MACERICH CO
Form 10-Q
November 02, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2016
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 or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting 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

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 November 1, 2016 of the registrant's common stock, par value $0.01 per share: 143,725,077 shares

THE MACERICH COMPANY
FORM 10-Q
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THE MACERICH COMPANY
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except par value)
(Unaudited)

	September 30, 2016	December 31, 2015
ASSETS:		
Property, net	$ 7,376,768	$ 8,796,912
Cash and cash equivalents	84,181	86,510
Restricted cash	52,976	41,389
Tenant and other receivables, net	126,811	130,002
Deferred charges and other assets, net	478,024	564,291
Due from affiliates	69,481	83,928
Investments in unconsolidated joint ventures	1,753,524	1,532,552
Total assets	$ 9,941,765	$ 11,235,584
LIABILITIES AND EQUITY:		
Mortgage notes payable:		
Related parties	$ 177,621	$ 181,069
Others	3,667,537	4,427,518
Total	3,845,158	4,608,587
Bank and other notes payable	1,048,944	652,163
Accounts payable and accrued expenses	62,018	74,398
Accrued dividend	—	337,703
Other accrued liabilities	357,650	403,281
Distributions in excess of investments in unconsolidated joint ventures	77,878	24,457
Co-venture obligation	59,609	63,756
Total liabilities	5,451,257	6,164,345
Commitments and contingencies		
Equity:		
Stockholders' equity:		
Common stock, $0.01 par value, 250,000,000 shares authorized, 143,853,637 and 154,404,986 shares issued and outstanding at September 30, 2016 and December 31, 2015, respectively	1,439	1,544
Additional paid-in capital	4,581,540	4,926,630
Accumulated deficit	(419,777)	(212,760)
Total stockholders' equity	4,163,202	4,715,414
Noncontrolling interests	327,306	355,825
Total equity	4,490,508	5,071,239
Total liabilities and equity	$ 9,941,765	$ 11,235,584

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

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2016	2015	2016	2015
Revenues:				
Minimum rents	$154,018	$194,183	$457,514	$578,075
Percentage rents	3,871	5,992	9,279	11,816
Tenant recoveries	74,447	106,339	230,568	317,629
Other	12,048	14,477	42,985	42,801
Management Companies	8,983	5,271	28,925	17,070
Total revenues	253,367	326,262	769,271	967,391
Expenses:				
Shopping center and operating expenses	76,310	94,950	229,544	290,491
Management Companies' operating expenses	23,285	21,012	75,484	67,719
REIT general and administrative expenses	6,930	6,688	23,240	22,660
Costs related to unsolicited takeover offer	—	209	—	25,204
Depreciation and amortization	86,976	117,486	259,097	357,437
	193,501	240,345	587,365	763,511
Interest expense:				
Related parties	2,224	2,690	6,752	8,128
Other	37,759	52,266	114,202	155,010
	39,983	54,956	120,954	163,138
(Gain) loss on extinguishment of debt, net	(5,284)	27	(1,709)	(609)
Total expenses	228,200	295,328	706,610	926,040
Equity in income of unconsolidated joint ventures	11,261	10,817	37,537	28,185
Co-venture expense	(3,006)	(2,954)	(9,507)	(7,897)
Income tax (expense) benefit	(905)	859	(2,736)	2,077
(Loss) gain on sale or write down of assets, net	(19,321)	(3,342)	426,050	(7,078)
Gain on remeasurement of assets	—	—	—	22,089
Net income	13,196	36,314	514,005	78,727
Less net (loss) income attributable to noncontrolling interests	(534)	2,717	34,138	6,124
Net income attributable to the Company	$13,730	$33,597	$479,867	$72,603
Earnings per common share—net income attributable to common stockholders:				
Basic	$0.09	$0.21	$3.25	$0.46
Diluted	$0.09	$0.21	$3.25	$0.45
Weighted average number of common shares outstanding:				
Basic	143,923,000	158,517,000	147,504,000	158,452,000
Diluted	144,036,000	158,634,000	147,630,000	158,603,000

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

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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	Total Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance at January 1, 2016	154,404,986	$1,544	$4,926,630	$(212,760)	$4,715,414	$ 355,825	$5,071,239
Net income	—	—	—	479,867	479,867	34,138	514,005
Amortization of share and unit-based plans	136,535	2	34,131	—	34,133	—	34,133
Employee stock purchases	13,024	—	834	—	834	—	834
Stock repurchases	(11,123,011)	(111)	(416,375)	(383,532)	(800,018)	—	(800,018)
Distributions declared ($2.04) per share	—	—	—	(303,352)	(303,352)	—	(303,352)
Distributions to noncontrolling interests	—	—	—	—	—	(26,303)	(26,303)
Conversion of noncontrolling interests to common shares	422,103	4	10,716	—	10,720	(10,720)	—
Redemption of noncontrolling interests	—	—	(23)	—	(23)	(7)	(30)
Adjustment of noncontrolling interests in Operating Partnership	—	—	25,627	—	25,627	(25,627)	—
Balance at September 30, 2016	143,853,637	$1,439	$4,581,540	$(419,777)	$4,163,202	$ 327,306	$4,490,508

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

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

	For the Nine Months Ended September 30,	
	2016	2015
Cash flows from operating activities:		
Net income	$514,005	$78,727
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on early extinguishment of debt, net	(13,737)	(609)
(Gain) loss on sale or write down of assets, net	(426,050)	7,078
Gain on remeasurement of assets	—	(22,089)
Depreciation and amortization	263,514	362,681
Amortization of net premium on mortgage notes payable	(3,082)	(17,891)
Amortization of share and unit-based plans	27,643	23,629
Straight-line rent adjustment	(3,449)	(4,512)
Amortization of above and below-market leases	(9,115)	(13,905)
Provision for doubtful accounts	2,460	3,766
Income tax expense (benefit)	2,736	(2,077)
Equity in income of unconsolidated joint ventures	(37,537)	(28,185)
Distributions of income from unconsolidated joint ventures	5,607	2,700
Co-venture expense	9,507	7,897
Changes in assets and liabilities, net of acquisitions and dispositions:		
Tenant and other receivables	2,370	7,379
Other assets	(6,100)	5,232
Due from affiliates	14,729	1,756
Accounts payable and accrued expenses	(6,459)	2,770
Other accrued liabilities	(17,983)	(696)
Net cash provided by operating activities	319,059	413,651
Cash flows from investing activities:		
Acquisitions of property	—	(26,250)
Development, redevelopment, expansion and renovation of properties	(153,131)	(208,485)
Property improvements	(24,638)	(34,541)
Proceeds from notes receivable	3,361	1,368
Deferred leasing costs	(21,326)	(24,797)
Distributions from unconsolidated joint ventures	411,405	66,643
Contributions to unconsolidated joint ventures	(404,283)	(336,806)
Proceeds from sale of assets	696,716	11,655
Restricted cash	(13,978)	(546)
Net cash provided by (used in) investing activities	494,126	(551,759)

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

	For the Nine Months Ended September 30,	
	2016	2015
Cash flows from financing activities:		
Proceeds from mortgages, bank and other notes payable	2,716,138	1,800,671
Payments on mortgages, bank and other notes payable	(2,024,965)	(1,262,628)
Deferred financing costs	(8,822)	(5,160)
Payment of finance deposits	(7,200)	(38,567)
Proceeds from share and unit-based plans	834	745
Stock repurchases	(800,018)	—
Redemption of noncontrolling interests	(30)	(221)
Contribution from noncontrolling interests	—	23
Purchase of noncontrolling interest	—	(1,593)
Settlement of contingent consideration	(10,012)	—
Dividends and distributions	(667,785)	(332,402)
Distributions to co-venture partner	(13,654)	(14,658)
Net cash (used in) provided by financing activities	(815,514)	146,210
Net (decrease) increase in cash and cash equivalents	(2,329)	8,102
Cash and cash equivalents, beginning of period	86,510	84,907
Cash and cash equivalents, end of period	$84,181	$93,009
Supplemental cash flow information:		
Cash payments for interest, net of amounts capitalized	$113,187	$178,263
Non-cash investing and financing transactions:		
Accrued development costs included in accounts payable and accrued expenses and other accrued liabilities	$29,777	$39,717
Mortgage notes payable assumed in exchange for investments in unconsolidated joint ventures	$997,695	$—
Assumption of mortgage note payable from unconsolidated joint venture	$—	$50,000
Mortgage note payable settled by deed-in-lieu of foreclosure	$37,000	$34,149
Acquisition of property in exchange for investment in unconsolidated joint venture	$—	$76,250
Conversion of Operating Partnership Units to common stock	$10,720	$1,559

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

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THE MACERICH COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except per share amounts)
(Unaudited)

1. Organization:

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

The Company commenced operations effective with the completion of its initial public offering on March 16, 1994. As of September 30, 2016, 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.

On January 1, 2016, the Company adopted Accounting Standards Update (“ASU”) 2015-02, “Consolidation (Topic 810): Amendments to the Consolidation Analysis,” which made certain changes to both the variable interest model and the voting model, including changes to (1) the identification of variable interests (fees paid to a decision maker or service provider), (2) the variable interest entity ("VIE") characteristics for a limited partnership or similar entity and (3) the primary beneficiary determination. The Company evaluated the new standard and determined that no change was required to its accounting for variable interest entities. However, under the guidance of the new standard, all of the Company's consolidated joint ventures, including the Operating Partnership, now meet the definition and criteria as VIEs and the Company is the primary beneficiary of each VIE.

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 VIEs.

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

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

	September 30, 2016	December 31, 2015
Assets:		
Properties, net	$ 335,101	$ 362,129
Other assets	70,263	74,075
Total assets	$ 405,364	$ 436,204
Liabilities:		
Mortgage notes payable	$ 134,287	$ 139,767
Other liabilities	82,112	79,984
Total liabilities	$ 216,399	$ 219,751

All intercompany accounts and transactions have been eliminated in the consolidated financial statements.
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, 2015. 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, 2015 has been derived from the audited financial statements but does not include all disclosures required by GAAP.
Recent Accounting Pronouncements:
In May 2014, the Financial Accounting Standards Board (“FASB”) issued ASU 2014-09, “Revenue From Contracts With Customers,” which outlines a comprehensive model for entities to use in accounting for revenue arising from contracts with customers. ASU 2014-09 states that “an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.” While ASU 2014-09 specifically references contracts with customers, it may apply to certain other transactions such as the sale of real estate or equipment. In July 2015, the FASB voted to defer the effective date of ASU 2014-09 by one year. Accordingly, ASU 2014-09 is effective for the Company beginning January 1, 2018, with early adoption permitted beginning January 1, 2017. The Company does not expect the adoption of this standard to have a significant impact on its consolidated financial statements.
In April 2015, the FASB issued ASU 2015-03, “Simplifying the Presentation of Debt Issuance Costs,” which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected. The Company's adoption of ASU 2015-03 on January 1, 2016 resulted in an adjustment of its consolidated balance sheet at December 31, 2015 to reflect the new presentation required by the standard.
In September 2015, the FASB issued ASU 2015-16, "Simplifying the Accounting for Measurement-Period Adjustments," which requires adjustments to provisional amounts used in business combinations during the measurement period to be recognized in the reporting period in which the adjustment amounts are determined. It also requires the disclosure of the impact on changes in estimates on earnings, depreciation, amortization and other income effects. The Company's adoption of this standard on January 1, 2016 did not have an impact on its consolidated financial statements.

