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**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, 2022**

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_\_\_\_\_\_\_ to **\_\_\_\_\_\_\_\_\_\_\_**

Commission File No.: 1-12504

THE MACERICH COMPANY

(Exact name of registrant as specified in its charter)

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| 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) | | | | | | | | | | | |  | | | (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) | | | | | | | | | | | | | | | | | |

Securities registered pursuant to Section 12(b) of the Securities Act:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |
| Title of each class | | | Trading symbol | | | Name of each exchange on which registered | | |
| Common Stock, $0.01 Par Value | | | MAC | | | New York Stock Exchange | | |

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding twelve (12) months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past ninety (90) days. Yes ☒   No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding twelve (12) months (or for such shorter period that the registrant was required to submit such files). Yes ☒        No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definitions of "large accelerated filer", "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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| Large Accelerated Filer | | | x | | |  | | | Accelerated Filer | | | ☐ | | |  | | | Non-Accelerated Filer | | | ☐ | | |  | | | Smaller Reporting Company | | | ☐ | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | | Emerging Growth Company | | | ☐ | | |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐       No ☒

Number of shares outstanding as of November 4, 2022 of the registrant's common stock, par value $0.01 per share: 214,784,758 shares

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**THE MACERICH COMPANY**

**FORM 10-Q**

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| [Item 2.](#if29fc3b4d1744e89bfd34e51e96b86e1_103) | | |  | | | [Management's Discussion and Analysis of Financial Condition and Results of Operations](#if29fc3b4d1744e89bfd34e51e96b86e1_103) | | |  | | | [28](#if29fc3b4d1744e89bfd34e51e96b86e1_103) | | |
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| [Item 3.](#if29fc3b4d1744e89bfd34e51e96b86e1_127) | | |  | | | [Quantitative and Qualitative Disclosures About Market Risk](#if29fc3b4d1744e89bfd34e51e96b86e1_127) | | |  | | | [43](#if29fc3b4d1744e89bfd34e51e96b86e1_127) | | |
|  | | |  | | |  | | |  | | |  | | |
| [Item 4.](#if29fc3b4d1744e89bfd34e51e96b86e1_130) | | |  | | | [Controls and Procedures](#if29fc3b4d1744e89bfd34e51e96b86e1_130) | | |  | | | [44](#if29fc3b4d1744e89bfd34e51e96b86e1_130) | | |
|  | | |  | | |  | | |  | | |  | | |
| **Part II** | | |  | | | **Other Information** | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |
| [Item 1.](#if29fc3b4d1744e89bfd34e51e96b86e1_136) | | |  | | | [Legal Proceedings](#if29fc3b4d1744e89bfd34e51e96b86e1_136) | | |  | | | [44](#if29fc3b4d1744e89bfd34e51e96b86e1_136) | | |
|  | | |  | | |  | | |  | | |  | | |
| [Item 1A.](#if29fc3b4d1744e89bfd34e51e96b86e1_139) | | |  | | | [Risk Factors](#if29fc3b4d1744e89bfd34e51e96b86e1_139) | | |  | | | [44](#if29fc3b4d1744e89bfd34e51e96b86e1_139) | | |
|  | | |  | | |  | | |  | | |  | | |
| [Item 2.](#if29fc3b4d1744e89bfd34e51e96b86e1_142) | | |  | | | [Unregistered Sales of Equity Securities and Use of Proceeds](#if29fc3b4d1744e89bfd34e51e96b86e1_142) | | |  | | | [45](#if29fc3b4d1744e89bfd34e51e96b86e1_142) | | |
|  | | |  | | |  | | |  | | |  | | |
| [Item 3.](#if29fc3b4d1744e89bfd34e51e96b86e1_145) | | |  | | | [Defaults Upon Senior Securities](#if29fc3b4d1744e89bfd34e51e96b86e1_145) | | |  | | | [45](#if29fc3b4d1744e89bfd34e51e96b86e1_145) | | |
|  | | |  | | |  | | |  | | |  | | |
| [Item 4.](#if29fc3b4d1744e89bfd34e51e96b86e1_148) | | |  | | | [Mine Safety Disclosures](#if29fc3b4d1744e89bfd34e51e96b86e1_148) | | |  | | | [45](#if29fc3b4d1744e89bfd34e51e96b86e1_148) | | |
|  | | |  | | |  | | |  | | |  | | |
| [Item 5.](#if29fc3b4d1744e89bfd34e51e96b86e1_151) | | |  | | | [Other Information](#if29fc3b4d1744e89bfd34e51e96b86e1_151) | | |  | | | [45](#if29fc3b4d1744e89bfd34e51e96b86e1_151) | | |
|  | | |  | | |  | | |  | | |  | | |
| [Item 6.](#if29fc3b4d1744e89bfd34e51e96b86e1_154) | | |  | | | [Exhibits](#if29fc3b4d1744e89bfd34e51e96b86e1_154) | | |  | | | [46](#if29fc3b4d1744e89bfd34e51e96b86e1_154) | | |
|  | | |  | | |  | | |  | | |  | | |
| [**Signature**](#if29fc3b4d1744e89bfd34e51e96b86e1_157) | | | | | | | | |  | | | [48](#if29fc3b4d1744e89bfd34e51e96b86e1_157) | | |

