed a risk free interest rate of 2.25% and an expected volatility of 23.86%.

The following table summarizes the activity of the non-vested LTIP Units, phantom stock units and stock units:

| | LTIP Units | | Phantom Stock Units | | Stock Units | |
|---|---|---|---|---|---|---|
| | Units | Value(1) | Units | Value(1) | Units | Value(1) |
| Balance at January 1, 2018 | 636,632 | $ 52.36 | 4,054 | $ 79.82 | 151,355 | $ 73.32 |
| Granted | 569,136 | 51.78 | 7,337 | 63.03 | 86,495 | 59.00 |
| Vested | (189,044) | 57.49 | (7,761) | 54.70 | (107,505) | 74.43 |
| Forfeited | (23,666) | 44.28 | (845) | 77.91 | — | — |
| Balance at June 30, 2018 | 993,058 | $ 51.24 | 2,785 | $ 66.79 | 130,345 | $ 64.24 |

(1) Value represents the weighted average grant date fair value.

The following table summarizes the activity of the stock appreciations rights ("SARs") and stock options outstanding:

Table of Contents
THE MACERICH COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollars in thousands, except per share and square foot amounts)
(Unaudited)
18. Share and Unit-Based Plans: (Continued)

| | SARs | | Stock Options | |
|---|---|---|---|---|
| | Units | Value(1) | Units | Value(1) |
| Balance at January 1, 2018 | 235,439 | $ 53.83 | 35,565 | $ 57.32 |
| Granted | — | — | — | — |
| Exercised | (235,439) | 53.83 | — | — |
| Balance at June 30, 2018 | — | $ — | 35,565 | $ 57.32 |

(1) Value represents the weighted average exercise price.
The following summarizes the compensation cost under the share and unit-based plans:

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| LTIP Units | $8,275 | $5,242 | $18,383 | $19,623 |
| Stock units | 1,515 | 1,333 | 4,745 | 3,945 |
| Stock options | 31 | 15 | 62 | 19 |
| Phantom stock units | 170 | 183 | 413 | 360 |
| | $9,991 | $6,773 | $23,603 | $23,947 |

The Company capitalized share and unit-based compensation costs of $1,904 and $926 for the three months ended June 30, 2018 and 2017, respectively, and $4,513 and $4,295 for the six months ended June 30, 2018 and 2017, respectively. Unrecognized compensation costs of share and unit-based plans at June 30, 2018 consisted of $11,371 from LTIP Units, $3,474 from stock units, $114 from stock options and $133 from phantom stock units.
19. Income Taxes:
The Company has made taxable REIT subsidiary elections for all of its corporate subsidiaries other than its qualified REIT subsidiaries. The elections, effective for the year beginning January 1, 2001 and future years, were made pursuant to Section 856(l) of the Code. The Company's taxable REIT subsidiaries ("TRSs") are subject to corporate level income taxes which are provided for in the Company's consolidated financial statements. The Company's primary TRSs include Macerich Management Company and Macerich Arizona Partners LLC.
The income tax provision of the TRSs are as follows:

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Current | $— | $— | $439 | $— |
| Deferred | (684) | (437) | 1,826 | 3,047 |
| Total income tax (expense) benefit | $(684) | $(437) | $2,265 | $3,047 |

The net operating loss carryforwards are currently scheduled to expire through 2037, beginning in 2025. Net deferred tax assets of $30,834 and $29,006 were included in deferred charges and other assets, net at June 30, 2018 and December 31, 2017, respectively.

Table of Contents
THE MACERICH COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollars in thousands, except per share and square foot amounts)
(Unaudited)
19. Income Taxes: (Continued)

The tax years 2014 through 2017 remain open to examination by the taxing jurisdictions to which the Company is subject. The Company does not expect that the total amount of unrecognized tax benefit will materially change within the next twelve months.

20. Subsequent Events:

On July 6, 2018, the Company's joint venture in The Market at Estrella Falls, a 298,000 square foot community center in Goodyear, Arizona, sold the property for $49,100. The proceeds were used to pay off the $24,118 mortgage loan payable on the property, settle development obligations and for distributions to the partners. The Company used its share of the net proceeds for general corporate purposes.

On July 26, 2018, the Company announced a dividend/distribution of $0.74 per share for common stockholders and OP Unit holders of record on August 17, 2018. All dividends/distributions will be paid 100% in cash on September 7, 2018.

Table of Contents

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

IMPORTANT INFORMATION RELATED TO FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q of The Macerich Company (the "Company") contains or incorporates statements that constitute forward-looking statements within the meaning of the federal securities laws. Any statements that do not relate to historical or current facts or matters are forward-looking statements. You can identify some of the forward-looking statements by the use of forward-looking words, such as "may," "will," "could," "should," "expects," "anticipates," "intends," "projects," "predicts," "plans," "believes," "seeks," "estimates," "scheduled" and variations of these words and similar expressions. Statements concerning current conditions may also be forward-looking if they imply a continuation of current conditions. Forward-looking statements appear in a number of places in this Form 10-Q and include statements regarding, among other matters:

- expectations regarding the Company's growth;
- the Company's beliefs regarding its acquisition, redevelopment, development, leasing and operational activities and opportunities, including the performance of its retailers;
- the Company's acquisition, disposition and other strategies;
- regulatory matters pertaining to compliance with governmental regulations;
- the Company's capital expenditure plans and expectations for obtaining capital for expenditures;
- the Company's expectations regarding income tax benefits;
- the Company's expectations regarding its financial condition or results of operations; and
- the Company's expectations for refinancing its indebtedness, entering into and servicing debt obligations and entering into joint venture arrangements.

Stockholders are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks, uncertainties and other factors that may cause actual results, performance or achievements of the Company or the industry to differ materially from the Company's future results, performance or achievements, or those of the industry, expressed or implied in such forward-looking statements. Such factors include, among others, general industry, as well as national, regional and local economic and business conditions, which will, among other things, affect demand for retail space or retail goods, availability and creditworthiness of current and prospective tenants, anchor or tenant bankruptcies, closures, mergers or consolidations, lease rates, terms and payments, interest rate fluctuations, availability, terms and cost of financing and operating expenses; adverse changes in the real estate markets including, among other things, competition from other companies, retail formats and technology, risks of real estate development and redevelopment, acquisitions and dispositions; the liquidity of real estate investments, governmental actions and initiatives (including legislative and regulatory changes); environmental and safety requirements; and terrorist activities or other acts of violence which could adversely affect all of the above factors. You are urged to carefully review the disclosures we make concerning these risks and other factors that may affect our business and operating results, under "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2017, as well as our other reports filed with the Securities and Exchange Commission (the "SEC"), which disclosures are incorporated herein by reference. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this document. The Company does not intend, and undertakes no obligation, to update any forward-looking information to reflect events or circumstances after the date of this document or to reflect the occurrence of unanticipated events, unless required by law to do so.

Management's Overview and Summary

The Company is involved in the acquisition, ownership, development, redevelopment, management and leasing of regional and community/power shopping centers located throughout the United States. The Company is the sole general partner of, and owns a majority of the ownership interests in, The Macerich Partnership, L.P. (the "Operating Partnership"). As of June 30, 2018, the Operating Partnership owned or had an ownership interest in 48 regional shopping centers and six community/power shopping centers aggregating approximately 52 million square feet of gross leasable area. These 54 regional and community/power shopping centers are referred to hereinafter as the "Centers," unless the context otherwise requires. The Company is a self-administered and self-managed real estate investment trust ("REIT") and conducts all of its operations through the Operating Partnership and the Management Companies.

The following discussion is based primarily on the consolidated financial statements of the Company for the three and six months ended June 30, 2018 and 2017. It compares the results of operations for the three months ended June 30, 2018 to the results of operations for the three months ended June 30, 2017. It also compares the results of operations and cash flows for the six months ended June 30, 2018 to the results of operations and cash flows for the six months ended June 30, 2017.