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

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)," which requires lessees to record operating and financing leases as assets and liabilities on the balance sheet and lessors to expense costs that are not initial direct leasing costs. ASU 2016-02 is effective for the Company beginning January 1, 2019. The Company is evaluating the impact of the adoption of this standard on its consolidated financial statements.
In March 2016, the FASB issued ASU 2016-09, "Compensation-Stock Compensation (Topic 718)," which amends the accounting for share-based payments, including the income tax consequences, classification of awards and classification on the statement of cash flows. ASU 2016-09 is effective for the Company beginning January 1, 2017. The Company is evaluating the impact of the adoption of this standard on its consolidated financial statements.
In August 2016, the FASB issued ASU 2016-15, "Statement of Cash flows (Topic 230)," which amends the accounting for the statement of cash flows by providing guidance on how certain cash receipts and cash payments are presented and classified in the statement of cash flows. ASU 2016-15 is effective for the Company beginning January 1, 2017. The Company is evaluating the impact of the adoption of this standard on its consolidated financial statements.
3. Earnings per Share ("EPS"):
The following table reconciles the numerator and denominator used in the computation of EPS for the three and nine months ended September 30, 2016 and 2015 (shares in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2016	2015	2016	2015
Numerator				
Net income	$13,196	$36,314	$514,005	$78,727
Net income attributable to noncontrolling interests	534	(2,717)	(34,138)	(6,124)
Net income attributable to the Company	13,730	33,597	479,867	72,603
Allocation of earnings to participating securities	(170)	(147)	(586)	(442)
Numerator for basic and diluted EPS—net income attributable to common stockholders	$13,560	$33,450	$479,281	$72,161
Denominator				
Denominator for basic EPS—weighted average number of common shares outstanding	143,923	158,517	147,504	158,452
Effect of dilutive securities:(1)				
Share and unit-based compensation plans	113	117	126	151
Denominator for diluted EPS—weighted average number of common shares outstanding	144,036	158,634	147,630	158,603
Earnings per common share—net income attributable to common stockholders:				
Basic	$0.09	$0.21	$3.25	$0.46
Diluted	$0.09	$0.21	$3.25	$0.45

(1) Diluted EPS excludes 138,759 convertible preferred units for the three months ended September 30, 2016 and 2015, and 138,759 and 139,330 convertible preferred units for the nine months ended September 30, 2016 and 2015, respectively, as their impact was antidilutive.

Diluted EPS excludes 10,666,565 and 10,576,632 Operating Partnership units ("OP Units") for the three months ended September 30, 2016 and 2015, respectively, and 10,773,029 and 10,557,254 OP Units for the nine months

ended September 30, 2016 and 2015, respectively, as their impact was antidilutive.

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THE MACERICH COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollars in thousands, except per share amounts)
(Unaudited)

4. Investments in Unconsolidated Joint Ventures:

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

On February 17, 2015, the Company acquired the remaining 50% ownership interest in Inland Center, an 867,000 square foot regional shopping center in San Bernardino, California, that it did not previously own for $51,250. The purchase price was funded by a cash payment of $26,250 and the assumption of the third party's share of the mortgage note payable on the property of $25,000. Concurrent with the purchase of the joint venture interest, the Company paid off the $50,000 mortgage note payable on the property. The cash payment was funded by borrowings under the Company's line of credit. Prior to the acquisition, the Company had accounted for its investment in Inland Center under the equity method of accounting. Since the date of acquisition, the Company has included Inland Center in its consolidated financial statements (See Note 13—Acquisitions).

On April 30, 2015, the Company entered into a 50/50 joint venture with Sears to own nine freestanding stores located at Arrowhead Towne Center, Chandler Fashion Center, Danbury Fair Mall, Deptford Mall, Freehold Raceway Mall, Los Cerritos Center, South Plains Mall, Vintage Faire Mall and Washington Square. The Company invested $150,000 for a 50% ownership interest in the joint venture, which was funded by borrowings under the Company's line of credit.

On October 30, 2015, the Company sold a 40% ownership interest in Pacific Premier Retail LLC (the "PPR Portfolio"), which owns Lakewood Center, a 2,075,000 square foot regional shopping center in Lakewood, California; Los Cerritos Center, a 1,296,000 square foot regional shopping center in Cerritos, California; South Plains Mall, a 1,127,000 square foot regional shopping center in Lubbock, Texas; and Washington Square, a 1,441,000 square foot regional shopping center in Portland, Oregon, for a total sales price of $1,258,643, resulting in a gain on the sale of assets of $311,194. The sales price was funded by a cash payment of $545,643 and the assumption of a pro rata share of the mortgage notes payable on the properties of $713,000. The Company used the cash proceeds from the sale to pay down its line of credit and for general corporate purposes, which included funding the ASR and Special Dividend (See Note 12—Stockholders' Equity). Upon completion of the sale of the ownership interest, the Company no longer has a controlling interest in the joint venture due to the substantive participation rights of the outside partner. Accordingly, the Company accounts for its investment in the PPR Portfolio under the equity method of accounting.

On January 6, 2016, the Company sold a 40% ownership interest in Arrowhead Towne Center, a 1,197,000 square foot regional shopping center in Glendale, Arizona, for $289,496, resulting in a gain on the sale of assets of $104,259. The sales price was funded by a cash payment of $129,496 and the assumption of a pro rata share of the mortgage note payable on the property of $160,000. The Company used the cash proceeds from the sale to pay down its line of credit and for general corporate purposes, which included funding the Special Dividend (See Note 12—Stockholders' Equity). Upon completion of the sale of the ownership interest, the Company no longer has a controlling interest in the joint venture due to the substantive participation rights of the outside partner. Accordingly, the Company accounts for its investment in Arrowhead Towne Center under the equity method of accounting.

On January 14, 2016, the Company formed a joint venture, whereby the Company sold a 49% ownership interest in Deptford Mall, a 1,039,000 square foot regional shopping center in Deptford, New Jersey; FlatIron Crossing, a 1,432,000 square foot regional shopping center in Broomfield, Colorado; and Twenty Ninth Street, an 851,000 square foot regional shopping center in Boulder, Colorado (the "MAC Heitman Portfolio"), for $771,478, resulting in a gain on the sale of assets of $340,745. The sales price was funded by a cash payment of $478,608 and the assumption of a pro rata share of the mortgage notes payable on the properties of $292,870. The Company used the cash proceeds from the sale to pay down its line of credit and for general corporate purposes. Upon completion of the sale of the ownership interest, the Company no longer has a controlling interest in the joint venture due to the substantive participation rights of the outside partner. Accordingly, the Company accounts for its investment in the MAC Heitman Portfolio under the equity method of accounting.

On March 1, 2016, the Company, through a 50/50 joint venture, acquired Country Club Plaza, a 1,246,000 square foot regional shopping center in Kansas City, Missouri, for a purchase price of $660,000. The Company funded its pro rata

share of the purchase price of $330,000 from borrowings under its line of credit. On March 28, 2016, the joint venture placed a $320,000 loan on the property that bears interest at an effective rate of 3.88% and matures on April 1, 2026. The Company used its pro rata share of the proceeds to pay down its line of credit.

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

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

Combined and Condensed Balance Sheets of Unconsolidated Joint Ventures:

	September 30, 2016	December 31, 2015
Assets(1):		
Properties, net	$ 9,176,646	$ 6,334,442
Other assets	646,943	507,718
Total assets	$ 9,823,589	$ 6,842,160
Liabilities and partners' capital(1):		
Mortgage and other notes payable(2)	$ 5,237,130	$ 3,607,588
Other liabilities	431,838	355,634
Company's capital	2,274,914	1,585,796
Outside partners' capital	1,879,707	1,293,142
Total liabilities and partners' capital	$ 9,823,589	$ 6,842,160
Investments in unconsolidated joint ventures:		
Company's capital	$ 2,274,914	$ 1,585,796
Basis adjustment(3)	(599,268)	(77,701)
	$ 1,675,646	$ 1,508,095
Assets—Investments in unconsolidated joint ventures	$ 1,753,524	$ 1,532,552
Liabilities—Distributions in excess of investments in unconsolidated joint ventures	(77,878)	(24,457)
	$ 1,675,646	$ 1,508,095

(1) These amounts include the assets of $3,211,370 and $3,283,702 of Pacific Premier Retail LLC as of September 30, 2016 and December 31, 2015, respectively, and liabilities of $1,908,533 and $1,938,241 of Pacific Premier Retail LLC as of September 30, 2016 and December 31, 2015, respectively.

(2) Certain mortgage notes payable could become recourse debt to the Company should the joint venture be unable to discharge the obligations of the related debt. As of September 30, 2016 and December 31, 2015, a total of $5,000 could become recourse debt to the Company. As of September 30, 2016 and December 31, 2015, the Company had an indemnity agreement from a joint venture partner for $2,500 of the guaranteed amount.

Included in mortgage and other notes payable are amounts due to an affiliate of Northwestern Mutual Life ("NML") of $267,200 and $460,872 as of September 30, 2016 and December 31, 2015, 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 $2,775 and $6,385 for the three months ended September 30, 2016 and 2015, respectively, and $14,133 and $22,976 for the nine months ended September 30, 2016 and 2015, 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 $4,988 and $3,348 for the three months ended September 30, 2016 and 2015, respectively, and $14,114 and $3,188 for the nine months ended September 30, 2016 and 2015, respectively.

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4. Investments in Unconsolidated Joint Ventures: (Continued)

Combined and Condensed Statements of Operations of Unconsolidated Joint Ventures:

	Pacific Premier Retail LLC (1)	Other Joint Ventures	Total
Three Months Ended September 30, 2016			
Revenues:			
Minimum rents	$ 33,332	$ 121,109	$ 154,441
Percentage rents	1,117	4,228	5,345
Tenant recoveries	11,933	48,540	60,473
Other	987	11,697	12,684
Total revenues	47,369	185,574	232,943
Expenses:			
Shopping center and operating expenses	9,897	61,335	71,232
Interest expense	16,688	32,126	48,814
Depreciation and amortization	27,091	70,030	97,121
Total operating expenses	53,676	163,491	217,167
Loss on sale or write down of assets, net	—	(343)	(343)
Net (loss) income	$ (6,307)	$ 21,740	$ 15,433
Company's equity in net (loss) income	$ (871)	$ 12,132	$ 11,261
Three Months Ended September 30, 2015			
Revenues:			
Minimum rents	$ —	$ 75,853	$ 75,853
Percentage rents	—	3,561	3,561
Tenant recoveries	—	32,260	32,260
Other	—	8,688	8,688
Total revenues	—	120,362	120,362
Expenses:			
Shopping center and operating expenses	—	43,350	43,350
Interest expense	—	19,025	19,025
Depreciation and amortization	—	34,653	34,653
Total operating expenses	—	97,028	97,028
Gain on sale or write down of assets, net	—	3,573	3,573
Loss on extinguishment of debt	—	(3)	(3)
Net income	$ —	$ 26,904	$ 26,904
Company's equity in net income	$ —	$ 10,817	$ 10,817

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4. Investments in Unconsolidated Joint Ventures: (Continued)

	Pacific Premier Retail LLC (1)	Other Joint Ventures	Total
Nine Months Ended September 30, 2016			
Revenues:			
Minimum rents	$95,389	$347,146	$442,535
Percentage rents	2,219	8,605	10,824
Tenant recoveries	35,828	138,635	174,463
Other	4,514	34,801	39,315
Total revenues	137,950	529,187	667,137
Expenses:			
Shopping center and operating expenses	28,997	173,563	202,560
Interest expense	47,957	91,130	139,087
Depreciation and amortization	81,971	187,327	269,298
Total operating expenses	158,925	452,020	610,945
Loss on sale or write down of assets, net	—	(343)	(343)
Net (loss) income	$(20,975)	$76,824	$55,849
Company's equity in net (loss) income	$(3,845)	$41,382	$37,537
Nine Months Ended September 30, 2015			
Revenues:			
Minimum rents	$—	$214,678	$214,678
Percentage rents	—	7,991	7,991
Tenant recoveries	—	95,963	95,963
Other	—	23,121	23,121
Total revenues	—	341,753	341,753
Expenses:			
Shopping center and operating expenses	—	123,009	123,009
Interest expense	—	58,805	58,805
Depreciation and amortization	—	97,422	97,422
Total operating expenses	—	279,236	279,236
Gain on sale or write down of assets, net	—	3,996	3,996
Loss on extinguishment of debt	—	(3)	(3)
Net income	$—	$66,510	$66,510
Company's equity in net income	$—	$28,185	$28,185

(1) These amounts exclude the results of operations from January 1, 2015 to September 30, 2015, as Pacific Premier Retail LLC was wholly-owned during that period. On October 30, 2015, as a result of the PPR Portfolio transaction discussed above, Pacific Premier Retail LLC was converted from wholly-owned to an unconsolidated joint venture. Significant accounting policies used by the unconsolidated joint ventures are similar to those used by the Company.