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**THE MACERICH COMPANY**

**CONSOLIDATED BALANCE SHEETS**

**(Dollars in thousands, except par value)**

**(Unaudited)**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **September 30, 2022** | | |  | | | **December 31, 2021** | | |
| ASSETS: | | |  | | |  | | |  | | |
| Property, net | | | $ | 6,164,795 |  |  | | | $ | 6,284,206 |  |
|  | | |  | | |  | | |  | | |
| Cash and cash equivalents | | | 109,991 | |  |  | | | 112,454 | |  |
| Restricted cash | | | 54,984 | |  |  | | | 54,517 | |  |
| Tenant and other receivables, net | | | 170,353 | |  |  | | | 211,361 | |  |
| Right-of-use assets, net | | | 129,025 | |  |  | | | 110,638 | |  |
| Deferred charges and other assets, net | | | 226,341 | |  |  | | | 254,908 | |  |
|  | | |  | | |  | | |  | | |
| Due from affiliates | | | 9,168 | |  |  | | | — | |  |
| Investments in unconsolidated joint ventures | | | 1,204,153 | |  |  | | | 1,317,571 | |  |
| Total assets | | | $ | 8,068,810 |  |  | | | $ | 8,345,655 |  |
| LIABILITIES AND EQUITY: | | |  | | |  | | |  | | |
| Mortgage notes payable | | | $ | 4,259,503 |  |  | | | $ | 4,423,554 |  |
| Bank and other notes payable | | | 91,541 | |  |  | | | 104,811 | |  |
| Accounts payable and accrued expenses | | | 65,929 | |  |  | | | 59,228 | |  |
| Due to affiliates | | | — | |  |  | | | 327 | |  |
| Lease liabilities | | | 97,679 | |  |  | | | 80,711 | |  |
| Other accrued liabilities | | | 315,393 | |  |  | | | 254,279 | |  |
| Distributions in excess of investments in unconsolidated joint ventures | | | 126,795 | |  |  | | | 127,608 | |  |
| Financing arrangement obligation | | | 133,825 | |  |  | | | 118,988 | |  |
| Total liabilities | | | 5,090,665 | |  |  | | | 5,169,506 | |  |
| Commitments and contingencies | | |  | | |  | | |  | | |
| Equity: | | |  | | |  | | |  | | |
| Stockholders' equity: | | |  | | |  | | |  | | |
| Common stock, $0.01 par value, 500,000,000 shares authorized at September 30, 2022 and December 31, 2021, and 215,146,141 and 214,797,057 shares issued and outstanding at September 30, 2022 and December 31, 2021, respectively | | | 2,150 | |  |  | | | 2,147 | |  |
| Additional paid-in capital | | | 5,505,307 | |  |  | | | 5,488,440 | |  |
| Accumulated deficit | | | (2,608,239) | |  |  | | | (2,443,696) | |  |
| Accumulated other comprehensive income (loss) | | | 13 | |  |  | | | (24) | |  |
| Total stockholders' equity | | | 2,899,231 | |  |  | | | 3,046,867 | |  |
| Noncontrolling interests | | | 78,914 | |  |  | | | 129,282 | |  |
| Total equity | | | 2,978,145 | |  |  | | | 3,176,149 | |  |
| Total liabilities and equity | | | $ | 8,068,810 |  |  | | | $ | 8,345,655 |  |

   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)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **For the Three Months Ended September 30,** | | | | | | | | |  | | | **For the Nine Months Ended September 30,** | | | | | | | | |
|  | | | **2022** | | |  | | | **2021** | | |  | | | **2022** | | |  | | | **2021** | | |
| Revenues: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Leasing revenue | | | $ | 195,594 |  |  | | | $ | 197,135 |  |  | | | $ | 587,596 |  |  | | | $ | 573,657 |  |
| Other | | | 7,503 | |  |  | | | 8,215 | |  |  | | | 21,911 | |  |  | | | 25,391 | |  |
| Management Companies | | | 7,607 | |  |  | | | 6,787 | |  |  | | | 21,432 | |  |  | | | 18,986 | |  |
| Total revenues | | | 210,704 | |  |  | | | 212,137 | |  |  | | | 630,939 | |  |  | | | 618,034 | |  |
| Expenses: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Shopping center and operating expenses | | | 74,694 | |  |  | | | 70,696 | |  |  | | | 217,342 | |  |  | | | 214,506 | |  |
| Leasing expenses | | | 8,704 | |  |  | | | 6,200 | |  |  | | | 24,463 | |  |  | | | 18,003 | |  |
| Management Companies' operating expenses | | | 16,553 | |  |  | | | 14,601 | |  |  | | | 51,242 | |  |  | | | 44,465 | |  |
| REIT general and administrative expenses | | | 6,779 | |  |  | | | 7,599 | |  |  | | | 20,082 | |  |  | | | 22,365 | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Depreciation and amortization | | | 72,739 | |  |  | | | 75,465 | |  |  | | | 218,053 | |  |  | | | 231,491 | |  |
|  | | | 179,469 | |  |  | | | 174,561 | |  |  | | | 531,182 | |  |  | | | 530,830 | |  |
| Interest expense (income): | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Related parties | | | 6,473 | |  |  | | | (7,708) | |  |  | | | 23,368 | |  |  | | | (3,435) | |  |
| Other | | | 46,157 | |  |  | | | 48,044 | |  |  | | | 134,312 | |  |  | | | 152,581 | |  |
|  | | | 52,630 | |  |  | | | 40,336 | |  |  | | | 157,680 | |  |  | | | 149,146 | |  |
| Loss on extinguishment of debt | | | — | |  |  | | | 1,007 | |  |  | | | — | |  |  | | | 1,007 | |  |
| Total expenses | | | 232,099 | |  |  | | | 215,904 | |  |  | | | 688,862 | |  |  | | | 680,983 | |  |
| Equity in income (loss) of unconsolidated joint ventures | | | 6,322 | |  |  | | | (1,733) | |  |  | | | (16,422) | |  |  | | | 20,212 | |  |
| Income tax benefit (expense) | | | 166 | |  |  | | | (107) | |  |  | | | (963) | |  |  | | | (9,452) | |  |
| Gain on sale or write down of assets, net | | | 1,405 | |  |  | | | 118,566 | |  |  | | | 6,767 | |  |  | | | 93,356 | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Net (loss) income | | | (13,502) | |  |  | | | 112,959 | |  |  | | | (68,541) | |  |  | | | 41,167 | |  |
| Less: net income (loss) attributable to noncontrolling interests | | | 1,691 | |  |  | | | 6,257 | |  |  | | | (784) | |  |  | | | 9,834 | |  |
| Net (loss) income attributable to the Company | | | $ | (15,193) |  |  | | | $ | 106,702 |  |  | | | $ | (67,757) |  |  | | | $ | 31,333 |  |
| **(Loss) income per common share—attributable to common stockholders:** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Basic | | | $ | (0.07) |  |  | | | $ | 0.50 |  |  | | | $ | (0.32) |  |  | | | $ | 0.16 |  |
| Diluted | | | $ | (0.07) |  |  | | | $ | 0.50 |  |  | | | $ | (0.32) |  |  | | | $ | 0.16 |  |
| Weighted average number of common shares outstanding: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Basic | | | 215,134,000 | |  |  | | | 213,214,000 | |  |  | | | 214,982,000 | |  |  | | | 192,717,000 | |  |
| Diluted | | | 215,134,000 | |  |  | | | 213,214,000 | |  |  | | | 214,982,000 | |  |  | | | 192,717,000 | |  |