Table of Contents

This information should be read in conjunction with the accompanying consolidated financial statements and notes thereto.

Dispositions:

The financial statements reflect the following dispositions and changes in ownership subsequent to the occurrence of each transaction.

On January 18, 2017, the Company sold Cascade Mall, a 589,000 square foot regional shopping center in Burlington, Washington; and Northgate Mall, a 750,000 square foot regional shopping center in San Rafael, California, in a combined transaction for $170.0 million, resulting in a gain on the sale of assets of $59.7 million. The proceeds were used to pay off the mortgage note payable on Northgate Mall and to repurchase shares of the Company's common stock under the 2017 Stock Buyback Program (See "Other Transactions and Events").

On March 17, 2017, the Company's joint venture in Country Club Plaza sold an office building for $78.0 million, resulting in a gain on sale of assets of $4.6 million. The Company's pro rata share of the gain on sale of assets of $2.3 million was included in equity in income from unconsolidated joint ventures. The Company used its share of the proceeds to fund repurchases under the 2017 Stock Buyback Program (See "Other Transactions and Events").

On September 18, 2017, the Company's joint venture in Fashion District Philadelphia sold its share of an office building for $61.5 million, resulting in a gain on sale of assets of $13.1 million. The Company's pro rata share of the gain on sale of assets of $6.5 million was included in equity in income from unconsolidated joint ventures. The Company used its share of the proceeds to fund repurchases under the 2017 Stock Buyback Program (See "Other Transactions and Events").

On November 16, 2017, the Company sold 500 North Michigan Avenue, a 326,000 square foot office building in Chicago, Illinois for $86.4 million, resulting in a gain on sale of assets of $14.6 million. The Company used the proceeds from the sale to pay down its line of credit and for other general corporate purposes.

On December 14, 2017, the Company’s joint venture in Westcor/Queen Creek LLC sold land for $30.5 million, resulting in a gain on sale of assets of $14.9 million. The Company’s share of the gain on sale was $5.4 million, which was included in equity in income of unconsolidated joint ventures. The Company used its portion of the proceeds to pay down its line of credit and for general corporate purposes.

On February 16, 2018, the Company's joint venture in Fashion District Philadelphia sold its share of an office building for $41.8 million, resulting in a gain on sale of assets of $5.5 million. The Company's pro rata share of the gain on the sale of assets of $2.8 million was included in equity in income from unconsolidated joint ventures. The Company used its portion of the proceeds to pay down its line of credit and for general corporate purposes.

On March 1, 2018, the Company formed a 25/75 joint venture with a third party, whereby the Company agreed to contribute Westside Pavilion, a 755,000 square foot regional shopping center in Los Angeles, California in exchange for a cash payment of $142.5 million. The Company expects to complete the transfer during the next twelve months. Both partners share operating control of the property and the Company will be reimbursed by the outside partner for 75% of the carrying cost of the property, which are defined in the agreement as operating expenses in excess of revenues, debt service and capital expenditures. Since March 1, 2018, the Company has accounted for the operations of Westside Pavilion as a collaborative arrangement. Accordingly, the Company has reduced minimum rents, percentage rents, tenant recoveries, other revenue, shopping center and operating expenses and interest expense by its partner's 75% share and recorded a receivable due from its partner, which will be settled upon completion of the transfer of the property. The Company's partner's reimbursable 75% share of mortgage loan principal payments and capital expenditures are recorded as a receivable and a deferred gain that will be recognized when the transfer is completed.

On May 17, 2018, the Company sold Promenade at Casa Grande, a 761,000 square foot community center in Casa Grande, Arizona for $26.0 million, resulting in a loss on sale of assets of $0.3 million. The Company used the proceeds from the sale to pay down its line of credit and for other general corporate purposes.

On July 6, 2018, the Company’s joint venture in The Market at Estrella Falls, a 298,000 square foot community center in Goodyear, Arizona, sold the property for $49.1 million. The proceeds were used to pay off the $24.1 million mortgage loan payable on the property, settle development obligations and for distributions to the partners. The Company used its share of the net proceeds for general corporate purposes.

28

Table of Contents

Financing Activities:

On February 1, 2017, the Company's joint venture in West Acres replaced the existing loan on the property with a new $80.0 million loan that bears interest at an effective rate of 4.61% and matures on March 1, 2032. The Company used its share of the excess proceeds to pay down its line of credit and for general corporate purposes.

On March 16, 2017, the Company's joint venture in Kierland Commons replaced the existing loan on the property with a new $225.0 million loan that bears interest at an effective rate of 3.98% and matures on April 1, 2027. The Company used its share of the excess proceeds to pay down its line of credit and for general corporate purposes.

On September 29, 2017, the Company placed a new $110.0 million loan on Green Acres Commons that bears interest at LIBOR plus 2.15% and matures on March 29, 2021. The Company expanded the loan and borrowed the additional $20.0 million available on the loan on March 1, 2018. The Company used the proceeds to pay down its line of credit and for general corporate purposes.

On October 19, 2017, the Company's joint venture in Chandler Fashion Center and Freehold Raceway Mall ("Chandler Freehold") replaced the existing loan on Freehold Raceway Mall with a new $400.0 million loan that bears interest at an effective rate of 3.94% and matures on November 1, 2029. The Company used its share of the net proceeds to pay down its line of credit and for general corporate purposes.

On November 1, 2017, the Company paid off the $95.0 million mortgage loan payable on Stonewood Center. The Company funded the repayment of the mortgage loan payable from borrowings under its line of credit.

On December 4, 2017, the Company replaced the existing loan on Santa Monica Place with a new $300.0 million loan that bears interest at LIBOR plus 1.35% and matures on December 9, 2022, including three one-year extension options. The loan is covered by an interest rate cap agreement that effectively prevents LIBOR from exceeding 4.00%. The Company used the net proceeds to pay down its line of credit and for general corporate purposes.

On January 22, 2018, the Company's joint venture in Fashion District Philadelphia obtained a $250.0 million term loan that bears interest at LIBOR plus 2.0% and matures on January 22, 2023. Concurrent with the loan closing, the joint venture borrowed $150.0 million on the term loan and borrowed the remaining $100.0 million on March 26, 2018. The Company used its share of the proceeds to pay down its line of credit and for general corporate purposes.

On March 29, 2018, the Company's joint venture in Broadway Plaza placed a $450.0 million loan on the property that bears interest at an effective rate of 4.19% and matures on April 1, 2030. The Company used its share of the proceeds to pay down its line of credit and for general corporate purposes.

Redevelopment and Development Activities:

The Company's joint venture is proceeding with the redevelopment of Fashion District Philadelphia, an 850,000 square foot shopping center in Philadelphia, Pennsylvania. The project is expected to be completed in September 2019. The total cost of the project is estimated to be between $400.0 million and $420.0 million, with $200.0 million to $210.0 million estimated to be the Company's pro rata share. The Company has funded $140.4 million of the total $280.8 million incurred by the joint venture as of June 30, 2018.

The Company completed the redevelopment of a 250,000 square foot former Sears store at Kings Plaza Shopping Center in July 2018. As of June 30, 2018, the Company has incurred $94.7 million in costs.

The Company's joint venture in Scottsdale Fashion Square is redeveloping a former Barney's store that will include a 70,000 square foot exterior expansion. The project is expected to be completed in 2019. The total cost of the project is estimated to be between $140.0 million and $160.0 million, with $70.0 million to $80.0 million estimated to be the Company's pro rata share. The Company has funded $16.9 million of the total $33.8 million incurred by the joint venture as of June 30, 2018.