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5. Property, net:

Property, net consists of the following:

	September 30, 2016	December 31, 2015
Land	$ 1,635,074	$ 1,894,717
Buildings and improvements	6,502,900	7,752,892
Tenant improvements	593,970	637,355
Equipment and furnishings	170,647	169,841
Construction in progress	282,223	234,851
	9,184,814	10,689,656
Less accumulated depreciation	(1,808,046)	(1,892,744)
	$ 7,376,768	$ 8,796,912

Depreciation expense was $68,792 and $90,540 for the three months ended September 30, 2016 and 2015, respectively, and $206,870 and $271,861 for the nine months ended September 30, 2016 and 2015, respectively.

The (loss) gain on sale or write down of assets, net was $(19,321) and $(3,342) for the three months ended September 30, 2016 and 2015, respectively, and $426,050 and $(7,078) for the nine months ended September 30, 2016 and 2015, respectively.

The (loss) gain on sale or write down of assets, net for the nine months ended September 30, 2016 includes a gain of $24,897 on the sale of Capitola Mall and a loss of $3,066 on the sale of a former Mervyns' store (See Note 14—Dispositions).

The (loss) gain on sale or write down of assets, net for the nine months ended September 30, 2016 includes a gain of $104,259 on the sale of a 40% ownership interest in Arrowhead Towne Center (See Note 4—Investments in Unconsolidated Joint Ventures) and $340,745 on the sale of a 49% ownership interest in the MAC Heitman Portfolio (See Note 4—Investments in Unconsolidated Joint Ventures).

The (loss) gain on sale or write down of assets, net for the three and nine months ended September 30, 2016 includes an impairment loss of $23,335 on Promenade at Casa Grande. The (loss) gain on sale or write down of assets, net for the nine months ended September 30, 2016 also includes an impairment loss of $7,188 on The Marketplace at Flagstaff. The gain (loss) on sale or write down of assets, net for the three and nine months ended September 30, 2015 includes an impairment loss of $4,078 on Flagstaff Mall. The (loss) gain on sale or write down of assets, net for the nine months ended September 30, 2015 also includes an impairment loss of $4,566 on a freestanding store. The above impairment losses were due to to the reduction of the estimated holding period of the respective properties.

In addition, the Company recorded a gain (loss) of $2,570 and $(12,180) for the three and nine months ended September 30, 2016, respectively, for adjustments to a contingent consideration obligation (See Note 13—Acquisitions).

6. Tenant and Other Receivables, net:

Included in tenant and other receivables, net is an allowance for doubtful accounts of $1,844 and $3,072 at September 30, 2016 and December 31, 2015, respectively. Also included in tenant and other receivables, net are accrued percentage rents of $2,314 and $10,940 at September 30, 2016 and December 31, 2015, respectively, and a deferred rent receivable due to straight-line rent adjustments of $54,972 and $60,790 at September 30, 2016 and December 31, 2015, respectively.

On March 17, 2014, in connection with the sale of Lake Square Mall, the Company issued a note receivable for $6,500 that bears interest at an effective rate of 6.5%, matures on March 17, 2018 and is collateralized by a trust deed on Lake Square Mall. At September 30, 2016 and December 31, 2015, the note had a balance of $6,300 and $6,351, respectively.

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7. Deferred Charges and Other Assets, net:

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

	September 30, 2016	December 31, 2015
Leasing	$ 229,889	$ 248,709
Intangible assets:		
In-place lease values	147,212	196,969
Leasing commissions and legal costs	33,755	52,000
Above-market leases	191,141	220,847
Deferred tax assets	36,265	38,847
Deferred compensation plan assets	42,073	37,341
Other assets	61,344	70,070
	741,679	864,783
Less accumulated amortization(1)	(263,655)	(300,492)
	$ 478,024	$ 564,291

(1) Accumulated amortization includes $89,005 and $109,453 relating to in-place lease values, leasing commissions and legal costs at September 30, 2016 and December 31, 2015, respectively. Amortization expense of in-place lease values, leasing commissions and legal costs was $8,983 and $16,864 for the three months ended September 30, 2016 and 2015, respectively, and $26,033 and $57,208 for the nine months ended September 30, 2016 and 2015, respectively.

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

	September 30, 2016	December 31, 2015
Above-Market Leases		
Original allocated value	$ 191,141	$ 220,847
Less accumulated amortization	(62,179)	(73,520)
	$ 128,962	$ 147,327
Below-Market Leases(1)		
Original allocated value	$ 196,762	$ 227,063
Less accumulated amortization	(101,850)	(101,872)
	$ 94,912	$ 125,191

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

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8. Mortgage Notes Payable:

Mortgage notes payable at September 30, 2016 and December 31, 2015 consist of the following:

	Carrying Amount of Mortgage Notes(1)						
	September 30, 2016		December 31, 2015				
Property Pledged as Collateral	Related Party	Other	Related Party	Other	Effective Interest Rate(2)	Monthly Debt Service(3)	Maturity Date(4)
Arrowhead Towne Center(5)	$—	$—	$—	$221,194	—	$ —	——
Chandler Fashion Center(6)	—	199,816	—	199,766	3.77 %	625	2019
Danbury Fair Mall	108,733	108,732	111,078	111,079	5.53 %	1,538	2020
Deptford Mall(7)	—	—	—	193,337	—	—	—
Deptford Mall(8)	—	—	—	13,999	—	—	—
Fashion Outlets of Chicago(9)	—	198,875	—	198,653	2.18 %	337	2020
Fashion Outlets of Niagara Falls USA	—	116,495	—	117,708	4.89 %	727	2020
Flagstaff Mall(10)	—	—	—	37,000	—	—	—
FlatIron Crossing(7)	—	—	—	254,075	—	—	—
Freehold Raceway Mall(6)	—	221,709	—	224,836	4.20 %	1,132	2018
Green Acres Mall	—	299,375	—	303,960	3.61 %	1,447	2021
Kings Plaza Shopping Center	—	459,342	—	466,266	3.67 %	2,229	2019
Northgate Mall(11)	—	63,549	—	63,783	3.40 %	147	2017
Oaks, The	—	202,332	—	205,555	4.14 %	1,064	2022
Pacific View	—	128,021	—	130,108	4.08 %	668	2022
Queens Center	—	600,000	—	600,000	3.49 %	1,744	2025
Santa Monica Place	—	220,901	—	224,815	2.99 %	1,004	2018
SanTan Village Regional Center	—	128,466	—	130,638	3.14 %	589	2019
Stonewood Center	—	101,048	—	105,494	1.80 %	640	2017
Superstition Springs Center(12)	—	67,525	—	67,749	2.35 %	159	2016
Towne Mall	—	21,670	—	21,956	4.48 %	117	2022
Tucson La Encantada	68,888	—	69,991	—	4.23 %	368	2022
Victor Valley, Mall of	—	114,544	—	114,500	4.00 %	380	2024
Vintage Faire Mall	—	270,556	—	274,417	3.55 %	1,256	2026
Westside Pavilion	—	144,581	—	146,630	4.49 %	783	2022
	$177,621	$3,667,537	$181,069	$4,427,518			

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

Property Pledged as Collateral	September 30, 2016	December 31, 2015
Arrowhead Towne Center	$ —	$ 8,494
Deptford Mall	—	(3)
Fashion Outlets of Niagara Falls USA	3,790	4,486
Stonewood Center	3,058	5,168
Superstition Springs Center	26	263
	$ 6,874	$ 18,408

The mortgage notes payable balances also include unamortized deferred finance costs that are amortized into interest expense over the remaining term of the related debt in a manner that approximates the effective interest method. Unamortized deferred finance costs were $11,567 and $16,025 at September 30, 2016 and December 31, 2015, respectively.

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

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

(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) On January 6, 2016, the Company replaced the existing loan on the property with a new $400,000 loan that bears interest at an effective rate of 4.05% and matures on February 1, 2028, which resulted in a loss of $3,575 on the early extinguishment of debt. Concurrently, a 40% interest in the loan was assumed by a third party in connection with the sale of a 40% ownership interest in the underlying property (See Note 4—Investments in Unconsolidated Joint Ventures).

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

(7) On January 14, 2016, a 49% interest in the loan was assumed by a third party in connection with the sale of a 49% ownership interest in the MAC Heitman Portfolio (See Note 4—Investments in Unconsolidated Joint Ventures).

(8) On March 1, 2016, the Company paid off in full the loan on the property.

(9) The loan bears interest at LIBOR plus 1.50% and matures on March 31, 2020. At September 30, 2016 and December 31, 2015, the total interest rate was 2.18% and 1.84%, respectively.

(10) On July 15, 2016, the Company conveyed the property to the mortgage lender by a deed-in-lieu of foreclosure, which resulted in a gain of $5,284 on the extinguishment of debt (See Note 14—Dispositions).

(11) The loan bears interest at LIBOR plus 2.25% and matures on March 1, 2017. At September 30, 2016 and December 31, 2015, the total interest rate was 3.40% and 3.30%, respectively.

(12) On October 14, 2016, the Company paid off in full the loan on the property.

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

Most of the Company's mortgage notes payable are secured by the properties on which they are placed and are non-recourse to the Company. As of September 30, 2016 and December 31, 2015, a total of $13,500 of the mortgage

notes payable could become 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 $2,707 and $3,629 during the three months ended September 30, 2016 and 2015, respectively, and $7,572 and $10,095 during the nine months ended September 30, 2016 and 2015, respectively.

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

The estimated fair value (Level 2 measurement) of mortgage notes payable at September 30, 2016 and December 31, 2015 was $3,893,668 and $4,628,781, respectively, based on current interest rates for comparable loans. Fair value was determined using a present value model and an interest rate that included a credit value adjustment based on the estimated value of the property that serves as collateral for the underlying debt.

9. Bank and Other Notes Payable:

Bank and other notes payable consist of the following:

Line of Credit:

The Company has a $1,500,000 revolving line of credit that bore interest at LIBOR plus a spread of 1.38% to 2.0%, depending on the Company's overall leverage level, and was to mature on August 6, 2018. On July 6, 2016, the Company amended its line of credit. The amended $1,500,000 line of credit bears interest at LIBOR plus a spread of 1.30% to 1.90%, depending on the Company's overall leverage level, and matures on July 6, 2020 with a one-year extension option. The line of credit can be expanded, depending on certain conditions, up to a total facility of $2,000,000.