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

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**THE MACERICH COMPANY**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME**

**(Dollars in thousands, except per share amounts)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **For the Three Months Ended September 30,** | | | | | | | | |  | | | **For the Nine Months Ended September 30,** | | | | | | | | |
|  | | | **2022** | | |  | | | **2021** | | |  | | | **2022** | | |  | | | **2021** | | |
| Net (loss) income | | | $ | (13,502) |  |  | | | $ | 112,959 |  |  | | | $ | (68,541) |  |  | | | $ | 41,167 |  |
| Other comprehensive (loss) income: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Interest rate cap/swap agreements | | | (3) | |  |  | | | 2,775 | |  |  | | | 37 | |  |  | | | 8,208 | |  |
| Comprehensive (loss) income | | | (13,505) | |  |  | | | 115,734 | |  |  | | | (68,504) | |  |  | | | 49,375 | |  |
| Less: net income (loss) attributable to noncontrolling interests | | | 1,691 | |  |  | | | 6,257 | |  |  | | | (784) | |  |  | | | 9,834 | |  |
| Comprehensive (loss) income attributable to the Company | | | $ | (15,196) |  |  | | | $ | 109,477 |  |  | | | $ | (67,720) |  |  | | | $ | 39,541 |  |

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

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**THE MACERICH COMPANY**

**CONSOLIDATED STATEMENTS OF EQUITY**

**(Dollars in thousands, except per share data)**

**(Unaudited)**

**Three Months Ended September 30, 2022 and 2021**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | |  |  |  | | |  |  |  |  | |  |  |  |  |  |  |  |  | | | | | |  |  |  |  | |  |  | | | |  | |  |  |  |  | |  | | | |  |  |  | |  |  |  | | | |  |  |  |  |  |  | | | | | | |  |  |  |  |  |  | |  |
|  | | | | **Stockholders' Equity** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |  | | |  | | | | | | | | |  | | |  | | | |
|  | | | | **Common Stock** | | | | | | | | | | | |  | | | **Additional  Paid-in  Capital** | | | | | | | |  | | | | **Accumulated  Deficit** | | | | | | |  | | | **Accumulated  Other  Comprehensive  (Loss) Income** | | | | | | |  | | | | **Total  Stockholders'  Equity** | | | | | |  | | |  | | | | | | | | |  | | |  | | | |
|  | | | | **Shares** | | | | |  | | | | **Par Value** | | |  | | |  | | | |  | | |  | | | |  | | | **Noncontrolling Interests** | | | | | | | | |  | | | **Total  Equity** | | | |
| Balance at July 1, 2022 | | | | 215,113,342 | | | |  |  | | | | $ | 2,150 |  |  | | | $ | 5,500,101 | | | | | |  |  | | | | $ | (2,560,793) | | | |  | |  | | | $ | | 16 | | | |  |  | | | | $ | 2,941,474 | | | |  |  | | | $ | 114,919 | | | | | | |  |  | | | $ | 3,056,393 | |  |
| Net (loss) income | | | | — | | | | |  | | | | — | | |  | | | — | | | | | | | |  | | | | (15,193) | | | | |  | |  | | | — | | | | | | |  | | | | (15,193) | | | | |  |  | | | 1,691 | | | | | | | |  |  | | | (13,502) | | |  |
|  | | | |  | | | | |  | | | |  | | |  | | |  | | | | | | | |  | | | |  | | | | | | |  | | |  | | | | | | |  | | | |  | | | | | |  | | |  | | | | | | | | |  | | |  | | | |
| Interest rate cap agreement | | | | — | | | | |  | | | | — | | |  | | | — | | | | | | | |  | | | | — | | | | | | |  | | | (3) | | | | | |  |  | | | | (3) | | | | |  |  | | | — | | | | | | | | |  | | | (3) | | |  |
| Amortization of share and unit-based plans | | | | 21,772 | | | |  |  | | | | — | |  |  | | | 5,369 | | | | | | |  |  | | | | — | | | | | | |  | | | — | | | | | | |  | | | | 5,369 | | | | |  |  | | | — | | | | | | | | |  | | | 5,369 | | |  |
|  | | | |  | | | | |  | | | |  | | |  | | |  | | | | | | | |  | | | |  | | | | | | |  | | |  | | | | | | |  | | | |  | | | | | |  | | |  | | | | | | | | |  | | |  | | | |
|  | | | |  | | | | |  | | | |  | | |  | | |  | | | | | | | |  | | | |  | | | | | | |  | | |  | | | | | | |  | | | |  | | | | | |  | | |  | | | | | | | | |  | | |  | | | |