Other Transactions and Events:

On February 12, 2017, the Company's Board of Directors authorized the repurchase of up to $500.0 million 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, from time to time as permitted by securities laws and other legal requirements. During the period from February 12, 2017 to December 31, 2017, the Company repurchased a total of 3,627,390 of its common shares for $221.4 million, 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 "Dispositions"), its

share of the proceeds from the sale of ownership

Table of Contents

interests in office buildings at Fashion District Philadelphia and Country Club Plaza (See "Dispositions") and from borrowings under its line of credit. No repurchases were made during the three and six months ended June 30, 2018.
On January 1, 2018, upon adoption of ASU 2014-09, "Revenue From Contracts With Customers (ASC 606)", the Company changed its accounting for Chandler Freehold from a co-venture arrangement to a financing arrangement ("Financing Arrangement"). As a result, the Company no longer records co-venture expense for its partner's share of the income of Chandler Freehold. Under the Financing Arrangement, the Company recognizes interest expense on (i) the changes in fair value of the Financing Arrangement obligation, (ii) any payments to the joint venture partner equal to their pro rata share of net income and (iii) any payments to the joint venture partner less than or in excess of their pro rata share of net income.
On February 1 and 2, 2018, the Company reduced its workforce by approximately 10 percent. The Company incurred a one-time charge of $12.7 million in connection with the workforce reduction during the three months ended March 31, 2018. As a result of the workforce reduction, the Company anticipates expenses, exclusive of the one-time charge, will be reduced by approximately $10.0 million during the year ending December 31, 2018.
During the three months ended June 30, 2018, the Company incurred $19.4 million in costs associated with activities related to shareholder activism. These costs were primarily for legal and advisory services.
Inflation:
In the last five years, inflation has not had a significant impact on the Company because of a relatively low inflation rate. Most of the leases at the Centers have rent adjustments periodically throughout the lease term. These rent increases are either in fixed increments or based on using an annual multiple of increases in the Consumer Price Index ("CPI"). In addition, approximately 5% to 15% of the leases for spaces 10,000 square feet and under expire each year, which enables the Company to replace existing leases with new leases at higher base rents if the rents of the existing leases are below the then existing market rate. The Company has generally entered into leases that require tenants to pay a stated amount for operating expenses, generally excluding property taxes, regardless of the expenses actually incurred at any Center, which places the burden of cost control on the Company. Additionally, certain leases require the tenants to pay their pro rata share of operating expenses.
Seasonality:
The shopping center industry is seasonal in nature, particularly in the fourth quarter during the holiday season when retailer occupancy and retail sales are typically at their highest levels. In addition, shopping malls achieve a substantial portion of their specialty (temporary retailer) rents during the holiday season and the majority of percentage rent is recognized in the fourth quarter. As a result of the above, earnings are generally higher in the fourth quarter.
Critical Accounting Policies
The preparation of financial statements in conformity with generally accepted accounting principles ("GAAP") in the United States of America 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
Some of these estimates and assumptions include judgments on revenue recognition, estimates for common area maintenance and real estate tax accruals, provisions for uncollectible accounts, impairment of long-lived assets, the allocation of purchase price between tangible and intangible assets, capitalization of costs and fair value measurements. The Company's significant accounting policies are described in more detail in Note 2—Summary of Significant Accounting Policies in the Company's Notes to the Consolidated Financial Statements. However, the following policies are deemed to be critical.
Revenue Recognition:
Minimum rental revenues are recognized on a straight-line basis over the term of the related lease. The difference between the amount of rent due in a year and the amount recorded as rental income is referred to as the "straight line rent adjustment." Currently, 42% of the mall store and freestanding store leases contain provisions for CPI rent increases periodically throughout the term of the lease. The Company believes that using an annual multiple of CPI increases, rather than fixed contractual rent increases, results in revenue recognition that more closely matches the cash revenue from each lease and will provide more consistent rent growth throughout the term of the leases.

Percentage rents are recognized when the tenants' specified sales targets have been met. Estimated recoveries from certain tenants for their pro rata share of real estate taxes, insurance and other shopping center operating expenses are recognized as revenues in the period the applicable expenses are incurred. Other tenants pay a fixed rate and these tenant recoveries are recognized as revenues on a straight-line basis over the term of the related leases.

Table of Contents

Property:
Maintenance and repair expenses are charged to operations as incurred. Costs for major replacements and betterments, which includes HVAC equipment, roofs, parking lots, etc., are capitalized and depreciated over their estimated useful lives. Gains and losses are recognized upon disposal or retirement of the related assets and are reflected in earnings. Property is recorded at cost and is depreciated using a straight-line method over the estimated useful lives of the assets as follows:

| | |
|---|---|
| Buildings and improvements | 5 - 40 years |
| Tenant improvements | 5 - 7 years |
| Equipment and furnishings | 5 - 7 years |

Capitalization of Costs:
The Company capitalizes costs incurred in redevelopment, development, renovation and improvement of properties. The capitalized costs include pre-construction costs essential to the development of the property, development costs, construction costs, interest costs, real estate taxes, salaries and related costs and other costs incurred during the period of development. These capitalized costs include direct and certain indirect costs clearly associated with the project. Indirect costs include real estate taxes, insurance and certain shared administrative costs. In assessing the amounts of direct and indirect costs to be capitalized, allocations are made to projects based on estimates of the actual amount of time spent on each activity. Indirect costs not clearly associated with specific projects are expensed as period costs. Capitalized indirect costs are allocated to development and redevelopment activities based on the square footage of the portion of the building not held available for immediate occupancy. If costs and activities incurred to ready the vacant space cease, then cost capitalization is also discontinued until such activities are resumed. Once work has been completed on a vacant space, project costs are no longer capitalized. For projects with extended lease-up periods, the Company ends the capitalization when significant activities have ceased, which does not exceed the shorter of a one-year period after the completion of the building shell or when the construction is substantially complete.
Acquisitions:
The Company allocates the estimated fair value of acquisitions to land, building, tenant improvements and identified intangible assets and liabilities, based on their estimated fair values. In addition, any assumed mortgage notes payable are recorded at their estimated fair values. The estimated fair value of the land and buildings is determined utilizing an “as if vacant” methodology. Tenant improvements represent the tangible assets associated with the existing leases valued on a fair value basis at the acquisition date prorated over the remaining lease terms. The tenant improvements are classified as an asset under property and are depreciated over the remaining lease terms. Identifiable intangible assets and liabilities relate to the value of in-place operating leases which come in three forms: (i) leasing commissions and legal costs, which represent the value associated with “cost avoidance” of acquiring in-place leases, such as lease commissions paid under terms generally experienced in the Company's markets; (ii) value of in-place leases, which represents the estimated loss of revenue and of costs incurred for the period required to lease the “assumed vacant” property to the occupancy level when purchased; and (iii) above or below-market value of in-place leases, which represents the difference between the contractual rents and market rents at the time of the acquisition, discounted for tenant credit risks. Leasing commissions and legal costs are recorded in deferred charges and other assets and are amortized over the remaining lease terms. The value of in-place leases are recorded in deferred charges and other assets and amortized over the remaining lease terms plus any below-market fixed rate renewal options. Above or below-market leases are classified in deferred charges and other assets or in other accrued liabilities, depending on whether the contractual terms are above or below-market, and the asset or liability is amortized to minimum rents over the remaining terms of the leases. The remaining lease terms of below-market leases may include certain below-market fixed-rate renewal periods. In considering whether or not a lessee will execute a below-market fixed-rate lease renewal option, the Company evaluates economic factors and certain qualitative factors at the time of acquisition such as tenant mix in the Center, the Company's relationship with the tenant and the availability of competing tenant space. The initial allocation of purchase price is based on management's preliminary assessment, which may change when final information becomes available. Subsequent adjustments made to the initial purchase price allocation are made within the allocation period, which does not exceed one year. The purchase price allocation

is described as preliminary if it is not yet final. The use of different assumptions in the allocation of the purchase price of the acquired assets and liabilities assumed could affect the timing of recognition of the related revenues and expenses.

The Company immediately expenses costs associated with business combinations as period costs.

Table of Contents

Remeasurement gains are recognized when the Company obtains control of an existing equity method investment to the extent that the fair value of the existing equity investment exceeds the carrying value of the investment.