Based on the Company's leverage level as of September 30, 2016, the borrowing rate on the facility was LIBOR plus 1.45%. As of September 30, 2016 and December 31, 2015, borrowings under the line of credit, were $1,055,000 and $650,000, respectively, less unamortized deferred finance costs of $11,877 and $6,967, respectively, at a total interest rate of 2.15% and 1.95%, respectively. The estimated fair value (Level 2 measurement) of the line of credit at September 30, 2016 and December 31, 2015 was $1,035,830 and $640,260, 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 was to mature on March 29, 2016. The maturity date of the note has been extended to May 30, 2021. The note payable is collateralized by a portion of a development reimbursement agreement with the City of Surprise, Arizona. At September 30, 2016 and December 31, 2015, the note had a balance of $5,821 and $9,130, respectively. The estimated fair value (Level 2 measurement) of the note at September 30, 2016 and December 31, 2015 was $6,211 and $9,168, respectively, based on current interest rates for comparable notes. Fair value was determined using a present value model and an interest rate that included a credit value adjustment based on the estimated value of the collateral for the underlying debt.

As of September 30, 2016 and December 31, 2015, the Company was in compliance with all applicable financial loan covenants.

10. Co-Venture Arrangement:

On September 30, 2009, the Company formed a joint venture, whereby a third party acquired a 49.9% interest in Freehold Raceway Mall, a 1,674,000 square foot regional shopping center in Freehold, New Jersey, and Chandler Fashion Center, a 1,319,000 square foot regional shopping center in Chandler, Arizona.

As a result of the Company having certain rights under the agreement to repurchase the assets after the seventh year of the venture formation, the transaction did not qualify for sale treatment. The Company, however, is not obligated to repurchase the assets. The transaction has been accounted for as a profit-sharing arrangement, and accordingly the assets, liabilities and operations of the properties remain on the books of the Company and a co-venture obligation was established for the amount of $168,154, representing the net cash proceeds received from the third party. The co-venture obligation is increased for the allocation of income to the co-venture partner and decreased for distributions to the co-venture partner. The co-venture obligation was $59,609 and $63,756 at September 30, 2016 and December 31, 2015, respectively.

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11. Noncontrolling Interests:

The Company allocates net income of the Operating Partnership based on the weighted average ownership interest during the period. The net income of the Operating Partnership that is not attributable to the Company is reflected in the consolidated statements of operations as noncontrolling interests. The Company adjusts the noncontrolling interests in the Operating Partnership at the end of each period to reflect its ownership interest in the Company. The Company had a 93% ownership interest in the Operating Partnership as of September 30, 2016 and December 31, 2015. The remaining 7% limited partnership interest as of September 30, 2016 and December 31, 2015 was owned by certain of the Company's executive officers and directors, certain of their affiliates and other third party investors in the form of OP Units. The OP Units may be redeemed for shares of stock or cash, at the Company's option. The redemption value for each OP Unit as of any balance sheet date is the amount equal to the average of the closing price per share of the Company's common stock, par value $0.01 per share, as reported on the New York Stock Exchange for the 10 trading days ending on the respective balance sheet date. Accordingly, as of September 30, 2016 and December 31, 2015, the aggregate redemption value of the then-outstanding OP Units not owned by the Company was $864,182 and $870,625, 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.

12. Stockholders' Equity:

Stock Buyback Program:

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

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

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

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

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12. Stockholders' Equity: (Continued)

Special Dividends:
On October 30, 2015, the Company declared two special dividends/distributions ("Special Dividend"), each of $2.00 per share of common stock and per OP Unit. The first Special Dividend was paid on December 8, 2015 to common stockholders and OP Unit holders of record on November 12, 2015. The second Special Dividend was paid on January 6, 2016 to common stockholders and OP Unit holders of record on November 12, 2015. The Special Dividends were funded from proceeds in connection with the financing and sale of ownership interests in the PPR Portfolio and Arrowhead Towne Center (See Note 4—Investments in Unconsolidated Joint Ventures).
At-The-Market Stock Offering Program ("ATM Program"):
On August 20, 2014, the Company entered into an equity distribution agreement with a number of sales agents (the "ATM Program") to issue and sell, from time to time, shares of common stock, par value $0.01 per share, having an aggregate offering price of up to $500,000 (the “ATM Shares”). Sales of the ATM Shares can be made in privately negotiated transactions and/or any other method permitted by law, including sales deemed to be an “at the market” offering, which includes sales made directly on the New York Stock Exchange or sales made to or through a market maker other than on an exchange. The Company agreed to pay each sales agent a commission that was not to exceed, but could have been lower than, 2% of the gross proceeds of the ATM Shares sold through such sales agent under the distribution agreement.
As of September 30, 2016, $500,000 of the ATM Shares were available to be sold under the ATM Program. Actual future sales of the ATM Shares under the ATM Program will depend upon a variety of factors including but not limited to market conditions, the trading price of the Company's common stock and the Company's capital needs. The Company has no obligation to sell the ATM Shares under the ATM Program.
13. Acquisitions:
Fashion Outlets of Chicago:
On October 31, 2014, the Company purchased AWE/Talisman's ownership interest in its consolidated joint venture in Fashion Outlets of Chicago for $69,987. The purchase price was funded by a cash payment of $55,867 and the settlement of the balance on notes receivables of $14,120. The cash payment was funded by borrowings under the Company's line of credit. The purchase agreement included contingent consideration based on the financial performance of Fashion Outlets of Chicago at an agreed upon date in 2016. On August 19, 2016, the Company paid $23,800 in full settlement of the contingent consideration obligation.
Inland Center:
On February 17, 2015, the Company acquired the remaining 50% ownership interest in Inland Center that it did not previously own for $51,250. The purchase price was funded by a cash payment of $26,250 and the assumption of the third party's share of the mortgage note payable on the property of $25,000. Prior to the acquisition, the Company had accounted for its investment under the equity method of accounting (See Note 4—Investments in Unconsolidated Joint Ventures). As a result of this transaction, the Company obtained 100% ownership of Inland Center. The acquisition was completed in order to obtain 100% ownership and control over this asset.

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13. Acquisitions: (Continued)

The following is a summary of the allocation of the fair value of Inland Center:

Property	$91,871
Deferred charges	9,752
Other assets	5,782
Total assets acquired	107,405
Mortgage note payable	50,000
Other accrued liabilities	4,905
Total liabilities assumed	54,905
Fair value of acquired net assets (at 100% ownership)	$52,500

The Company determined that the purchase price represented the fair value of the additional ownership interest in Inland Center that was acquired.

Fair value of existing ownership interest (at 50% ownership)	$26,250
Carrying value of investment	(4,161)
Gain on remeasurement of assets	$22,089

The following is the reconciliation of the purchase price to the fair value of the acquired net assets:

Purchase price	$51,250
Less debt assumed	(25,000)
Carrying value of investment	4,161
Gain on remeasurement of assets	22,089
Fair value of acquired net assets (at 100% ownership)	$52,500

Since the date of acquisition, the Company has included Inland Center in its consolidated financial statements.

14. Dispositions:

The following are recent dispositions of properties:

On June 30, 2015, the Company conveyed Great Northern Mall, an 895,000 square foot regional shopping center in Clay, New York, to the mortgage lender by a deed-in-lieu of foreclosure and was discharged from the mortgage note payable. The loan was non-recourse to the Company. As a result, the Company recognized a loss on the extinguishment of debt of $1,627.

On November 19, 2015, the Company sold Panorama Mall, a 312,000 square foot community center in Panorama City, California, for $98,000, resulting in a gain on the sale of assets of $73,726. The Company used the proceeds from the sale to pay down its line of credit and for general corporate purposes.

On April 13, 2016, the Company sold Capitola Mall, a 586,000 square foot regional shopping center in Capitola, California, for $93,000, resulting in a gain on the sale of assets of $24,897. The Company used the proceeds from the sale to pay down its line of credit and for general corporate purposes.

On May 31, 2016, the Company sold a former Mervyn's store in Yuma, Arizona, for $3,200, resulting in a loss on the sale of assets of $3,066. The Company used the proceeds from the sale to pay down its line of credit and for general corporate purposes.

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(Dollars in thousands, except per share amounts)
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14. Dispositions: (Continued)

On July 15, 2016, the Company conveyed Flagstaff Mall, a 347,000 square foot regional shopping center in Flagstaff, Arizona, to the mortgage lender by a deed-in-lieu of foreclosure and was discharged from the mortgage note payable. The loan was non-recourse to the Company. As a result, the Company recognized a gain on the extinguishment of debt of $5,284.

15. Commitments and Contingencies:

The Company has certain properties that are subject to non-cancelable operating ground 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. Ground lease rent expense was $2,395 and $2,968 for the three months ended September 30, 2016 and 2015, respectively, and $7,312 and $8,879 for the nine months ended September 30, 2016 and 2015, respectively. No contingent rent was incurred during the three and nine months ended September 30, 2016 or 2015.

As of September 30, 2016, the Company was contingently liable for $61,002 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 September 30, 2016, the Company had $39,418 in outstanding obligations which it believes will be settled in the next twelve months.

16. 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 September 30,		For the Nine Months Ended September 30,	
	2016	2015	2016	2015
Management fees	$4,271	$2,321	$13,240	$6,993
Development and leasing fees	2,952	1,721	10,149	5,201
	$7,223	$4,042	$23,389	$12,194

Certain mortgage notes on the properties are held by NML (See Note 8—Mortgage Notes Payable). Interest expense in connection with these notes was $2,224 and $2,690 for the three months ended September 30, 2016 and 2015, respectively, and $6,752 and $8,128 for the nine months ended September 30, 2016 and 2015, respectively. Included in accounts payable and accrued expenses is interest payable on these notes of $742 and $756 at September 30, 2016 and December 31, 2015, respectively.

Due from affiliates includes prepaid and/or unreimbursed costs and fees from unconsolidated joint ventures due to the Management Companies. As of September 30, 2016 and December 31, 2015, the amounts due (from) to the unconsolidated joint ventures was $(5,179) and $7,467, respectively.

In addition, due from affiliates at September 30, 2016 and December 31, 2015 included a note receivable from RED/303 LLC ("RED") that bears interest at 5.25% and was to mature on May 30, 2016. The maturity date of the note has been extended to May 30, 2021. Interest income earned on this note was $81 and $128 for the three months ended September 30, 2016 and 2015, respectively, and $294 and $397 for the nine months ended September 30, 2016 and 2015, respectively. The balance on this note was $5,822 and $9,252 at September 30, 2016 and December 31, 2015,

respectively. RED is considered a related party

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16. Related Party Transactions: (Continued)

because it is a partner in a joint venture development project. The note is collateralized by RED's membership interest in a development agreement.

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 $583 and $468 for the three months ended September 30, 2016 and 2015, respectively, and $1,629 and $1,351 for the nine months ended September 30, 2016 and 2015, respectively. The balance on this note was $68,838 and $67,209 at September 30, 2016 and December 31, 2015, respectively. Lennar Corporation is considered a related party because it has an ownership interest in Fashion Outlets of San Francisco.

17. Share and Unit-Based Plans:

Under the Long-Term Incentive Plan ("LTIP"), each award recipient is issued a form of operating partnership 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 the stockholders (the "Total Return") per common stock share relative to the Total Return of a group of peer REITs, as measured at the end of the measurement period.

On January 1, 2016, the Company granted 58,786 LTIP Units with a grant date fair value of $80.69 per LTIP Unit that will vest in equal annual installments over a service period ending December 31, 2018. Concurrently, the Company granted 266,899 market-indexed LTIP Units ("2016 LTIP Units") at a grant date fair value of $53.32 per LTIP Unit that vest over a service period ending December 31, 2018. The fair value of the 2016 LTIP Units was estimated on the date of grant using a Monte Carlo Simulation model that assumed a risk free interest rate of 1.32% and an expected volatility of 20.31%.