|  | | | |  | | | | |  | | | |  | | |  | | |  | | | | | | | |  | | | |  | | | | | | |  | | |  | | | | | | |  | | | |  | | | | | |  | | |  | | | | | | | | |  | | |  | | | |
| Stock offerings, net | | | | — | | | |  |  | | | | — | |  |  | | | (32) | | | | | | |  |  | | | | — | | | | | | |  | | | — | | | | | | |  | | | | (32) | | | | |  |  | | | — | | | | | | | | |  | | | (32) | | |  |
|  | | | |  | | | | |  | | | |  | | |  | | |  | | | | | | | |  | | | |  | | | | | | |  | | |  | | | | | | |  | | | |  | | | | | |  | | |  | | | | | | | | |  | | |  | | | |
| Distributions paid ($0.15 per share) | | | | — | | | | |  | | | | — | | |  | | | — | | | | | | | |  | | | | (32,253) | | | | |  | |  | | | — | | | | | | |  | | | | (32,253) | | | | |  |  | | | — | | | | | | | | |  | | | (32,253) | | |  |
|  | | | |  | | | | |  | | | |  | | |  | | |  | | | | | | | |  | | | |  | | | | | | |  | | |  | | | | | | |  | | | |  | | | | | |  | | |  | | | | | | | | |  | | |  | | | |
| Distributions to noncontrolling interests | | | | — | | | | |  | | | | — | | |  | | | — | | | | | | | |  | | | | — | | | | | | |  | | | — | | | | | | |  | | | | — | | | | |  |  | | | (37,829) | | | | | | | |  |  | | | (37,829) | | |  |
| Contributions from noncontrolling interests | | | | — | | | | |  | | | | — | | |  | | | — | | | | | | | |  | | | | — | | | | | | |  | | | — | | | | | | |  | | | | — | | | | |  |  | | | 2 | | | | | | | |  |  | | | 2 | | |  |
|  | | | |  | | | | |  | | | |  | | |  | | |  | | | | | | | |  | | | |  | | | | | | |  | | |  | | | | | | |  | | | |  | | | | | |  | | |  | | | | | | | | |  | | |  | | | |
| Conversion of noncontrolling interests to common shares | | | | 11,027 | | | |  |  | | | | — | |  |  | | | 622 | | | | | | |  |  | | | | — | | | | | | |  | | | — | | | | | | |  | | | | 622 | | | | |  |  | | | (622) | | | | | | | |  |  | | | — | | |  |
|  | | | |  | | | | |  | | | |  | | |  | | |  | | | | | | | |  | | | |  | | | | | | |  | | |  | | | | | | |  | | | |  | | | | | |  | | |  | | | | | | | | |  | | |  | | | |
| Adjustment of noncontrolling interests in Operating Partnership | | | | — | | | | |  | | | | — | | |  | | | (753) | | | | | | |  |  | | | | — | | | | | | |  | | | — | | | | | | |  | | | | (753) | | | | |  |  | | | 753 | | | | | | | |  |  | | | — | | |  |
| Balance at September 30, 2022 | | | | 215,146,141 | | | |  |  | | | | $ | 2,150 |  |  | | | $ | 5,505,307 | | | | | |  |  | | | | $ | (2,608,239) | | | |  | |  | | | $ | | 13 | | | |  |  | | | | $ | 2,899,231 | | | |  |  | | | $ | 78,914 | | | | | | |  |  | | | $ | 2,978,145 | |  |
|  | |  | | | |  |  | | | | |  | | | | | | | | |  |  |  |  |  | | | | |  | | |  |  |  | |  | | | | |  | |  |  |  | | | |  | | | |  |  |  | | | | | | |  |  |  |  |  |  | | | | | | |  | | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | | | | | **Stockholders' Equity** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |  | | |  | | |  | | |  | | |
|  | | | | | | | **Common Stock** | | | | | | | | | | | | | | | | | | | | | | | | | | |  | | | | | | | | **Additional  Paid-in  Capital** | | | |  | | | | | | | | | **Accumulated  Deficit** | | | | | | | | |  | | | **Accumulated  Other  Comprehensive  Loss** | | | | | | | | | | |  | | | **Total  Stockholders'  Equity** | | |  | | |  | | |  | | |  | | |
|  | | | | | | | **Shares** | | | | | | | | | | | | | | |  | | | **Par Value** | | | | | | | | |  | | | | | | | |  | | | | | | | | |  | | |  | | |  | | | **Noncontrolling Interests** | | |  | | | **Total  Equity** | | |
| Balance at July 1, 2021 | | | | | | | 211,169,654 | | | | | | | | | | | | | |  |  | | | $ | | | | | 2,112 | | |  |  | | | | | | | | $ | | 5,438,493 |  |  | | | | | | | | | $ | (2,469,336) | | | | | | |  |  | | | $ | (2,775) | | | | | | |  | | |  | | | $ | 2,968,494 |  |  | | | $ | 158,452 |  |  | | | $ | 3,126,946 |  |
| Net income | | | | | | | — | | | | | | | | | | | | | |  |  | | | — | | | | | | | |  |  | | | | | | | | — | | |  |  | | | | | | | | | 106,702 | | | | | | | |  |  | | | — | | | | | | | |  | | |  | | | 106,702 | |  |  | | | 6,257 | |  |  | | | 112,959 | |  |