Asset Impairment:

The Company assesses whether an indicator of impairment in the value of its properties exists by considering expected future operating income, trends and prospects, as well as the effects of demand, competition and other economic factors. Such factors include projected rental revenue, operating costs and capital expenditures as well as estimated holding periods and capitalization rates. If an impairment indicator exists, the determination of recoverability is made based upon the estimated undiscounted future net cash flows, excluding interest expense. The amount of impairment loss, if any, is determined by comparing the fair value, as determined by a discounted cash flows analysis or a contracted sales price, with the carrying value of the related assets. The Company generally holds and operates its properties long-term, which decreases the likelihood of their carrying values not being recoverable. Properties classified as held for sale are measured at the lower of the carrying amount or fair value less cost to sell. The Company reviews its investments in unconsolidated joint ventures for a series of operating losses and other factors that may indicate that a decrease in the value of its investments has occurred which is other-than-temporary. The investment in each unconsolidated joint venture is evaluated periodically, and as deemed necessary, for recoverability and valuation declines that are other-than-temporary.

Fair Value of Financial Instruments:

The fair value hierarchy distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity and the reporting entity's own assumptions about market participant assumptions.

Level 1 inputs utilize quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability (other than quoted prices), such as interest rates, foreign exchange rates and yield curves that are observable at commonly quoted intervals. Level 3 inputs are unobservable inputs for the asset or liability, which is typically based on an entity's own assumptions, as there is little, if any, related market activity. In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

The Company calculates the fair value of financial instruments and includes this additional information in the notes to consolidated financial statements when the fair value is different than the carrying value of those financial instruments. When the fair value reasonably approximates the carrying value, no additional disclosure is made.

Deferred Charges:

Costs relating to obtaining tenant leases are deferred and amortized over the initial term of the agreement using the straight-line method. As these deferred leasing costs represent productive assets incurred in connection with the Company's provision of leasing arrangements at the Centers, the related cash flows are classified as investing activities within the Company's consolidated statements of cash flows. Costs relating to financing of shopping center properties are deferred and amortized over the life of the related loan using the straight-line method, which approximates the effective interest method. The ranges of the terms of the agreements are as follows:

| | |
|---|---|
| Deferred lease costs | 1 - 15 years |
| Deferred financing costs | 1 - 15 years |

Table of Contents

Results of Operations

Many of the variations in the results of operations, discussed below, occurred because of the transactions affecting the Company's properties described in Management's Overview and Summary above, including the Redevelopment Properties, the Joint Venture Centers and the Disposition Properties (as defined below).

For purposes of the discussion below, the Company defines "Same Centers" as those Centers that are substantially complete and in operation for the entirety of both periods of the comparison. Non-Same Centers for comparison purposes include those Centers or properties that are going through a substantial redevelopment often resulting in the closing of a portion of the Center (“Redevelopment Properties”) and properties that have been disposed of ("Disposition Properties"). The Company moves a Center in and out of Same Centers based on whether the Center is substantially complete and in operation for the entirety of both periods of the comparison. Accordingly, the Same Centers consist of all consolidated Centers, excluding the Redevelopment Properties and the Disposition Properties, for the periods of comparison.

For the comparison of the three and six months ended June 30, 2018 to the three and six months ended June 30, 2017, the Redevelopment Properties are Paradise Valley Mall and Westside Pavilion.

For comparison of the three and six months ended June 30, 2018 to the three and six months ended June 30, 2017, the Disposition Properties are Promenade at Casa Grande, 500 North Michigan Avenue, Cascade Mall and Northgate Mall.

Unconsolidated joint ventures are reflected using the equity method of accounting. The Company's pro rata share of the results from these Centers is reflected in the Consolidated Statements of Operations as equity in income of unconsolidated joint ventures.

The Company considers tenant annual sales per square foot (for tenants in place for a minimum of twelve months or longer and 10,000 square feet and under), occupancy rates (excluding large retail stores or "Anchors") and releasing spreads (i.e. a comparison of initial average base rent per square foot on leases executed during the trailing twelve months to average base rent per square foot at expiration for the leases expiring during the trailing twelve months based on the spaces 10,000 square feet and under) to be key performance indicators of the Company's internal growth. Tenant sales per square foot increased from $646 for the twelve months ended June 30, 2017 to $692 for the twelve months ended June 30, 2018. Occupancy rate decreased from 94.4% at June 30, 2017 to 94.3% at June 30, 2018. Releasing spreads remained positive as the Company was able to lease available space at higher average rents than the expiring rental rates, resulting in a releasing spread of $6.34 per square foot ($57.91 on new and renewal leases executed compared to $51.57 on leases expiring), representing a 12.3% increase for the trailing twelve months ended June 30, 2018. The Company expects that releasing spreads will continue to be positive for the remainder of 2018 as it renews or relets leases that are scheduled to expire. These leases that are scheduled to expire represent 1.0 million square feet of the Centers, accounting for 13.3% of the gross leasable area ("GLA") of mall stores and freestanding stores, for spaces 10,000 square feet and under, as of June 30, 2018. These calculations exclude Centers under development or redevelopment and property dispositions (See "Dispositions" and "Redevelopment and Development Activities" in Management's Overview and Summary).

During the trailing twelve months ended June 30, 2018, the Company signed 216 new leases and 363 renewal leases comprising approximately 0.9 million square feet of GLA, of which 0.6 million square feet related to the consolidated Centers. The annual initial average base rent for new and renewal leases was $57.91 per square foot for the trailing twelve months ended June 30, 2018 with an average tenant allowance of $23.35 per square foot.

Comparison of Three Months Ended June 30, 2018 and 2017

Revenues:

Minimum and percentage rents (collectively referred to as "rental revenue") decreased by $10.6 million, or 6.8%, from 2017 to 2018. The decrease in rental revenue is attributed to a decrease of $5.0 million from the Same Centers, $3.0 million from the Redevelopment Properties and $2.6 million from the Disposition Properties. Rental revenue includes the amortization of above and below-market leases, the amortization of straight-line rents and lease termination income. The amortization of above and below-market leases increased from $1.3 million in 2017 to $1.9 million in 2018. The amortization of straight-line rents was $2.7 million in 2017 and 2018. Lease termination income decreased from $8.4 million in 2017 to $1.7 million in 2018. The decrease in rental revenue at the Same Centers was primarily

due to a decrease in lease termination income.

Tenant recoveries decreased $2.2 million, or 3.2%, from 2017 to 2018. This decrease in tenant recoveries is attributed to a decrease of $1.3 million from the Same Centers and $1.0 million from the Redevelopment Properties offset in part by an increase of $0.1 million from the Disposition Properties.

Table of Contents

Management Companies' revenue increased from $10.0 million in 2017 to $10.5 million in 2018. The increase in Management Companies' revenue is primarily due to an increase in development fees from unconsolidated joint ventures.

Shopping Center and Operating Expenses:

Shopping center and operating expenses decreased $3.0 million, or 4.2%, from 2017 to 2018. The decrease in shopping center and operating expenses is attributed to a decrease of $1.7 million from the Redevelopment Properties and $1.6 million from the Disposition Properties offset in part by an increase of $0.3 million from the Same Centers.

Management Companies' Operating Expenses:

Management Companies' operating expenses decreased $5.3 million from 2017 to 2018. The decrease is attributed to a reduction in payroll and share and unit-based compensation costs in connection with the Company's reduction in work force in 2018 (See "Other Transactions and Events" in Management's Overview and Summary).

REIT General and Administrative Expenses:

REIT general and administrative expenses decreased $2.5 million from 2017 to 2018 due to a reduction in compensation costs.

Costs Related to Shareholder Activism

The Company incurred $19.4 million in costs related to shareholder activism in 2018 (See "Other Transactions and Events" in Management's Overview and Summary).