On March 4, 2016, the Company granted 154,686 LTIP Units at a fair value of $79.20 per LTIP Unit that were fully vested on the grant date.

The following summarizes the compensation cost under the share and unit-based plans:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2016	2015	2016	2015
LTIP Units	$5,204	$3,812	$27,752	$22,810
Stock awards	—	28	20	225
Stock units	965	881	5,339	5,214
Stock options	4	4	12	12
Phantom stock units	212	248	1,010	827
	$6,385	$4,973	$34,133	$29,088

The Company capitalized share and unit-based compensation costs of $750 and $551 for the three months ended September 30, 2016 and 2015, respectively, and $6,490 and $5,459 for the nine months ended September 30, 2016 and 2015, respectively. Unrecognized compensation costs of share and unit-based plans at September 30, 2016 consisted of $7,602 from LTIP Units, $4,696 from stock units, $15 from stock options and $610 from phantom stock units.

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(Dollars in thousands, except per share amounts)
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17. Share and Unit-Based Plans: (Continued)

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

	LTIP Units		Stock Awards		Phantom Stock Units		Stock Units	
	Units	Value(1)	Shares	Value(1)	Units	Value(1)	Units	Value(1)
Balance at January 1, 2016	56,315	$ 73.24	1,612	$ 62.01	—	$ —	132,086	$ 74.58
Granted	480,371	65.00	—	—	19,814	80.99	85,388	79.25
Vested	(154,686)	79.20	(1,612)	62.01	(12,319)	80.73	(69,046)	71.83
Forfeited	—	—	—	—	—	—	—	—
Balance at September 30, 2016	382,000	$ 60.47	—	$ —	7,495	$ 81.42	148,428	$ 78.53

(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:

	SARs		Stock Options	
	Units	Value(1)	Units	Value(1)
Balance at January 1, 2016	417,783	$ 55.13	10,314	$ 58.15
Granted	—	—	—	—
Exercised	(143,822)	53.73	—	—
Special dividend adjustment (2)	10,185	53.88	251	56.77
Balance at September 30, 2016	284,146	$ 53.85	10,565	$ 56.77

(1) Value represents the weighted average exercise price.
(2) The exercise price and number of units were adjusted such that each unit had the same fair value to the holder before and after giving effect to the payout of the Special Dividend paid on January 6, 2016 (See Note 12—Stockholders' Equity).
18. 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 September 30,		For the Nine Months Ended September 30,	
	2016	2015	2016	2015
Current	$(68)	$—	$(154)	$—
Deferred	(837)	859	(2,582)	2,077
Income tax (expense) benefit	$(905)	$859	$(2,736)	$2,077

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18. Income Taxes: (Continued)

The net operating loss carryforwards are currently scheduled to expire through 2035, beginning in 2024. Net deferred tax assets of $36,265 and $38,847 were included in deferred charges and other assets, net at September 30, 2016 and December 31, 2015, respectively.

The tax years 2011 through 2015 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.

19. Subsequent Events:

On October 6, 2016, the Company placed a $325,000 loan on Fresno Fashion Fair that bears interest at an effective rate of 3.67% and matures on November 1, 2026. The Company used the proceeds to pay down its line of credit and for general corporate purposes.

On October 14, 2016, the Company paid off in full the loan on Superstition Springs Center from borrowings on its line of credit.

On October 21, 2016, the Company announced a dividend/distribution of $0.71 per share for common stockholders and OP Unit holders of record on November 11, 2016. All dividends/distributions will be paid 100% in cash on December 2, 2016.

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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, 2015, 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 September 30, 2016, the Operating Partnership owned or had an ownership interest in 50 regional shopping centers and seven community/power shopping centers aggregating approximately 56 million square feet of gross leasable area. These 57 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 nine months ended September 30, 2016 and 2015. It compares the results of operations for the three months ended September 30, 2016 to the results of operations for the three months ended September 30, 2015. It also compares the results of operations and cash flows for the nine months ended September 30, 2016 to the results of operations and cash flows for the

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nine months ended September 30, 2015. This information should be read in conjunction with the accompanying consolidated financial statements and notes thereto.

Acquisitions and Dispositions:

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

On February 17, 2015, the Company acquired the remaining 50% ownership interest in Inland Center, an 867,000 square foot regional shopping center in San Bernardino, California, that it did not previously own for $51.3 million. The purchase price was funded by a cash payment of $26.3 million and the assumption of the third party's share of the mortgage note payable on the property of $25.0 million. Concurrent with the purchase of the joint venture interest, the Company paid off the $50.0 million loan on the property. The cash payment was funded by borrowings under the Company's line of credit. As a result of the acquisition, the Company recognized a gain on the remeasurement of assets of $22.1 million.

On April 30, 2015, the Company entered into a 50/50 joint venture with Sears to own nine freestanding stores located at Arrowhead Towne Center, Chandler Fashion Center, Danbury Fair Mall, Deptford Mall, Freehold Raceway Mall, Los Cerritos Center, South Plains Mall, Vintage Faire Mall and Washington Square. The Company invested $150.0 million for a 50% ownership interest in the joint venture, which was funded by borrowings under the Company's line of credit.

On October 30, 2015, the Company sold a 40% ownership interest in Pacific Premier Retail LLC (the "PPR Portfolio"), which owns Lakewood Center, a 2,075,000 square foot regional shopping center in Lakewood, California; Los Cerritos Center, a 1,296,000 square foot regional shopping center in Cerritos, California; South Plains Mall, a 1,127,000 square foot regional shopping center in Lubbock, Texas; and Washington Square, a 1,441,000 square foot regional shopping center in Portland, Oregon, for a total sales price of $1.3 billion, resulting in a gain on the sale of assets of $311.2 million. The sales price was funded by a cash payment of $545.6 million and the assumption of a pro rata share of the mortgage notes payable on the properties of $713.0 million. The Company used the cash proceeds from the sale to pay down its line of credit and for general corporate purposes, which included funding the ASR and Special Dividend (See "Other Events and Transactions"). Upon completion of the sale of the ownership interest, the Company no longer has a controlling interest in the joint venture due to the substantive participation rights of the outside partner. Accordingly, the Company accounts for its investment in the PPR Portfolio under the equity method of accounting.

On November 19, 2015, the Company sold Panorama Mall, a 312,000 square foot community center in Panorama City, California, for $98.0 million, resulting in a gain on the sale of assets of $73.7 million. The Company used the proceeds from the sale to pay down its line of credit and for general corporate purposes.

On January 6, 2016, the Company sold a 40% ownership interest in Arrowhead Towne Center, a 1,197,000 square foot regional shopping center in Glendale, Arizona, for $289.5 million, resulting in a gain on the sale of assets of $104.3 million. The sales price was funded by a cash payment of $129.5 million and the assumption of a pro rata share of the mortgage note payable on the property of $160.0 million. The Company used the cash proceeds from the sale to pay down its line of credit and for general corporate purposes, which included funding the Special Dividend (See "Other Events and Transactions"). Upon completion of the sale of the ownership interest, the Company no longer has a controlling interest in the joint venture due to the substantive participation rights of the outside partner. Accordingly, the Company accounts for its investment in Arrowhead Towne Center under the equity method of accounting.

On January 14, 2016, the Company formed a joint venture, whereby the Company sold a 49% ownership interest in Deptford Mall, a 1,039,000 square foot regional shopping center in Deptford, New Jersey; FlatIron Crossing, a 1,432,000 square foot regional shopping center in Broomfield, Colorado; and Twenty Ninth Street, an 851,000 square foot regional shopping center in Boulder, Colorado (the "MAC Heitman Portfolio"), for $771.5 million, resulting in a gain on the sale of assets of $340.7 million. The sales price was funded by a cash payment of $478.6 million and the assumption of a pro rata share of the mortgage notes payable on the properties of $292.9 million. The Company used the cash proceeds from the sale to pay down its line of credit and for general corporate purposes. Upon completion of the sale of the ownership interest, the Company no longer has a controlling interest in the joint venture due to the

substantive participation rights of the outside partner. Accordingly, the Company accounts for its investment in the MAC Heitman Portfolio under the equity method of accounting.

The sale of ownership interests in the PPR Portfolio, Arrowhead Towne Center and the MAC Heitman Portfolio are collectively referred to herein as the Joint Venture Transactions.

On March 1, 2016, the Company through a 50/50 joint venture, acquired Country Club Plaza, a 1,246,000 square foot regional shopping center in Kansas City, Missouri, for a purchase price of $660.0 million. The Company funded its pro rata share of $330.0 million with borrowings under its line of credit.

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On April 13, 2016, the Company sold Capitola Mall, a 586,000 square foot regional shopping center in Capitola, California, for $93.0 million, resulting in a gain on the sale of assets of $24.9 million. The Company used the proceeds from the sale to pay down its line of credit and for general corporate purposes.

On May 31, 2016, the Company sold a former Mervyn's store in Yuma, Arizona, for $3.2 million, resulting in a loss on the sale of assets of $3.1 million. The Company used the proceeds from the sale to pay down its line of credit and for general corporate purposes.

Financing Activity:

On February 3, 2015, the Company’s joint venture in The Market at Estrella Falls replaced the existing loan on the property with a new $26.5 million loan that bears interest at LIBOR plus 1.70% and matures on February 5, 2020, including the exercise of a one-year extension option.

On February 19, 2015, the Company placed a $280.0 million loan on Vintage Faire Mall that bears interest at an effective rate of 3.55% and matures on March 6, 2026.

On March 2, 2015, the Company paid off in full the loan on Lakewood Center, which resulted in a gain of $2.2 million on the early extinguishment of debt as a result of writing off the related debt premium. On May 12, 2015, the Company placed a new $410.0 million loan on the property that bears interest at an effective rate of 4.15% and matures on June 1, 2026. On October 30, 2015, a 40% interest in the loan was assumed by a third party in connection with the sale of a 40% ownership interest in the PPR Portfolio (See "Acquisitions and Dispositions").

On March 3, 2015, the Company amended the loan on Fashion Outlets of Chicago. The amended $200.0 million loan bears interest at LIBOR plus 1.50% and matures on March 31, 2020.

On October 5, 2015, the Company paid off in full the existing loan on Washington Square. On October 29, 2015, the Company placed a new $550.0 million loan on the property that bears interest at an effective rate of 3.65% and matures on November 1, 2022. On October 30, 2015, a 40% interest in the loan was assumed by a third party in connection with the sale of a 40% ownership interest in the PPR Portfolio (See "Acquisitions and Dispositions").

On October 23, 2015, the Company placed a $200.0 million loan on South Plains Mall that bears interest at an effective rate of 4.22% and matures on November 6, 2025. On October 30, 2015, a 40% interest in the loan was assumed by a third party in connection with the sale of a 40% ownership interest in the PPR Portfolio (See "Acquisitions and Dispositions").

On October 28, 2015, the Company's joint venture in The Shops at Atlas Park placed a $57.8 million loan on the property that bears interest at LIBOR plus 2.25% and matures on October 22, 2020, including two one-year extension options.

On October 30, 2015, the Company replaced the existing loan on Los Cerritos Center with a new $525.0 million loan that bears interest at an effective rate of 4.00% and matures on November 1, 2027, which resulted in a loss of $0.9 million on the early extinguishment of debt. Concurrently, a 40% interest in the loan was assumed by a third party in connection with the sale of a 40% ownership interest in the PPR Portfolio (See "Acquisitions and Dispositions").

On October 30, 2015, the Company obtained a $100.0 million term loan ("PPR Term Loan") that bears interest at LIBOR plus 1.20% and matures on October 31, 2022. Concurrently, a 40% interest in the loan was assumed by a third party in connection with the sale of a 40% ownership interest in the PPR Portfolio (See "Acquisitions and Dispositions").