|  | | | | | | |  | | | | | | | | | | | | | | |  | | |  | | | | | | | | |  | | | | | | | |  | | | |  | | | | | | | | |  | | | | | | | | |  | | |  | | | | | | | | | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Interest rate cap/swap agreements | | | | | | | — | | | | | | | | | | | | | |  |  | | | — | | | | | | | |  |  | | | | | | | | — | | |  |  | | | | | | | | | — | | | | | | | |  |  | | | 2,775 | | | | | | | |  | | |  | | | 2,775 | |  |  | | | — | |  |  | | | 2,775 | |  |
| Amortization of share and unit-based plans | | | | | | | 16,320 | | | | | | | | | | | | | |  |  | | | — | | | | | | | |  |  | | | | | | | | 4,318 | | |  |  | | | | | | | | | — | | | | | | | |  |  | | | — | | | | | | | |  | | |  | | | 4,318 | |  |  | | | — | |  |  | | | 4,318 | |  |
|  | | | | | | |  | | | | | | | | | | | | | | |  | | |  | | | | | | | | |  | | | | | | | |  | | | |  | | | | | | | | |  | | | | | | | | |  | | |  | | | | | | | | | | |  | | |  | | |  | | |  | | |  | | |  | | |
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|  | | | | | | |  | | | | | | | | | | | | | | |  | | |  | | | | | | | | |  | | | | | | | |  | | | |  | | | | | | | | |  | | | | | | | | |  | | |  | | | | | | | | | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Stock offerings, net | | | | | | | 2,122,016 | | | | | | | | | | | | | |  |  | | | 21 | | | | | | | |  |  | | | | | | | | 23,799 | | |  |  | | | | | | | | | — | | | | | | | |  |  | | | — | | | | | | | |  | | |  | | | 23,820 | |  |  | | | — | |  |  | | | 23,820 | |  |
|  | | | | | | |  | | | | | | | | | | | | | | |  | | |  | | | | | | | | |  | | | | | | | |  | | | |  | | | | | | | | |  | | | | | | | | |  | | |  | | | | | | | | | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Distributions paid ($0.15 per share) | | | | | | | — | | | | | | | | | | | | | |  |  | | | — | | | | | | | |  |  | | | | | | | | — | | |  |  | | | | | | | | | (32,000) | | | | | | | |  |  | | | — | | | | | | | |  | | |  | | | (32,000) | |  |  | | | — | |  |  | | | (32,000) | |  |
|  | | | | | | |  | | | | | | | | | | | | | | |  | | |  | | | | | | | | |  | | | | | | | |  | | | |  | | | | | | | | |  | | | | | | | | |  | | |  | | | | | | | | | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Distributions to noncontrolling interests | | | | | | | — | | | | | | | | | | | | | |  |  | | | — | | | | | | | |  |  | | | | | | | | — | | |  |  | | | | | | | | | — | | | | | | | |  |  | | | — | | | | | | | |  | | |  | | | — | |  |  | | | (3,972) | |  |  | | | (3,972) | |  |
| Contributions from noncontrolling interests | | | | | | | — | | | | | | | | | | | | | |  |  | | | — | | | | | | | |  |  | | | | | | | | — | | |  |  | | | | | | | | | — | | | | | | | |  |  | | | — | | | | | | | |  | | |  | | | — | |  |  | | | 4 | |  |  | | | 4 | |  |
|  | | | | | | |  | | | | | | | | | | | | | | |  | | |  | | | | | | | | |  | | | | | | | |  | | | |  | | | | | | | | |  | | | | | | | | |  | | |  | | | | | | | | | | |  | | |  | | |  | | |  | | |  | | |  | | |
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| Redemption of noncontrolling interests | | | | | | | — | | | | | | | | | | | | | |  |  | | | — | | | | | | | |  |  | | | | | | | | (17) | | |  |  | | | | | | | | | — | | | | | | | |  |  | | | — | | | | | | | |  | | |  | | | (17) | |  |  | | | (42) | |  |  | | | (59) | |  |
| Adjustment of noncontrolling interests in Operating Partnership | | | | | | | — | | | | | | | | | | | | | |  |  | | | — | | | | | | | |  |  | | | | | | | | 642 | | |  |  | | | | | | | | | — | | | | | | | |  |  | | | — | | | | | | | |  | | |  | | | 642 | |  |  | | | (642) | |  |  | | | — | |  |
| Balance at September 30, 2021 | | | | | | | 213,307,990 | | | | | | | | | | | | | |  |  | | | $ | | | | | 2,133 | | |  |  | | | | | | | | $ | | 5,467,235 |  |  | | | | | | | | | $ | (2,394,634) | | | | | | |  |  | | | $ | — | | | | | | |  | | |  | | | $ | 3,074,734 |  |  | | | $ | 160,057 |  |  | | | $ | 3,234,791 |  |