Depreciation and Amortization:

Depreciation and amortization decreased $4.4 million from 2017 to 2018. The decrease in depreciation and amortization is attributed to a decrease of $2.0 million from the Same Centers, $1.5 million from the Redevelopment Properties and $0.9 million from the Disposition Properties.

Interest Expense:

Interest expense decreased $3.4 million from 2017 to 2018. The decrease in interest expense is attributed to a decrease of $4.9 million from the Financing Arrangement (See "Other Transactions and Events" in Management's Overview and Summary) and $1.1 million from the Redevelopment Properties offset in part by an increase of $2.5 million from the Same Centers and $0.1 million from the Disposition Properties.

The above interest expense items are net of capitalized interest, which increased from $3.3 million in 2017 to $4.7 million in 2018.

Equity in Income of Unconsolidated Joint Ventures:

Equity in income of unconsolidated joint ventures decreased $1.3 million from 2017 to 2018.

(Loss) Gain on Sale or Write Down of Assets, net:

The loss on sale or write down of assets, net increased $9.0 million from 2017 to 2018. The increase in loss on sale or write down of assets, net is primarily due to impairment losses of $7.5 million on two freestanding stores and $1.7 million on Southridge Center. The impairment losses were due to the reduction in the estimated holding periods of the properties.

Net Income (Loss):

Net income decreased $20.2 million from 2017 to 2018 primarily due to the $19.4 million in costs related to shareholder activism in 2018, as discussed above.

Funds From Operations ("FFO"):

Primarily as a result of the factors mentioned above, FFO attributable to common stockholders and unit holders decreased 15.4% from $148.6 million in 2017 to $125.7 million in 2018. For a reconciliation of net income (loss) attributable to the Company, the most directly comparable GAAP financial measure, to FFO attributable to common stockholders and unit holders and FFO attributable to common stockholders and unit holders—diluted, see "Funds From Operations ("FFO")" below.

Table of Contents

Comparison of Six Months Ended June 30, 2018 and 2017

Revenues:

Rental revenue decreased by $13.7 million, or 4.5%, from 2017 to 2018. The decrease in rental revenue is attributed to a decrease of $5.3 million from the Disposition Properties, $4.8 million from the Redevelopment Properties and $3.6 million from the Same Centers. The amortization of above and below-market leases increased from $1.1 million in 2017 to $1.8 million in 2018. The amortization of straight-line rents increased from $4.5 million in 2017 to $5.4 million in 2018. Lease termination income decreased from $10.4 million in 2017 to $3.4 million in 2018. The decrease in rental revenue at the Same Centers was primarily due to a decrease in lease termination income.

Tenant recoveries decreased $6.5 million, or 4.6%, from 2017 to 2018. The decrease in tenant recoveries is attributed to a decrease of $4.4 million from the Same Centers, $1.7 million from the Redevelopment Properties and $0.4 million from the Disposition Properties.

Management Companies' revenue decreased from $21.9 million in 2017 to $21.0 million in 2018.

Shopping Center and Operating Expenses:

Shopping center and operating expenses decreased $4.3 million, or 3.0%, from 2017 to 2018. The decrease in shopping center and operating expenses is attributed to a decrease of $4.0 million from the Disposition Properties and $2.3 million from the Redevelopment Properties offset in part by an increase of $2.0 million from the Same Centers.

Management Companies' Operating Expenses:

Management Companies' operating expenses increased $4.6 million from 2017 to 2018. The increase is attributed to a one-time charge of $12.7 million in connection with the Company's reduction in work force in 2018 (See "Other Transactions and Events" in Management's Overview and Summary) offset in part by a reduction in payroll and share and unit-based compensation costs.

REIT General and Administrative Expenses:

REIT general and administrative expenses decreased $2.9 million from 2017 to 2018 due to a reduction in compensation costs.

Costs Related to Shareholder Activism

The Company incurred $19.4 million in costs related to shareholder activism in 2018 (See "Other Transactions and Events" in Management's Overview and Summary).

Depreciation and Amortization:

Depreciation and amortization decreased $7.5 million from 2017 to 2018. The decrease in depreciation and amortization is attributed to a decrease of $3.5 million from the Same Centers, $2.0 million from the Redevelopment Properties and $2.0 million from the Disposition Properties.

Interest Expense:

Interest expense increased $7.9 million from 2017 to 2018. The increase in interest expense was attributed to an increase of $4.9 million from the Same Centers, $3.1 million from the Financing Arrangement (See "Other Transactions and Events" in Management's Overview and Summary), $2.2 million from borrowings under the Company's line of credit and $0.2 million from the Disposition Properties offset in part by a decrease of $2.5 million from the Redevelopment Properties.

The above interest expense items are net of capitalized interest, which increased from $6.0 million in 2017 to $9.0 million in 2018.

Equity in Income of Unconsolidated Joint Ventures:

Equity in income of unconsolidated joint ventures decreased $0.2 million from 2017 to 2018.

(Loss) Gain on Sale or Write Down of Assets, net:

The change in (loss) gain on sale or write down of assets, net was $96.1 million, resulting from a gain of $49.1 million in 2017 and a loss of $47.0 million in 2018. The change in (loss) gain on sale or write down of assets, net is primarily due to impairment losses of $36.3 million on SouthPark Mall, $7.5 million on two freestanding stores, $1.7 million on Southridge Center and $1.0 million on Promenade at Casa Grande in 2018, the gain of $59.7 million on the sale of Cascade Mall and

Table of Contents

Northgate Mall in 2017 (See "Dispositions" in Management's Overview and Summary) and the loss of $10.1 million on the write down of an investment in non-real estate assets in 2017. The impairment losses were due to the reduction in the estimated holding periods of the properties.

Net Income (Loss):

The change in net (loss) income was $129.4 million from 2017 to 2018, resulting from net income of $103.9 million in 2017 and net loss of $25.5 million in 2018. The change in net (loss) income is primarily attributed to the change in the (loss) gain on sale or write down of assets, net of $96.1 million and the $19.4 million costs related to shareholder activism in 2018 as discussed above.

Funds From Operations ("FFO"):

Primarily as a result of the factors mentioned above, FFO attributable to common stockholders and unit holders—diluted decreased 11.7% from $282.2 million in 2017 to $249.2 million in 2018. For a reconciliation of net income (loss) attributable to the Company, the most directly comparable GAAP financial measure, to FFO attributable to common stockholders and unit holders and FFO attributable to common stockholders and unit holders—diluted, see "Funds From Operations ("FFO")" below.

Operating Activities:

Cash provided by operating activities decreased from $190.2 million in 2017 to $164.9 million in 2018. The decrease is primarily due to the $19.4 million in costs related to shareholder activism in 2018 (See "Other Transactions and Events" in Management's Overview and Summary), changes in assets and liabilities and the results as discussed above.

Investing Activities:

Cash provided by investing activities increased $75.4 million from 2017 to 2018. The increase in cash provided by investing activities is primarily attributed to an increase in distributions from unconsolidated joint ventures of $277.3 million offset in part by a decrease in cash proceeds from the sale of assets of $140.6 million, an increase in development, redevelopment and renovation costs of $38.2 million and an increase in contributions to unconsolidated joint ventures of $23.7 million.

The increase in distributions from unconsolidated joint ventures is primarily due to the distribution of the Company's share of proceeds from the loans placed on Broadway Plaza and Fashion District Philadelphia (See "Financing Activities" in Management's Overview and Summary) and the sale of an ownership interest in an office building at Fashion District Philadelphia (See "Dispositions" in Management's Overview and Summary) in 2018. The decrease in cash proceeds from the sale of assets is attributed to the sales of Cascade Mall and Northgate Mall in 2017 offset in part by the proceeds from the sale of Promenade at Casa Grande in 2018 (See "Dispositions" in Management's Overview and Summary).

Financing Activities:

Cash used in financing activities increased $44.0 million from 2017 to 2018. The increase in cash used in financing activities is primarily due to an increase in payments on mortgages, bank and other notes payable of $120.9 million and a decrease in proceeds from mortgages, bank and other notes payable of $105.0 million offset in part by the repurchases of the Company's common stock of $181.7 million in 2017 (See "Other Transactions and Events" in Management's Overview and Summary).