On January 6, 2016, the Company replaced the existing loan on Arrowhead Towne Center with a new $400.0 million loan that bears interest at an effective rate of 4.05% and matures on February 1, 2028, which resulted in a loss of $3.6 million on the early extinguishment of debt. Concurrently, a 40% interest in the loan was assumed by a third party in connection with the sale of a 40% ownership interest in the underlying property (See "Acquisitions and Dispositions").

On January 14, 2016, the Company placed a $150.0 million loan on Twenty Ninth Street that bears interest at an effective rate of 4.10% and matures on February 6, 2026. Concurrently, a 49% interest in the loan was assumed by a third party in connection with the sale of a 49% ownership interest in the MAC Heitman Portfolio (See "Acquisitions and Dispositions").

On March 28, 2016, the Company's joint venture in Country Club Plaza placed a $320.0 million loan on the property that bears interest at an effective rate of 3.88% and matures on April 1, 2026. The Company used its share of the

proceeds to pay down its line of credit and for general corporate purposes.

On May 27, 2016, the Company's joint venture in The Shops at North Bridge replaced the existing loan on the property with a new $375.0 million loan that bears interest at an effective rate of 3.71% and matures on June 1, 2028. The Company used its share of the excess proceeds to pay down its line of credit and for general corporate purposes.

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On July 6, 2016, the Company modified and amended its line of credit. The amended $1.5 billion line of credit 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. Based on the Company's leverage level as of the amendment date, the initial borrowing rate on the facility was LIBOR plus 1.33%. The line of credit can be expanded, depending on certain conditions, up to a total facility of $2.0 billion.

On August 5, 2016, the Company’s joint venture in The Village at Corte Madera replaced the existing loan on the property with a new $225.0 million loan that bears interest at an effective rate of 3.53% and matures on September 1, 2028. The Company used its share of the excess proceeds to pay down its line of credit and for general corporate purposes.

On October 6, 2016, the Company placed a $325.0 million loan on Fresno Fashion Fair that bears interest at an effective rate of 3.67% and matures on November 1, 2026. The Company used the proceeds to pay down its line of credit and for general corporate purposes.

Redevelopment and Development Activities:

In February 2014, the Company's joint venture in Broadway Plaza started construction on the 235,000 square foot expansion of the 921,000 square foot regional shopping center in Walnut Creek, California. The joint venture completed a portion of the first phase of the project in November 2015 and the remaining portion of the first phase was completed in September 2016. The second phase will be completed through Summer 2018. The total cost of the project is estimated to be $305.0 million, with $152.5 million estimated to be the Company's pro rata share. The Company has funded $121.9 million of the total $243.8 million incurred by the joint venture as of September 30, 2016.

The Company is currently developing Green Acres Commons, a 335,000 square foot community center adjacent to Green Acres Mall, in Valley Stream, New York. The project started in July 2015 and opened in October 2016. As of September 30, 2016, the Company has incurred $96.3 million in costs and estimates the total cost of the project to be approximately $110.0 million.

The Company's joint venture is proceeding with the development of Fashion Outlets of Philadelphia, a redevelopment of an 850,000 square foot shopping center in Philadelphia, Pennsylvania. The project is expected to be completed in 2018. The total cost of the project is estimated to be between $305.0 million and $365.0 million, with $152.5 million to $182.5 million estimated to be the Company's pro rata share. The Company has funded $40.1 million of the total $80.1 million incurred by the joint venture as of September 30, 2016.

Other Transactions and Events:

On March 9, 2015, the Company received an unsolicited, conditional proposal from Simon Property Group, Inc. (“Simon”) to acquire the Company. The Company’s Board of Directors, after consulting with its financial, real estate and legal advisors, unanimously determined that the Simon proposal substantially undervalued the Company and was not in the best interests of the Company and its stockholders. On March 20, 2015, the Company received a revised, unsolicited proposal to acquire the Company from Simon, which Simon described as its best and final proposal. The Company’s Board of Directors carefully reviewed the revised proposal with the assistance of its financial, real estate and legal advisors, and determined that the revised proposal continued to substantially undervalue the Company and that pursuing the proposed transaction at that time was not in the best interests of the Company and its stockholders.

On June 30, 2015, the Company conveyed Great Northern Mall, an 895,000 square foot regional shopping center in Clay, New York, to the mortgage lender by a deed-in-lieu of foreclosure and was discharged from the mortgage note payable. The mortgage note payable was a non-recourse loan. As a result, the Company recognized a loss of $1.6 million on the extinguishment of debt.

On September 30, 2015, the Company's Board of Directors authorized the repurchase of up to $1.2 billion of the Company's outstanding common shares over the period ending September 30, 2017, as market conditions warrant. On November 12, 2015, the Company entered into an accelerated share repurchase program ("ASR") to repurchase $400.0 million of the Company's common stock. In accordance with the ASR, the Company made a prepayment of $400.0 million and received an initial share delivery of 4,140,788 shares. On January 19, 2016, the ASR was completed and the Company received delivery of an additional 970,609 shares. The average price of the 5,111,397 shares repurchased under the ASR was $78.26 per share. The ASR was funded from proceeds in connection with the

financing and sale of the ownership interest in the PPR Portfolio (See "Acquisitions and Dispositions" and "Financing Activity").

On October 30, 2015, the Company declared two special dividends/distributions ("Special Dividend"), each of $2.00 per share of common stock and per OP Unit. The first Special Dividend was paid on December 8, 2015 to stockholders and OP Unit holders of record on November 12, 2015. The second Special Dividend was paid on January 6, 2016 to common

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stockholders and OP Unit holders of record on November 12, 2015. The Special Dividends were funded from proceeds in connection with the financing and sale of ownership interests in the PPR Portfolio and Arrowhead Towne Center (See "Acquisitions and Dispositions" and "Financing Activity").

On February 17, 2016, the Company entered into an ASR to repurchase $400.0 million of the Company's common stock. In accordance with the ASR, the Company made a prepayment of $400.0 million and received an initial share delivery of 4,222,193 shares. On April 19, 2016, the ASR was completed and the Company received delivery of an additional 861,235 shares. The average price of the 5,083,428 shares repurchased under the ASR was $78.69 per share. The ASR was funded from borrowings under the Company's line of credit, which had been paid down from the proceeds from the recently completed Joint Venture Transactions (See "Acquisitions and Dispositions" and "Financing Activity").

On May 9, 2016, the Company entered into an ASR to repurchase the remaining $400.0 million of the Company's common stock authorized for repurchase. In accordance with the ASR, the Company made a prepayment of $400.0 million and received an initial share delivery of 3,964,812 shares. On July 11, 2016, the ASR was completed and the Company received delivery of an additional 1,104,162 shares. The average price of the 5,068,974 shares repurchased under the ASR was $78.91 per share. The ASR was funded from borrowings under the Company's line of credit, which had been recently paid down from the proceeds from the recently completed Joint Venture Transactions (See "Acquisitions and Dispositions" and "Financing Activity"). The total number of shares repurchased under the $1.2 billion stock buyback program was 15,263,799 at an average price of $78.62.

On July 15, 2016, the Company conveyed Flagstaff Mall, a 347,000 square foot regional shopping center in Flagstaff, Arizona, to the mortgage lender by a deed-in-lieu of foreclosure and was discharged from the mortgage note payable. The mortgage note payable was a non-recourse loan. As a result, the Company recognized a gain of $5.3 million on the extinguishment of debt.

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 6% to 13% 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, 59% 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

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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.

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

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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.

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, 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

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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”), those properties that have recently transitioned to or from equity method joint ventures to consolidated assets ("Joint Venture Centers") 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, the Joint Venture Centers and the Disposition Properties for the periods of comparison.

For the comparison of the three and nine months ended September 30, 2016 to the three and nine months ended September 30, 2015, the Redevelopment Properties are Green Acres Commons, Paradise Valley Mall and Westside Pavilion.

For the comparison of the three months ended September 30, 2016 to the three months ended September 30, 2015, the Joint Venture Centers are the PPR Portfolio, Arrowhead Towne Center and the MAC Heitman Portfolio. For the comparison of the nine months ended September 30, 2016 to the nine months ended September 30, 2015, the Joint Venture Centers are Inland Center, the PPR Portfolio, Arrowhead Towne Center and the MAC Heitman Portfolio. The change in revenues and expenses at the Joint Venture Centers for the comparison of the three and nine months ended September 30, 2016 to the three and nine months ended September 30, 2015 is primarily due to the conversion of the PPR Portfolio, Arrowhead Towne Center and the MAC Heitman Portfolio from consolidated Centers to unconsolidated joint ventures.

For comparison of the three and nine months ended September 30, 2016 to the three and nine months ended September 30, 2015, the Disposition Properties are Flagstaff Mall, Capitola Mall, Panorama Mall and Great Northern 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) for regional shopping centers, occupancy rates (excluding large retail stores or "Anchors") for the Centers 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 decreased from $630 for the twelve months ended September 30, 2015 to $626 for the twelve months ended September 30, 2016. Occupancy rate decreased from 95.4% at September 30, 2015 to 95.3% at September 30, 2016. Releasing spreads increased 16.1% for the twelve months ended September 30, 2016. These calculations exclude Centers under development or redevelopment and property dispositions (See "Acquisitions and Dispositions" and "Other Transactions and Events" in Management's Overview and Summary).

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 $7.84 per square foot ($56.52 on new and renewal leases executed compared to $48.68 on leases expiring), representing a 16.1% increase for the trailing twelve months ended September 30, 2016. The Company expects that releasing spreads will continue to be positive for the remainder of 2016 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 12.9% of the gross leasable area ("GLA") of Mall Stores and Freestanding Stores, for spaces 10,000 square feet and under, as of September 30, 2016.

During the trailing twelve months ended September 30, 2016, the Company signed 283 new leases and 356 renewal leases comprising approximately 1.2 million square feet of GLA, of which 0.8 million square feet related to the consolidated Centers. The annual initial average base rent for new and renewal leases was $56.52 per square foot for the trailing twelve months ended September 30, 2016 with an average tenant allowance of $13.54 per square foot.

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Comparison of Three Months Ended September 30, 2016 and 2015

Revenues:

Minimum and percentage rents (collectively referred to as "rental revenue") decreased by $42.3 million, or 21.1%, from 2015 to 2016. The decrease in rental revenue is attributed to a decrease of $50.9 million from the Joint Venture Centers and $4.3 million from the Disposition Properties offset in part by an increase of $12.6 million from the Same Centers and $0.3 million from the Redevelopment 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 $4.1 million in 2015 to $4.9 million in 2016. The amortization of straight-line rents decreased from $2.8 million in 2015 to $0.9 million in 2016. Lease termination income increased from $3.1 million in 2015 to $7.8 million in 2016. The increase in rental revenue at the Same Centers is primarily due to an increase in lease termination income and an increase in leasing spreads.

Tenant recoveries decreased $31.9 million, or 30.0%, from 2015 to 2016. This decrease in tenant recoveries is attributed to a decrease of $25.3 million from the Joint Venture Centers, $4.8 million from the Same Centers, $1.7 million from the Disposition Properties and $0.1 million from the Redevelopment Properties.

Management Companies' revenue increased from $5.3 million in 2015 to $9.0 million in 2016. The increase in Management Companies' revenue is due to an increase in management fees as a result of the conversion from consolidated Centers to unconsolidated joint ventures of the PPR Portfolio in 2015, Arrowhead Towne Center in 2016 and the MAC Heitman Portfolio in 2016 (See "Acquisitions and Dispositions" in Management's Overview and Summary) and an increase in development and leasing fees from other joint ventures.