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

6

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**THE MACERICH COMPANY**

**CONSOLIDATED STATEMENTS OF EQUITY**

**(Dollars in thousands, except per share data)**

**(Unaudited)**

**Nine Months Ended September 30, 2022 and 2021**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | |  |  |  | | |  |  |  |  | |  |  |  |  |  |  |  |  | | | | | |  |  |  |  | |  |  | | | |  | |  |  |  |  | |  | | | |  |  |  | |  |  |  | | | |  |  |  |  |  |  | | | | | | |  |  |  |  |  |  | |  |
|  | | | | **Stockholders' Equity** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |  | | |  | | | | | | | | |  | | |  | | | |
|  | | | | **Common Stock** | | | | | | | | | | | |  | | | **Additional  Paid-in  Capital** | | | | | | | |  | | | | **Accumulated  Deficit** | | | | | | |  | | | **Accumulated  Other  Comprehensive  Loss** | | | | | | |  | | | | **Total  Stockholders'  Equity** | | | | | |  | | |  | | | | | | | | |  | | |  | | | |
|  | | | | **Shares** | | | | |  | | | | **Par Value** | | |  | | |  | | | |  | | |  | | | |  | | | **Noncontrolling Interests** | | | | | | | | |  | | | **Total  Equity** | | | |
| Balance at January 1, 2022 | | | | 214,797,057 | | | |  |  | | | | $ | 2,147 |  |  | | | $ | 5,488,440 | | | | | |  |  | | | | $ | (2,443,696) | | | |  | |  | | | $ | | (24) | | | |  |  | | | | $ | 3,046,867 | | | |  |  | | | $ | 129,282 | | | | | | |  |  | | | $ | 3,176,149 | |  |
| Net loss | | | | — | | | |  |  | | | | — | |  |  | | | — | | | | | | |  |  | | | | (67,757) | | | | |  | |  | | | — | | | | | |  |  | | | | (67,757) | | | | |  |  | | | (784) | | | | | | | |  |  | | | (68,541) | | |  |
|  | | | |  | | | | |  | | | |  | | |  | | |  | | | | | | | |  | | | |  | | | | | | |  | | |  | | | | | | |  | | | |  | | | | | |  | | |  | | | | | | | | |  | | |  | | | |
| Interest rate cap agreement | | | | — | | | |  |  | | | | — | |  |  | | | — | | | | | | |  |  | | | | — | | | | |  | |  | | | 37 | | | | | |  |  | | | | 37 | | | | |  |  | | | — | | | | | | | |  |  | | | 37 | | |  |
| Amortization of share and unit-based plans | | | | 206,564 | | | |  |  | | | | 2 | |  |  | | | 16,813 | | | | | | |  |  | | | | — | | | | |  | |  | | | — | | | | | |  |  | | | | 16,815 | | | | |  |  | | | — | | | | | | | |  |  | | | 16,815 | | |  |
|  | | | |  | | | | |  | | | |  | | |  | | |  | | | | | | | |  | | | |  | | | | | | |  | | |  | | | | | | |  | | | |  | | | | | |  | | |  | | | | | | | | |  | | |  | | | |
|  | | | |  | | | | |  | | | |  | | |  | | |  | | | | | | | |  | | | |  | | | | | | |  | | |  | | | | | | |  | | | |  | | | | | |  | | |  | | | | | | | | |  | | |  | | | |
| Employee stock purchases | | | | 96,942 | | | |  |  | | | | 1 | |  |  | | | 959 | | | | | | |  |  | | | | — | | | | |  | |  | | | — | | | | | |  |  | | | | 960 | | | | |  |  | | | — | | | | | | | |  |  | | | 960 | | |  |
| Stock offerings, net | | | | — | | | |  |  | | | | — | |  |  | | | (152) | | | | | | |  |  | | | | — | | | | |  | |  | | |  | | | | | | |  | | | | (152) | | | | |  |  | | | — | | | | | | | |  |  | | | (152) | | |  |
|  | | | |  | | | | |  | | | |  | | |  | | |  | | | | | | | |  | | | |  | | | | | | |  | | |  | | | | | | |  | | | |  | | | | | |  | | |  | | | | | | | | |  | | |  | | | |
| Distributions paid ($0.45 per share) | | | | — | | | |  |  | | | | — | |  |  | | | — | | | | | | |  |  | | | | (96,786) | | | | |  | |  | | | — | | | | | |  |  | | | | (96,786) | | | | |  |  | | | — | | | | | | | |  |  | | | (96,786) | | |  |
|  | | | |  | | | | |  | | | |  | | |  | | |  | | | | | | | |  | | | |  | | | | | | |  | | |  | | | | | | |  | | | |  | | | | | |  | | |  | | | | | | | | |  | | |  | | | |
| Distributions to noncontrolling interests | | | | — | | | |  |  | | | | — | |  |  | | | — | | | | | | |  |  | | | | — | | | | |  | |  | | | — | | | | | |  |  | | | | — | | | | |  |  | | | (50,011) | | | | | | | |  |  | | | (50,011) | | |  |
| Contributions from noncontrolling interests | | | | — | | | |  |  | | | | — | |  |  | | | — | | | | | | |  |  | | | | — | | | | |  | |  | | | — | | | | | |  |  | | | | — | | | | |  |  | | | 2 | | | | | | | |  |  | | | 2 | | |  |
|  | | | |  | | | | |  | | | |  | | |  | | |  | | | | | | | |  | | | |  | | | | | | |  | | |  | | | | | | |  | | | |  | | | | | |  | | |  | | | | | | | | |  | | |  | | | |
| Conversion of noncontrolling interests to common shares | | | | 45,578 | | | |  |  | | | | — | |  |  | | | 2,700 | | | | | | |  |  | | | | — | | | | |  | |  | | | — | | | | | |  |  | | | | 2,700 | | | | |  |  | | | (2,700) | | | | | | | |  |  | | | — | | |  |
| Redemption of noncontrolling interests | | | | — | | | |  |  | | | | — | |  |  | | | 177 | | | | | | |  |  | | | | — | | | | |  | |  | | | — | | | | | |  |  | | | | 177 | | | | |  |  | | | (505) | | | | | | | |  |  | | | (328) | | |  |
| Adjustment of noncontrolling interests in Operating Partnership | | | | — | | | |  |  | | | | — | |  |  | | | (3,630) | | | | | | |  |  | | | | — | | | | |  | |  | | | — | | | | | |  |  | | | | (3,630) | | | | |  |  | | | 3,630 | | | | | | | |  |  | | | — | | |  |
| Balance at September 30, 2022 | | | | 215,146,141 | | | |  |  | | | | $ | 2,150 |  |  | | | $ | 5,505,307 | | | | | |  |  | | | | $ | (2,608,239) | | | |  | |  | | | $ | | 13 | | | |  |  | | | | $ | 2,899,231 | | | |  |  | | | $ | 78,914 | | | | | | |  |  | | | $ | 2,978,145 | |  |
|  | |  | | | |  |  | | | | |  | | | | | | | | |  |  |  |  |  | | | | |  | | |  |  |  | |  | | | | |  | |  |  |  | | | |  | | | |  |  |  | | | | | | |  |  |  |  |  |  | | | | | | |  | | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | | | | | **Stockholders' Equity** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |  | | |  | | |  | | |  | | |