Table of Contents

Liquidity and Capital Resources

The Company anticipates meeting its liquidity needs for its operating expenses, debt service and dividend requirements for the next twelve months through cash generated from operations, distributions from unconsolidated joint ventures, working capital reserves and/or borrowings under its unsecured line of credit. The following tables summarize capital expenditures incurred at the Centers (at the Company's pro rata share):

| | For the Six Months Ended June 30, | |
|---|---|---|
| (Dollars in thousands) | 2018 | 2017 |
| Consolidated Centers: | | |
| Acquisitions of property and equipment | $17,539 | $15,649 |
| Development, redevelopment, expansion and renovation of Centers | 82,281 | 54,939 |
| Tenant allowances | 6,640 | 5,168 |
| Deferred leasing charges | 9,266 | 12,376 |
| | $115,726 | $88,132 |
| Joint Venture Centers: | | |
| Acquisitions of property and equipment | $4,513 | $3,658 |
| Development, redevelopment, expansion and renovation of Centers | 59,655 | 61,495 |
| Tenant allowances | 4,073 | 2,010 |
| Deferred leasing charges | 4,897 | 3,723 |
| | $73,138 | $70,886 |

The Company expects amounts to be incurred during the next twelve months for tenant allowances and deferred leasing charges to be comparable or less than 2017 and that capital for those expenditures will be available from working capital, cash flow from operations, borrowings on property specific debt or unsecured corporate borrowings. The Company expects to incur between $200 million and $300 million during the next twelve months for development, redevelopment, expansion and renovations. Capital for these major expenditures, developments and/or redevelopments has been, and is expected to continue to be, obtained from a combination of debt or equity financings, which are expected to include borrowings under the Company's line of credit and construction loans.

The Company has also generated liquidity in the past, and may continue to do so in the future, through equity offerings and issuances, property refinancings, joint venture transactions and the sale of non-core assets. For example, the Company's recently completed sale of Promenade at Casa Grande, the sales of Cascade Mall, Northgate Mall and 500 North Michigan Avenue, the sales of ownership interests in office buildings at Fashion District Philadelphia and Country Club Plaza (See "Dispositions" in Management's Overview and Summary) and the financing of Fashion District Philadelphia and Broadway Plaza (See "Financing Activities" in Management's Overview and Summary). The Company used the proceeds from these transactions to pay down its line of credit and for other general corporate purposes, which included the repurchases of the Company's common stock under the 2017 Stock Buyback Program (See "Other Transactions and Events" in Management's Overview and Summary). Furthermore, the Company has filed a shelf registration statement, which registered an unspecified amount of common stock, preferred stock, depositary shares, debt securities, warrants, rights, stock purchase contracts and units that may be sold from time to time by the Company. The Company expects any additional repurchases of the Company's common stock under the 2017 Stock Buyback Program to be funded by future sales of non-core assets, borrowings under its line of credit and/or refinancing transactions.

The capital and credit markets can fluctuate and, at times, limit access to debt and equity financing for companies. As demonstrated by the Company's recent activity as discussed below, the Company has been able to access capital; however, there is no assurance the Company will be able to do so in future periods or on similar terms and conditions. Many factors impact the Company's ability to access capital, such as its overall debt level, interest rates, interest coverage ratios and prevailing market conditions. In the event that the Company has significant tenant defaults as a result of the overall economy and general market conditions, the Company could have a decrease in cash flow from operations, which could result in increased borrowings under its line of credit. These events could result in an increase

in the Company's proportion of floating rate debt, which would cause it to be subject to interest rate fluctuations in the future.

Table of Contents

The Company's total outstanding loan indebtedness at June 30, 2018 was $7.7 billion (consisting of $5.0 billion of consolidated debt, less $423.7 million of noncontrolling interests, plus $3.2 billion of its pro rata share of unconsolidated joint venture debt). The majority of the Company's debt consists of fixed-rate conventional mortgage notes collateralized by individual properties. The Company expects that all of the maturities during the next twelve months will be refinanced, restructured, extended and/or paid off from the Company's line of credit or cash on hand. The Company believes that the pro rata debt provides useful information to investors regarding its financial condition because it includes the Company’s share of debt from unconsolidated joint ventures and, for consolidated debt, excludes the Company’s partners’ share from consolidated joint ventures, in each case presented on the same basis. The Company has several significant joint ventures and presenting its pro rata share of debt in this manner can help investors better understand the Company’s financial condition after taking into account our economic interest in these joint ventures. The Company’s pro rata share of debt should not be considered as a substitute for the Company’s total consolidated debt determined in accordance with GAAP or any other GAAP financial measures and should only be considered together with and as a supplement to the Company’s financial information prepared in accordance with GAAP.

The Company has a $1.5 billion revolving line of credit facility 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 $2.0 billion. All obligations under the facility are unconditionally guaranteed only by the Company. Based on the Company's leverage level as of June 30, 2018, the borrowing rate on the facility was LIBOR plus 1.45%. At June 30, 2018, total borrowings under the line of credit were $735.0 million less unamortized deferred finance costs of $6.3 million with a total interest rate of 3.71%. The Company's availability under the line of credit was $704.4 million at June 30, 2018.

Cash dividends and distributions for the six months ended June 30, 2018 were $226.7 million. A total of $164.9 million was funded by operations. The remaining $61.9 million was funded from distributions from unconsolidated joint ventures, which were included in the cash flows from investing activities section of the Company's Consolidated Statement of Cash Flows.

At June 30, 2018, the Company was in compliance with all applicable loan covenants under its agreements.

At June 30, 2018, the Company had cash and cash equivalents of $92.5 million.

Off-Balance Sheet Arrangements:

The Company accounts for its investments in joint ventures that it does not have a controlling interest or is not the primary beneficiary using the equity method of accounting and those investments are reflected on the consolidated balance sheets of the Company as investments in unconsolidated joint ventures.

Additionally, as of June 30, 2018, the Company was contingently liable for $60.6 million in letters of credit guaranteeing performance by the Company of certain obligations relating to the Centers. The Company does not believe that these letters of credit will result in a liability to the Company.

Contractual Obligations:

The following is a schedule of contractual obligations as of June 30, 2018 for the consolidated Centers over the periods in which they are expected to be paid (in thousands):

| | Payment Due by Period | | | | |
|---|---|---|---|---|---|
| Contractual Obligations | Total | Less than 1 year | 1 - 3 years | 3 - 5 years | More than five years |
| Long-term debt obligations (includes expected interest payments)(1) | $5,706,540 | $334,867 | $1,843,198 | $1,730,702 | $1,797,773 |
| Operating lease obligations(2) | 284,666 | 15,759 | 32,553 | 29,938 | 206,416 |
| Purchase obligations(2) | 10,034 | 10,034 | — | — | — |
| Other long-term liabilities | 292,918 | 209,075 | 17,648 | 19,737 | 46,458 |
| | $6,294,158 | $569,735 | $1,893,399 | $1,780,377 | $2,050,647 |

(1) Interest payments on floating rate debt were based on rates in effect at June 30, 2018.

(2) See Note 16—Commitments and Contingencies in the Company's Notes to Consolidated Financial Statements.