Shopping Center and Operating Expenses:

Shopping center and operating expenses decreased $18.6 million, or 19.6%, from 2015 to 2016. The decrease in shopping center and operating expenses is attributed to a decrease of $19.4 million from the Joint Venture Centers and $1.8 million from the Disposition Properties offset in part by an increase of $2.1 million from the Same Centers and $0.5 million from the Redevelopment Properties.

Management Companies' Operating Expenses:

Management Companies' operating expenses increased $2.3 million from 2015 to 2016 as a result of the conversion from consolidated Centers to unconsolidated joint ventures of the PPR Portfolio in 2015, Arrowhead Towne Center in 2016 and the MAC Heitman Portfolio in 2016 (See "Acquisitions and Dispositions" in Management's Overview and Summary).

REIT General and Administrative Expenses:

REIT general and administrative expenses increased by $0.2 million from 2015 to 2016.

Depreciation and Amortization:

Depreciation and amortization decreased $30.5 million from 2015 to 2016. The decrease in depreciation and amortization is attributed to a decrease of $31.9 million from the Joint Venture Centers, $1.6 million from the Disposition Properties and $0.1 million from the Redevelopment Properties offset in part by an increase of $3.1 million from the Same Centers.

Interest Expense:

Interest expense decreased $15.0 million from 2015 to 2016. The decrease in interest expense is attributed to a decrease of $10.6 million from the Joint Venture Centers, $5.4 million from the Same Centers, $0.7 million from the term loan and $0.3 million from the Disposition Properties offset in part by an increase of $1.0 million from borrowings under the Company's line of credit and $1.0 million from the Redevelopment Properties. The decrease in interest expense at the Same Centers is primarily due to the payoff of the mortgage notes payable on Eastland Mall and Valley River Center in 2015.

The above interest expense items are net of capitalized interest, which decreased from $3.6 million in 2015 to $2.7 million in 2016.

(Gain) loss on Extinguishment of Debt, net:

Gain on extinguishment of debt, net increased $5.3 million from 2015 to 2016. The increase in gain on extinguishment of debt, net is primarily due to the settlement of the mortgage note payable on Flagstaff Mall by a deed-in-lieu of foreclosure in 2016 (See “Other Transactions and Events” in Management’s Overview and Summary).

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Equity in Income of Unconsolidated Joint Ventures:

Equity in income of unconsolidated joint ventures increased $0.4 million from 2015 to 2016.

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

Loss on sale or write down of assets, net increased $16.0 million from 2015 to 2016. The increase in loss on sale or write down of assets is primarily due to an increase in loss on impairment of $19.0 million offset in part by a reduction of $2.6 million from a contingent consideration obligation in 2016. The increase in impairment loss is due to the reduction in the estimated holding period of Promenade at Casa Grande.

Net Income:

Net income decreased $23.1 million from 2015 to 2016 primarily due a decrease of $72.9 million in total revenues and an increase of $16.0 million in the loss on sale or write down of assets, net offset in part by a decrease of $67.1 million in total expenses.

Funds From Operations ("FFO"):

Primarily as a result of the factors mentioned above, FFO attributable to common stockholders and unit holders—diluted decreased 6.0% from $170.5 million in 2015 to $160.3 million in 2016. For a reconciliation of FFO attributable to common stockholders and unit holders and FFO attributable to common stockholders and unit holders—diluted to net income attributable to the Company, the most directly comparable GAAP financial measure, see "Funds From Operations ("FFO")" below.

Comparison of Nine Months Ended September 30, 2016 and 2015

Revenues:

Rental revenue decreased by $123.1 million, or 20.9%, from 2015 to 2016. The decrease in rental revenue is attributed to a decrease of $146.2 million from the Joint Venture Centers and $11.5 million from the Disposition Properties offset in part by an increase of $34.2 million from the Same Centers. and $0.4 million from the Redevelopment Properties. The amortization of above and below-market leases decreased from $13.9 million in 2015 to $9.1 million in 2016. The amortization of straight-line rents decreased from $4.5 million in 2015 to $3.4 million in 2016. Lease termination income increased from $8.0 million in 2015 to $15.5 million in 2016. The increase in rental revenue at the Same Centers is primarily due to an increase in lease termination income and an increase in leasing spreads.

Tenant recoveries decreased $87.1 million, or 27.4%, from 2015 to 2016. The decrease in tenant recoveries is attributed to a decrease of $72.0 million from the Joint Venture Centers, $8.6 million from the Same Centers, $5.4 million from the Disposition Properties and $1.1 million from the Redevelopment Properties.

Management Companies' revenue increased from $17.1 million in 2015 to $28.9 million in 2016. The increase in Management Companies' revenue is due to an increase in management fees as a result of the conversion from consolidated Centers to unconsolidated joint ventures of the PPR Portfolio in 2015, Arrowhead Towne Center in 2016 and the MAC Heitman Portfolio in 2016 (See "Acquisitions and Dispositions" in Management's Overview and Summary) and an increase in development and leasing fees from other joint ventures.

Shopping Center and Operating Expenses:

Shopping center and operating expenses decreased $60.9 million, or 21.0%, from 2015 to 2016. The decrease in shopping center and operating expenses is attributed to a decrease of $56.3 million from the Joint Venture Centers, $6.4 million from the Disposition Properties and $0.2 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 $7.8 million from 2015 to 2016 due to the conversion from consolidated Centers to unconsolidated joint ventures of the PPR Portfolio in 2015, Arrowhead Towne Center in 2016 and the MAC Heitman Portfolio in 2016 (See "Acquisitions and Dispositions" in Management's Overview and Summary) and an increase in share and unit-based compensation costs.

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REIT General and Administrative Expenses:
REIT general and administrative expenses increased by $0.6 million from 2015 to 2016.
Costs related to Unsolicited Takeover Offer:
The Company incurred $25.2 million in costs in 2015 related to evaluating and responding to an unsolicited takeover offer (See "Other Transactions and Events" in Management's Overview and Summary) with no related expense in 2016.
Depreciation and Amortization:
Depreciation and amortization decreased $98.3 million from 2015 to 2016. The decrease in depreciation and amortization is attributed to a decrease of $97.9 million from the Joint Venture Centers, $3.9 million from the Disposition Properties and $0.6 million from the Redevelopment Properties offset in part by an increase of $4.1 million from the Same Centers.
Interest Expense:
Interest expense decreased $42.2 million from 2015 to 2016. The decrease in interest expense was attributed to decreases of $27.0 million from the Joint Venture Centers, $11.8 million from the Same Centers, $2.3 million from the term loan, $1.2 million from the Disposition Properties and $1.0 million from the Redevelopment Properties offset in part by an increase of $1.1 million from borrowings under the Company's line of credit. The decrease in interest expense at the Same Centers is primarily due to the payoff of the mortgage notes payable on Eastland Mall and Valley River Center in 2015.
The above interest expense items are net of capitalized interest, which decreased from $10.1 million in 2015 to $7.6 million in 2016.
(Gain) loss on Extinguishment of Debt, net:
Gain on extinguishment of debt, net increased $1.1 million from 2015 to 2016. The gain on extinguishment of debt, net in 2016 was due to a gain of $5.3 million from the settlement of the mortgage note payable on Flagstaff Mall by a deed-in-lieu of foreclosure (See “Other Transactions and Events” in Management’s Overview and Summary) offset in part by a loss of $3.6 million on the early extinguishment of debt on Arrowhead Towne Center (See “Financing Activity” in Management’s Overview and Summary). The gain on extinguishment of debt, net in 2015 was due to a gain of $2.2 million on the early extinguishment of debt on Lakewood Center (See “Financing Activity” in Management’s Overview and Summary) offset in part by a loss of $1.6 million from the settlement of the mortgage note payable on Great Northern Mall by a deed-in-lieu of foreclosure (See “Other Transactions and Events” in Management’s Overview and Summary).
Equity in Income of Unconsolidated Joint Ventures:
Equity in income of unconsolidated joint ventures increased $9.4 million from 2015 to 2016. The increase is primarily due to the opening of the Hyatt Regency Tysons Corner Center and VITA Tysons Corner Center in 2015, the acquisition of an ownership interest in the Sears joint venture in 2015 and the acquisition of an ownership interest in Country Club Plaza in 2016 (See "Acquisitions and Dispositions" in Management's Overview and Summary).
(Loss) Gain on Sale or Write Down of Assets, net:
The change in (loss) gain on sale or write down of assets, net from 2015 to 2016 was a net gain of $433.1 million, resulting from a loss of $7.1 million in 2015 and a gain of $426.1 million in 2016. The change is primarily due to the gain on the sale of a 49% interest in the MAC Heitman Portfolio of $340.7 million in 2016, the gain on the sale of a 40% interest in Arrowhead Towne Center of $104.3 million in 2016 and the gain on the sale of Capitola Mall of $24.9 million in 2016 (See "Acquisitions and Dispositions" in Management's Overview and Summary).
Gain on Remeasurement of Assets:
The gain on remeasurement of assets of $22.1 million in 2015 is attributed to the purchase of the remaining 50% ownership interest in Inland Center that the Company did not previously own (See "Acquisitions and Dispositions" in Management's Overview and Summary).
Net Income:
Net income increased $435.3 million from 2015 to 2016. The increase is primarily attributed to the increase in gain on sale or write down of assets of $433.1 million as discussed above.

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Funds From Operations ("FFO"):

Primarily as a result of the factors mentioned above, FFO attributable to common stockholders and unit holders—diluted increased 1.5% from $455.0 million in 2015 to $461.7 million in 2016. For a reconciliation of FFO attributable to common stockholders and unit holders and FFO attributable to common stockholders and unit holders—diluted to net income attributable to the Company, the most directly comparable GAAP financial measure, see "Funds From Operations ("FFO")" below.

Operating Activities:

Cash provided by operating activities decreased from $413.7 million in 2015 to $319.1 million in 2016. The decrease is primarily due to the conversion from consolidated Centers to unconsolidated joint ventures of the PPR Portfolio in 2015, Arrowhead Towne Center in 2016 and the MAC Heitman Portfolio in 2016 (See "Acquisitions and Dispositions" 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 $1.0 billion from 2015 to 2016. The increase in cash provided by investing activities is primarily attributed to an increase in cash proceeds from the sale of assets of $685.1 million and an increase in distributions from unconsolidated joint ventures of $344.8 million.

The increase in cash proceeds from the sale of assets is attributed to the sales of ownership interests in Arrowhead Towne Center and the MAC Heitman Portfolio in 2016 and from the sale of Capitola Mall in 2016 (See "Acquisitions and Dispositions" in Management's Overview and Summary). The increase in distributions from unconsolidated joint ventures is primarily due to the receipt of the Company's share of the net proceeds from the loans placed on Country Club Plaza, The Shops at North Bridge and The Village at Corte Madera in 2016 (See "Financing Activity" in Management's Overview and Summary).

Financing Activities:

Cash used in financing activities increased $961.7 million from 2015 to 2016. The increase in cash used in financing activities is primarily due to the repurchases of the Company's common stock of $800.0 million (See "Other Transactions" in Management's Overview and Summary), an increase in payments on mortgages, bank and other notes payable of $762.3 million and an increase in cash dividends and distributions of $335.4 million offset in part by an increase in proceeds from mortgages, bank and other notes payable of $915.5 million.