|  | | | | | | | **Common Stock** | | | | | | | | | | | | | | | | | | | | | | | | | | |  | | | | | | | | **Additional  Paid-in  Capital** | | | |  | | | | | | | | | **Accumulated  Deficit** | | | | | | | | |  | | | **Accumulated  Other  Comprehensive  Loss** | | | | | | | | | | |  | | | **Total  Stockholders'  Equity** | | |  | | |  | | |  | | |  | | |
|  | | | | | | | **Shares** | | | | | | | | | | | | | | |  | | | **Par Value** | | | | | | | | |  | | | | | | | |  | | | | | | | | |  | | |  | | |  | | | **Noncontrolling Interests** | | |  | | | **Total  Equity** | | |
| Balance at January 1, 2021 | | | | | | | 149,770,575 | | | | | | | | | | | | | |  |  | | | $ | | | | | 1,498 | | |  |  | | | | | | | | $ | | 4,603,378 |  |  | | | | | | | | | $ | (2,339,619) | | | | | | |  |  | | | $ | (8,208) | | | | | | |  | | |  | | | $ | 2,257,049 |  |  | | | $ | 188,211 |  |  | | | $ | 2,445,260 |  |
| Net income | | | | | | | — | | | | | | | | | | | | | |  |  | | | — | | | | | | | |  |  | | | | | | | | — | | |  |  | | | | | | | | | 31,333 | | | | | | | |  |  | | | — | | | | | | | |  | | |  | | | 31,333 | |  |  | | | 9,834 | |  |  | | | 41,167 | |  |
|  | | | | | | |  | | | | | | | | | | | | | | |  | | |  | | | | | | | | |  | | | | | | | |  | | | |  | | | | | | | | |  | | | | | | | | |  | | |  | | | | | | | | | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Interest rate cap/swap agreements | | | | | | | — | | | | | | | | | | | | | |  |  | | | — | | | | | | | |  |  | | | | | | | | — | | |  |  | | | | | | | | | — | | | | | | | |  |  | | | 8,208 | | | | | | | |  | | |  | | | 8,208 | |  |  | | | — | |  |  | | | 8,208 | |  |
| Amortization of share and unit-based plans | | | | | | | 241,001 | | | | | | | | | | | | | |  |  | | | 2 | | | | | | | |  |  | | | | | | | | 13,679 | | |  |  | | | | | | | | | — | | | | | | | |  |  | | | — | | | | | | | |  | | |  | | | 13,681 | |  |  | | | — | |  |  | | | 13,681 | |  |
|  | | | | | | |  | | | | | | | | | | | | | | |  | | |  | | | | | | | | |  | | | | | | | |  | | | |  | | | | | | | | |  | | | | | | | | |  | | |  | | | | | | | | | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | | | | | |  | | | | | | | | | | | | | | |  | | |  | | | | | | | | |  | | | | | | | |  | | | |  | | | | | | | | |  | | | | | | | | |  | | |  | | | | | | | | | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Employee stock purchases | | | | | | | 88,107 | | | | | | | | | | | | | |  |  | | | 1 | | | | | | | |  |  | | | | | | | | 594 | | |  |  | | | | | | | | | — | | | | | | | |  |  | | | — | | | | | | | |  | | |  | | | 595 | |  |  | | | — | |  |  | | | 595 | |  |
| Stock offerings, net | | | | | | | 62,029,777 | | | | | | | | | | | | | |  |  | | | 620 | | | | | | | |  |  | | | | | | | | 829,254 | | |  |  | | | | | | | | | — | | | | | | | |  |  | | | — | | | | | | | |  | | |  | | | 829,874 | |  |  | | | — | |  |  | | | 829,874 | |  |
|  | | | | | | |  | | | | | | | | | | | | | | |  | | |  | | | | | | | | |  | | | | | | | |  | | | |  | | | | | | | | |  | | | | | | | | |  | | |  | | | | | | | | | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Distributions paid ($0.45 per share) | | | | | | | — | | | | | | | | | | | | | |  |  | | | — | | | | | | | |  |  | | | | | | | | — | | |  |  | | | | | | | | | (86,348) | | | | | | | |  |  | | | — | | | | | | | |  | | |  | | | (86,348) | |  |  | | | — | |  |  | | | (86,348) | |  |
|  | | | | | | |  | | | | | | | | | | | | | | |  | | |  | | | | | | | | |  | | | | | | | |  | | | |  | | | | | | | | |  | | | | | | | | |  | | |  | | | | | | | | | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Distributions to noncontrolling interests | | | | | | | — | | | | | | | | | | | | | |  |  | | | — | | | | | | | |  |  | | | | | | | | — | | |  |  | | | | | | | | | — | | | | | | | |  |  | | | — | | | | | | | |  | | |  | | | — | |  |  | | | (18,166) | |  |  | | | (18,166) | |  |
| Contributions from noncontrolling interests | | | | | | | — | | | | | | | | | | | | | |  |  | | | — | | | | | | | |  |  | | | | | | | | — | | |  |  | | | | | | | | | — | | | | | | | |  |  | | | — | | | | | | | |  | | |  | | | — | |  |  | | | 580 | |  |  | | | 580 | |  |
|  | | | | | | |  | | | | | | | | | | | | | | |  | | |  | | | | | | | | |  | | | | | | | |  | | | |  | | | | | | | | |  | | | | | | | | |  | | |  | | | | | | | | | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Conversion of noncontrolling interests to common shares | | | | | | | 1,178,530 | | | | | | | | | | | | | |  |  | | | 12 | | | | | | | |  |  | | | | | | | | 22,206 | | |  |  | | | | | | | | | — | | | | | | | |  |  | | | — | | | | | | | |  | | |  | | | 22,218 | |  |  | | | (22,218) | |  |  | | | — | |  |
| Redemption of noncontrolling interests | | | | | | | — | | | | | | | | | | | | | |  |  | | | — | | | | | | | |  |  | | | | | | | | (17) | | |  |  | | | | | | | | | — | | | | | | | |  |  | | | — | | | | | | | |  | | |  | | | (17) | |  |  | | | (43) | |  |  | | | (60) | |  |
| Adjustment of noncontrolling interests in Operating Partnership | | | | | | | — | | | | | | | | | | | | | |  |  | | | — | | | | | | | |  |  | | | | | | | | (1,859) | | |  |  | | | | | | | | | — | | | | | | | |  |  | | | — | | | | | | | |  | | |  | | | (1,859) | |  |  | | | 1,859 | |  |  | | | — | |  |
| Balance at September 30, 2021 | | | | | | | 213,307,990 | | | | | | | | | | | | | |  |  | | | $ | | | | | 2,133 | | |  |  | | | | | | | | $ | | 5,467,235 |  |  | | | | | | | | | $ | (2,394,634) | | | | | | |  |  | | | $ | — | | | | | | |  | | |  | | | $ | 3,074,734 |  |  | | | $ | 160,057 |  |  | | | $ | 3,234,791 |  |