38

Table of Contents

Funds From Operations ("FFO")

The Company uses FFO in addition to net income to report its operating and financial results and considers FFO and FFO -diluted as supplemental measures for the real estate industry and a supplement to GAAP measures. The National Association of Real Estate Investment Trusts ("Nareit") defines FFO as net income (loss) (computed in accordance with GAAP), excluding gains (or losses) from extraordinary items and sales of depreciated operating properties, plus real estate related depreciation and amortization, impairment write-downs of real estate and write-downs of investments in an affiliate where the write-downs have been driven by a decrease in the value of real estate held by the affiliate and after adjustments for unconsolidated joint ventures. As a result of changes in the accounting standard ASC 606 effective January 1, 2018, the Company began treating its joint venture in Chandler Freehold as a Financing Arrangement for accounting purposes. In connection with this treatment, the Company recognizes financing expense on (i) the changes in fair value of the financing arrangement obligation, (ii) any payments to the joint venture partner equal to their pro rata share of net income and (iii) any payments to the joint venture partner less than or in excess of their pro rata share of net income. The Company excludes from its definition of FFO the noted expense related to the changes in fair value and for the payments to the joint venture partner less than or in excess of their pro rata share of net income. Although the Nareit definition of FFO predates this guidance for accounting for financing arrangements, the Company believes that excluding the noted expense resulting from the Financing Arrangement is consistent with the key objective of FFO as a performance measure and it allows the Company’s current FFO to be comparable with the Company’s FFO from prior quarters. Adjustments for unconsolidated joint ventures are calculated to reflect FFO on the same basis.The Company also presents FFO excluding costs associated with shareholder activism.

FFO and FFO on a diluted basis are useful to investors in comparing operating and financial results between periods. This is especially true since FFO excludes real estate depreciation and amortization, as the Company believes real estate values fluctuate based on market conditions rather than depreciating in value ratably on a straight-line basis over time. The Company believes that such a presentation also provides investors with a meaningful measure of its operating results in comparison to the operating results of other REITs. In addition, the Company believes that FFO excluding non-routine costs associated with shareholder activism provides useful supplemental information regarding the Company’s performance as it shows a more meaningful and consistent comparison of the Company’s operating performance and allows investors to more easily compare the Company’s results. The Company further believes that FFO on a diluted basis is a measure investors find most useful in measuring the dilutive impact of outstanding convertible securities.

The Company believes that FFO does not represent cash flow from operations as defined by GAAP, should not be considered as an alternative to net income as defined by GAAP, and is not indicative of cash available to fund all cash flow needs. The Company also cautions that FFO, as presented, may not be comparable to similarly titled measures reported by other REITs.

Management compensates for the limitations of FFO by providing investors with financial statements prepared according to GAAP, along with this detailed discussion of FFO and a reconciliation of net income to FFO and FFO-diluted. Management believes that to further understand the Company's performance, FFO should be compared with the Company's reported net income and considered in addition to cash flows in accordance with GAAP, as presented in the Company's consolidated financial statements.

Table of Contents

Funds From Operations ("FFO") (Continued)

The following reconciles net income (loss) attributable to the Company to FFO and FFO-diluted attributable to common stockholders and unit holders-basic and diluted, excluding costs related to shareholder activism for the three and six months ended June 30, 2018 and 2017 (dollars and shares in thousands):

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Net income (loss) attributable to the Company | $7,816 | $26,638 | $(25,757) | $95,881 |
| Adjustments to reconcile net income (loss) attributable to the Company to FFO attributable to common stockholders and unit holders—basic and diluted: | | | | |
| Noncontrolling interests in the Operating Partnership | 562 | 1,987 | (1,888) | 7,095 |
| Loss (gain) on sale or write down of assets, net—consolidated assets | 9,518 | 477 | 47,030 | (49,088) |
| Add: noncontrolling interests share of (loss) gain on sale or write down of assets—consolidated assets | (10) | — | 580 | — |
| Add: gain on sale of undepreciated assets—consolidated assets | 548 | — | 1,355 | — |
| Less: loss on write-down of non-real estate assets—consolidated assets | — | — | — | (10,138) |
| Gain on sale or write down of assets—unconsolidated joint ventures, net(1) | (203) | — | (46) | (2,269) |
| Add: gain (loss) on sale of undepreciated assets—unconsolidated joint ventures(1) | 307 | — | (1,778) | 660 |
| Depreciation and amortization—consolidated assets | 78,868 | 83,243 | 158,805 | 166,316 |
| Less: noncontrolling interests in depreciation and amortization—consolidated assets | (3,635) | (3,715) | (7,276) | (7,608) |
| Depreciation and amortization—unconsolidated joint ventures(1) | 42,596 | 43,450 | 86,180 | 88,215 |
| Less: depreciation on personal property | (3,322) | (3,446) | (6,667) | (6,827) |
| Financing expense in connection with the adoption of ASC 606 (Chandler Freehold) | (7,357) | — | (1,337) | — |
| FFO attributable to common stockholders and unit holders—basic and diluted | 125,688 | 148,634 | 249,201 | 282,237 |
| Costs related to shareholder activism | 19,369 | — | 19,369 | — |
| FFO attributable to common stockholders and unit holders, excluding costs related to shareholder activism—basic and diluted | $145,057 | $148,634 | $268,570 | $282,237 |
| Weighted average number of FFO shares outstanding for: | | | | |
| FFO attributable to common stockholders and unit holders—basic(2) | 151,535 | 152,221 | 151,426 | 153,199 |
| Adjustments for impact of dilutive securities in computing FFO—diluted: | | | | |
| Share and unit based compensation plans | — | 33 | 8 | 47 |
| FFO attributable to common stockholders and unit holders—diluted (3) | 151,535 | 152,254 | 151,434 | 153,246 |

(1) Unconsolidated joint ventures are presented at the Company's pro rata share.

(2) Calculated based upon basic net income as adjusted to reach basic FFO. Includes 10.4 million and 10.5 million OP Units for the three months ended June 30, 2018 and 2017, respectively, and 10.3 million and 10.6 million OP Units for the six months ended June 30, 2018 and 2017, respectively.

(3) The computation of FFO—diluted shares outstanding includes the effect of share and unit-based compensation plans using the treasury stock method. It also assumes the conversion of MACWH, LP common and preferred units to the extent that they are dilutive to the FFO—diluted computation.

Table of Contents

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company's primary market risk exposure is interest rate risk. The Company has managed and will continue to manage interest rate risk by (1) maintaining a ratio of fixed rate, long-term debt to total debt such that floating rate exposure is kept at an acceptable level, (2) reducing interest rate exposure on certain long-term floating rate debt through the use of interest rate caps and/or swaps with matching maturities where appropriate, (3) using treasury rate locks where appropriate to fix rates on anticipated debt transactions, and (4) taking advantage of favorable market conditions for long-term debt and/or equity.

The following table sets forth information as of June 30, 2018 concerning the Company's long-term debt obligations, including principal cash flows by scheduled maturity, weighted average interest rates and estimated fair value (dollars in thousands):

| | Expected Maturity Date For the twelve months ended June 30, | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2021 | 2022 | Thereafter | Total | Fair Va |
| CONSOLIDATED CENTERS: | | | | | | | | |
| Long-term debt: | | | | | | | | |
| Fixed rate | $171,649 | $670,813 | $592,847 | $364,404 | $152,242 | $1,670,728 | $3,622,683 | $3,618, |
| Average interest rate | 3.38 % | 3.58 % | 4.56 % | 4.09 % | 4.42 % | 3.64 % | 3.84 % | |
| Floating rate | — | 200,000 | 130,000 | 1,035,000 | — | — | 1,365,000 | 1,338,7 |
| Average interest rate | — % | 3.48 % | 4.13 % | 3.52 % | — % | — % | 3.57 % | |
| Total debt—Consolidated Centers | $171,649 | $870,813 | $722,847 | $1,399,404 | $152,242 | $1,670,728 | $4,987,683 | $4,957, |
| UNCONSOLIDATED JOINT VENTURE CENTERS: | | | | | | | | |
| Long-term debt (at Company's pro rata share): | | | | | | | | |
| Fixed rate | $29,547 | $36,500 | $148,844 | $45,794 | $641,360 | $2,055,509 | $2,957,554 | $2,987, |
| Average interest rate | 3.68 % | 3.69 % | 3.81 % | 3.70 % | 3.46 % | 3.94 % | 3.82 % | |
| Floating rate | 9,363 | 9,526 | 38,243 | 15,000 | 158,750 | — | 230,882 | 224,147 |
| Average interest rate | 3.73 % | 3.70 % | 3.74 % | 3.18 % | 3.79 % | — % | 3.74 % | |
| Total debt—Unconsolidated Joint Venture Centers | $38,910 | $46,026 | $187,087 | $60,794 | $800,110 | $2,055,509 | $3,188,436 | $3,211, |

The consolidated Centers' total fixed rate debt at June 30, 2018 and December 31, 2017 was $3.6 billion. The average interest rate on such fixed rate debt at June 30, 2018 and December 31, 2017 was 3.84% and 3.85%, respectively. The consolidated Centers' total floating rate debt at June 30, 2018 and December 31, 2017 was $1.4 billion and $1.5 billion, respectively. The average interest rate on such floating rate debt at June 30, 2018 and December 31, 2017 was 3.57% and 2.98%, respectively.