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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, working capital reserves and/or borrowings under its unsecured line of credit. The following tables summarize capital expenditures incurred at the Centers:

	For the Nine Months Ended September 30,	
(Dollars in thousands)	2016	2015
Consolidated Centers:		
Acquisitions of property and equipment	$24,638	$60,959
Development, redevelopment, expansion and renovation of Centers	113,812	148,474
Tenant allowances	13,752	20,496
Deferred leasing charges	18,745	20,753
	$170,947	$250,682
Joint Venture Centers (at Company's pro rata share):		
Acquisitions of property and equipment	$341,053	$153,352
Development, redevelopment, expansion and renovation of Centers	73,797	92,990
Tenant allowances	7,740	2,328
Deferred leasing charges	5,619	1,818
	$428,209	$250,488

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 2015 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 $300 million and $400 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 through equity offerings and issuances, property refinancings, joint venture transactions and the sale of non-core assets. For example, the Company recently completed the Joint Venture Transactions to which the Company sold ownership interests in eight properties with total cash proceeds to the Company of approximately $2.3 billion (See "Acquisitions and Dispositions" in Management's Overview and Summary), which included new debt or refinancings of existing debt on these properties with excess financing proceeds of approximately $1.1 billion (See "Financing Activity" in Management's Overview and Summary). The Company used these proceeds to pay down its line of credit, fund the Special Dividend (See "Other Transactions and Events" in Management's Overview and Summary) and for other general corporate purposes, which included the repurchases of the Company's common stock under the recently authorized 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 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 and its recently amended $1.5 billion line of credit, 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.

The Company has 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 million (the “ATM Shares”). Sales of the ATM Shares can be made in privately negotiated transactions and/or any other method permitted by law, including sales deemed to be an “at the market” offering, which includes sales made directly on the New

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York Stock Exchange or sales made to or through a market maker other than on an exchange. The Company did not sell any shares under the ATM Program during the nine months ended September 30, 2016.

As of September 30, 2016, $500 million of the ATM Shares were available to be sold under the ATM Program. Actual future sales of the ATM Shares will depend upon a variety of factors including but not limited to market conditions, the trading price of the Company's common stock and the Company's capital needs. The Company has no obligation to sell the ATM Shares under the ATM Program.

The Company's total outstanding loan indebtedness at September 30, 2016 was $7.5 billion (consisting of $4.9 billion of consolidated debt, less $0.2 billion of noncontrolling interests, plus $2.8 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 bore interest at LIBOR plus a spread of 1.38% to 2.0%, depending on the Company's overall leverage level, and was to mature on August 6, 2018. On July 6, 2016, the Company amended its line of credit. The amended $1.5 billion line of credit 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 September 30, 2016, the borrowing rate on the facility was LIBOR plus 1.45%. At September 30, 2016, total borrowings under the line of credit were $1.1 billion less unamortized deferred finance costs of $11.9 million with a total interest rate of 2.15%.

Cash dividends and distributions for the nine months ended September 30, 2016 were $667.8 million, which included $337.7 million of the Special Dividend (See "Other Transactions and Events" in Management's Overview and Summary). A total of $319.1 million was funded by operations. The remaining $348.7 million was funded from proceeds from the sale of assets, which were included in the cash flows from investing activities section of the Company's Consolidated Statement of Cash Flows.

At September 30, 2016, the Company was in compliance with all applicable loan covenants under its agreements.

At September 30, 2016, the Company had cash and cash equivalents of $84.2 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.

In addition, certain joint ventures also have secured debt that could become recourse debt to the Company or its subsidiaries, in excess of the Company's pro rata share, should the joint ventures be unable to discharge the obligations of the related debt. At September 30, 2016, the balance of the debt that could be recourse to the Company was $5.0 million offset in part by an indemnity agreement from a joint venture partner for $2.5 million. The maturity of the recourse debt, net of the indemnification, is $2.5 million in 2019.

Additionally, as of September 30, 2016, the Company was contingently liable for $61.0 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.

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Contractual Obligations:

The following is a schedule of contractual obligations as of September 30, 2016 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)	$5,765,785	$198,608	$981,900	$3,072,877	$1,512,400
Operating lease obligations(2)	232,417	13,405	18,108	14,800	186,104
Purchase obligations(2)	39,418	39,418	—	—	—
Other long-term liabilities	324,756	287,676	3,470	3,842	29,768
	$6,362,376	$539,107	$1,003,478	$3,091,519	$1,728,272

(1) Interest payments on floating rate debt were based on rates in effect at September 30, 2016.

(2) See Note 15—Commitments and Contingencies in the Company's Notes to Consolidated Financial Statements.

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. Adjustments for unconsolidated joint ventures are calculated to reflect FFO on the same basis.

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. 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 FFO and FFO-diluted to net income. 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.

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Funds From Operations ("FFO") (Continued)

The following reconciles net income attributable to the Company to FFO and FFO-diluted for the three and nine months ended September 30, 2016 and 2015 and FFO and FFO-diluted to FFO and FFO-diluted, excluding extinguishment of debt and costs related to unsolicited takeover offer for the three and nine months ended September 30, 2016 and 2015 (dollars and shares in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2016	2015	2016	2015
Net income attributable to the Company	$13,730	$33,597	$479,867	$72,603
Adjustments to reconcile net income attributable to the Company to FFO attributable to common stockholders and unit holders—basic and diluted:				
Noncontrolling interests in the Operating Partnership	1,272	2,244	35,067	4,840
Loss (gain) on sale or write down of assets, net—consolidated assets	19,321	3,342	(426,050)	7,078
Gain on remeasurement of assets—consolidated assets	—	—	—	(22,089)
Add: noncontrolling interests share of (loss) gain on sale or write down of assets—consolidated assets	(2,206)	—	(2,206)	112
Add: gain on sale of undepreciated assets—consolidated assets	295	—	2,932	944
Loss (gain) on sale or write down of assets— unconsolidated joint ventures, net(1)	171	(1,142)	173	(1,281)
Add: gain (loss) on sale of undepreciated assets—unconsolidated joint ventures(1)	—	1,144	(2)	1,286
Depreciation and amortization—consolidated assets	86,976	117,486	259,097	357,437
Less: noncontrolling interests in depreciation and amortization—consolidated assets	(3,759)	(3,699)	(11,184)	(11,235)
Depreciation and amortization—unconsolidated joint ventures(1)	47,803	21,043	133,319	55,312
Less: depreciation on personal property	(3,309)	(3,543)	(9,342)	(10,008)
FFO attributable to common stockholders and unit holders—basic and diluted	160,294	170,472	461,671	454,999
(Gain) loss on extinguishment of debt, net—consolidated assets	(5,284)	27	(1,709)	(609)
FFO attributable to common stockholders and unit holders excluding extinguishment of debt, net—diluted	155,010	170,499	459,962	454,390
Costs related to unsolicited takeover offer	—	209	—	25,204
FFO attributable to common stockholders and unit holders excluding extinguishment of debt, net and costs related to unsolicited takeover offer—diluted	$155,010	$170,708	$459,962	$479,594
Weighted average number of FFO shares outstanding for:				
FFO attributable to common stockholders and unit holders—basic (2)	154,589	169,094	158,277	169,009
Adjustments for impact of dilutive securities in computing FFO-diluted:				
Share and unit based compensation plans	113	117	126	151
FFO attributable to common stockholders and unit holders—diluted (3)	154,702	169,211	158,403	169,160

(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 10.7 million and 10.6 million OP Units for the three months ended September 30, 2016 and 2015, respectively, and 10.8 million and 10.6 million OP Units for the nine months ended September 30, 2016 and 2015, 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.

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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 September 30, 2016 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 September 30,							
	2017	2018	2019	2020	2021	Thereafter	Total	Fair Va
CONSOLIDATED CENTERS:								
Long-term debt:								
Fixed rate	$61,357	$577,796	$371,344	$468,323	$588,644	$1,457,088	$3,524,552	$3,566,
Average interest rate	3.88 %	3.35 %	3.61 %	3.72 %	4.47 %	3.80 %	3.81 %	
Floating rate	131,121	—	—	200,000	1,055,000	—	1,386,121	1,369,0
Average interest rate	2.86 %	— %	— %	2.18 %	2.15 %	— %	2.22 %	
Total debt—Consolidated Centers	$192,478	$577,796	$371,344	$668,323	$1,643,644	$1,457,088	$4,910,673	$4,935,
UNCONSOLIDATED JOINT VENTURE CENTERS:								
Long-term debt (at Company's pro rata share):								
Fixed rate	$35,296	$25,910	$28,066	$35,726	$145,457	$2,391,837	$2,662,292	$2,647,
Average interest rate	4.44 %	3.62 %	3.63 %	3.65 %	3.03 %	3.85 %	3.80 %	
Floating rate	1,252	64,872	9,305	10,125	39,488	45,000	170,042	165,583
Average interest rate	2.56 %	2.60 %	2.41 %	2.57 %	2.41 %	1.72 %	2.31 %	
Total debt—Unconsolidated Joint Venture Centers	$36,548	$90,782	$37,371	$45,851	$184,945	$2,436,837	$2,832,334	$2,813,

The consolidated Centers' total fixed rate debt at September 30, 2016 and December 31, 2015 was $3.5 billion and $4.3 billion, respectively. The average interest rate on such fixed rate debt at September 30, 2016 and December 31, 2015 was 3.81% and 3.80%, respectively. The consolidated Centers' total floating rate debt at September 30, 2016 and December 31, 2015 was $1.4 billion and $1.0 billion, respectively. The average interest rate on such floating rate debt at September 30, 2016 and December 31, 2015 was 2.22% and 2.03%, respectively.

The Company's pro rata share of the unconsolidated joint venture Centers' fixed rate debt at September 30, 2016 and December 31, 2015 was $2.7 billion and $1.8 billion, respectively. The average interest rate on such fixed rate debt at September 30, 2016 and December 31, 2015 was 3.80% and 4.13%, respectively. The Company's pro rata share of the unconsolidated joint venture Centers' floating rate debt at September 30, 2016 and December 31, 2015 was $170.0 million and $170.5 million, respectively. The average interest rate on such floating rate debt at September 30, 2016 and December 31, 2015 was 2.31% and 2.06%, 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 $15.6 million per year based on $1.6

billion of floating rate debt outstanding at September 30, 2016.

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 8—Mortgage Notes Payable and Note 9—Bank and Other Notes Payable in the Company's Notes to the Consolidated Financial Statements).

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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 September 30, 2016, 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.

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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, 2015.

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

On July 21, 2016 and July 27, 2016, the Company, as general partner of the Operating Partnership, issued 613 and 4,612 shares of common stock of the Company, respectively, upon the redemption of 5,225 common partnership units of the Operating Partnership. These shares of common stock were issued in private placements to two 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 (1)	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
July 1, 2016 to July 31, 2016	1,104,162 (2)	$ 78.91	1,104,162 (2)	—
August 1, 2016 to August 31, 2016	—	—	—	—
September 1, 2016 to September 30, 2016	—	—	—	—
	1,104,162	$ 78.91	1,104,162	

(1) The average price paid per share is calculated on a trade date basis.

(2) On September 30, 2015, the Company's Board of Directors authorized the repurchase of up to $1.2 billion of the Company's outstanding common shares over the period ending September 30, 2017, as market conditions warrant. On May 9, 2016, the Company entered into an ASR to repurchase the remaining $400.0 million of the Company's common stock authorized for repurchase. In accordance with the ASR (See Note 12—Stockholders' Equity in the Company's Notes to the Consolidated Financial Statements), the Company made a prepayment of $400.0 million and received an initial share delivery of 3,964,812 shares. On July 11, 2016, the ASR was completed and the Company received delivery of an additional 1,104,162 shares.

Item 3. Defaults Upon Senior Securities

Not Applicable

Item 4. Mine Safety Disclosures

Not Applicable

Item 5. Other Information

Not Applicable

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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)).
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).
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 April 21, 2016).
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

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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: November 2, 2016

(Principal Financial Officer)