The Company's pro rata share of the unconsolidated joint venture Centers' fixed rate debt at June 30, 2018 and December 31, 2017 was $3.0 billion and $2.7 billion, respectively. The average interest rate on such fixed rate debt at June 30, 2018 and December 31, 2017 was 3.82%, and 3.79% respectively. The Company's pro rata share of the unconsolidated joint venture Centers' floating rate debt at June 30, 2018 and December 31, 2017 was $230.9 million and $106.3 million, respectively. The average interest rate on such floating rate debt at June 30, 2018 and December 31, 2017 was 3.74% and 2.86%, respectively.

In addition, the Company has assessed the market risk for its floating rate debt and believes that a 1% increase in interest rates would decrease future earnings and cash flows by approximately $16.0 million per year based on $1.6

billion of floating rate debt outstanding at June 30, 2018.

The fair value of the Company's long-term debt is estimated based on a present value model utilizing interest rates that reflect the risks associated with long-term debt of similar risk and duration. In addition, the method of computing fair value for mortgage notes payable included a credit value adjustment based on the estimated value of the property that serves as collateral for the underlying debt (See Note 9—Mortgage Notes Payable and Note 10—Bank and Other Notes Payable in the Company's Notes to the Consolidated Financial Statements).

Table of Contents

Item 4. Controls and Procedures

As required by Rule 13a-15(b) under the Securities Exchange Act of 1934, management carried out an evaluation, under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on their evaluation as of June 30, 2018, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) were effective to ensure that the information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934 is (a) recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms and (b) accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

In addition, there has been no change in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15(d)-15(f) under the Securities Exchange Act of 1934) that occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Table of Contents

PART II OTHER INFORMATION

Item 1. Legal Proceedings

None of the Company, the Operating Partnership, the Management Companies or their respective affiliates are currently involved in any material legal proceedings, although from time-to-time they are involved in various legal proceedings that arise in the ordinary course of business.

Item 1A. Risk Factors

There have been no material changes to the risk factors relating to the Company set forth under the caption "Item 1A. Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On April 18, 2018, June 19, 2018 and June 29, 2018, the Company, as general partner of the Operating Partnership, issued 25,000, 25,000 and 3,704 shares of common stock of the Company, respectively, upon the redemption of 53,704 common partnership units of the Operating Partnership. These shares of common stock were issued in private placements to three limited partners of the Operating Partnership, each an accredited investor, pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended.

Issuer Purchases of Equity Securities

| Period | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs (1) |
|---|---|---|---|---|
| April 1, 2018 to April 30, 2018 | — | $ —— | —— | $278,707,048 |
| May 1, 2018 to May 31, 2018 | — | — | — | $278,707,048 |
| June 1, 2018 to June 30, 2018 | — | — | — | $278,707,048 |
| | — | $ —— | —— | |

(1) On February 12, 2017, the Company's Board of Directors authorized the repurchase of up to $500.0 million of the Company's outstanding common shares from time to time as market conditions warrant.

Item 3. Defaults Upon Senior Securities

Not Applicable

Item 4. Mine Safety Disclosures

Not Applicable

Item 5. Other Information

Not Applicable

Table of Contents

Item 6. Exhibits

| Exhibit Number | Description |
|---|---|
| 2.1 | Master Agreement, dated November 14, 2014, by and among Pacific Premier Retail LP, MACPT LLC, Macerich PPR GP LLC, Queens JV LP, Macerich Queens JV LP, Queens JV GP LLC, 1700480 Ontario Inc. and the Company (incorporated by reference as an exhibit to the Company's Current Report on Form 8-K, event date November 14, 2014). |
| 3.1 | Articles of Amendment and Restatement of the Company (incorporated by reference as an exhibit to the Company's Registration Statement on Form S-11, as amended (No. 33-68964)) (Filed in paper - hyperlink is not required pursuant to Rule 105 of Regulation S-T). |
| 3.1.1 | Articles Supplementary of the Company (incorporated by reference as an exhibit to the Company's Current Report on Form 8-K, event date May 30, 1995) (Filed in paper - hyperlink is not required pursuant to Rule 105 of Regulation S-T). |
| 3.1.2 | Articles Supplementary of the Company (with respect to the first paragraph) (incorporated by reference as an exhibit to the Company's 1998 Form 10-K). |
| 3.1.3 | Articles Supplementary of the Company (Series D Preferred Stock) (incorporated by reference as an exhibit to the Company's Current Report on Form 8-K, event date July 26, 2002). |
| 3.1.4 | Articles Supplementary of the Company (incorporated by reference as an exhibit to the Company's Registration Statement on Form S-3, as amended (No. 333-88718)). |
| 3.1.5 | Articles of Amendment of the Company (declassification of Board) (incorporated by reference as an exhibit to the Company's 2008 Form 10-K). |
| 3.1.6 | Articles Supplementary of the Company (incorporated by reference as an exhibit to the Company's Current Report on Form 8-K, event date February 5, 2009). |
| 3.1.7 | Articles of Amendment of the Company (increased authorized shares) (incorporated by reference as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2009). |
| 3.1.8 | Articles of Amendment of the Company (to eliminate the supermajority vote requirement to amend the charter and to clarify a reference in Article NINTH) (incorporated by reference as an exhibit to the Company's Current Report on Form 8-K, event date May 30, 2014). |
| 3.1.9 | Articles Supplementary of the Company (election to be subject to Section 3-803 of the Maryland General Corporation Law) (incorporated by reference as an exhibit to the Company's Current Report on Form 8-K, event date March 17, 2015). |
| 3.1.10 | Articles Supplementary of the Company (Series E Preferred Stock) (incorporated by reference as an exhibit to the Company's Current Report on Form 8-K, event date March 18, 2015). |
| 3.1.11 | Articles Supplementary of the Company (reclassification of Series E Preferred Stock to Preferred Stock) (incorporated by reference as an exhibit to the Company's Current Report on Form 8-K, event date May 7, 2015). |
| 3.1.12 | Articles Supplementary of the Company (repeal of election to be subject to Section 3-803 of the Maryland General Corporation Law) (incorporated by reference as an exhibit to the Company's Current Report on Form 8-K, event date May 28, 2015). |
| 3.2 | Amended and Restated Bylaws of the Company (incorporated by reference as an exhibit to the Company's Current Report on Form 8-K, event date May 17, 2018). |
| 31.1 | Section 302 Certification of Arthur Coppola, Chief Executive Officer |
| 31.2 | Section 302 Certification of Thomas O'Hern, Chief Financial Officer |
| 32.1* | Section 906 Certifications of Arthur Coppola and Thomas O'Hern |
| 101.INS | XBRL Instance Document |
| 101.SCH | XBRL Taxonomy Extension Schema Document |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document |

101.DEF XBRL Taxonomy Extension Definition Linkbase Document
* Furnished herewith.

Table of Contents

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE MACERICH COMPANY

By: /s/ THOMAS E. O'HERN

Thomas E. O'Hern

Senior Executive Vice President and Chief Financial Officer

Date: August 3, 2018 (Principal Financial Officer)