 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,** | | | | | | | | |
|  | | | **2022** | | |  | | | **2021** | | |
| Cash flows from operating activities: | | |  | | |  | | |  | | |
| Net (loss) income | | | $ | (68,541) |  |  | | | $ | 41,167 |  |
| Adjustments to reconcile net (loss) income to net cash provided by operating activities: | | |  | | |  | | |  | | |
| Loss on extinguishment of debt | | | — | |  |  | | | 1,007 | |  |
| Gain on sale or write down of assets, net | | | (6,767) | |  |  | | | (93,356) | |  |
| Depreciation and amortization | | | 226,136 | |  |  | | | 241,450 | |  |
|  | | |  | | |  | | |  | | |
| Amortization of share and unit-based plans | | | 13,420 | |  |  | | | 10,868 | |  |
| Straight-line rent and amortization of above and below market leases | | | 821 | |  |  | | | (9,429) | |  |
| Recovery of doubtful accounts | | | (1,585) | |  |  | | | (4,269) | |  |
| Income tax expense | | | 963 | |  |  | | | 9,452 | |  |
| Equity in loss (income) of unconsolidated joint ventures | | | 16,422 | |  |  | | | (20,212) | |  |
| Distributions of income from unconsolidated joint ventures | | | 866 | |  |  | | | 48 | |  |
| Change in fair value of financing arrangement obligation | | | 14,837 | |  |  | | | (12,608) | |  |
| Changes in assets and liabilities, net of dispositions: | | |  | | |  | | |  | | |
| Tenant and other receivables | | | 19,517 | |  |  | | | 77,748 | |  |
| Other assets | | | 5,639 | |  |  | | | 22,133 | |  |
| Due from affiliates | | | (9,495) | |  |  | | | (1,365) | |  |
| Accounts payable and accrued expenses | | | 8,177 | |  |  | | | (6,992) | |  |
| Other accrued liabilities | | | 64,578 | |  |  | | | (44,009) | |  |
| Net cash provided by operating activities | | | 284,988 | |  |  | | | 211,633 | |  |
| Cash flows from investing activities: | | |  | | |  | | |  | | |
| Acquisitions of property | | | (24,544) | |  |  | | | — | |  |
| Development, redevelopment, expansion and renovation of properties | | | (28,180) | |  |  | | | (52,788) | |  |
| Property improvements | | | (32,712) | |  |  | | | (27,906) | |  |
|  | | |  | | |  | | |  | | |
| Proceeds from repayment of notes receivable | | | — | |  |  | | | 1,300 | |  |
| Deferred leasing costs | | | (1,974) | |  |  | | | (1,878) | |  |
| Distributions from unconsolidated joint ventures | | | 107,255 | |  |  | | | 70,955 | |  |
| Contributions to unconsolidated joint ventures | | | (42,963) | |  |  | | | (56,577) | |  |
|  | | |  | | |  | | |  | | |
| Proceeds from collection of receivable in connection with sale of joint venture property | | | 21,000 | |  |  | | | — | |  |
| Proceeds from sale of assets | | | 48,768 | |  |  | | | 323,018 | |  |
| Net cash provided by investing activities | | | 46,650 | |  |  | | | 256,124 | |  |
|  | | |  | | |  | | |  | | |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |
| **THE MACERICH COMPANY**  **CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)**  **(Dollars in thousands)**  **(Unaudited)** | | | | | | | | | | | |
|  | | | **For the Nine Months Ended September 30,** | | | | | | | | |
|  | | | **2022** | | |  | | | **2021** | | |
| Cash flows from financing activities: | | |  | | |  | | |  | | |
| Proceeds from mortgages, bank and other notes payable | | | 130,000 | |  |  | | | 495,000 | |  |
| Payments on mortgages, bank and other notes payable | | | (312,630) | |  |  | | | (1,973,668) | |  |
|  | | |  | | |  | | |  | | |
| Deferred financing costs | | | (2,766) | |  |  | | | (22,813) | |  |
|  | | |  | | |  | | |  | | |
| Payments on finance leases | | | (1,923) | |  |  | | | (1,848) | |  |
|  | | |  | | |  | | |  | | |
| Net (costs) proceeds from stock offerings | | | (152) | |  |  | | | 829,874 | |  |
|  | | |  | | |  | | |  | | |
| Proceeds from share and unit-based plans | | | 960 | |  |  | | | 595 | |  |
|  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |
| Redemption of noncontrolling interests | | | (328) | |  |  | | | (60) | |  |
| Contributions from noncontrolling interests | | | 2 | |  |  | | | 128 | |  |
|  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |
| Dividends and distributions | | | (146,797) | |  |  | | | (104,514) | |  |
| Net cash used in financing activities | | | (333,634) | |  |  | | | (777,306) | |  |
| Net decrease in cash, cash equivalents and restricted cash | | | (1,996) | |  |  | | | (309,549) | |  |
| Cash, cash equivalents and restricted cash, beginning of period | | | 166,971 | |  |  | | | 482,659 | |  |
| Cash, cash equivalents and restricted cash, end of period | | | $ | 164,975 |  |  | | | $ | 173,110 |  |
| Supplemental cash flow information: | | |  | | |  | | |  | | |
| Cash payments for interest, net of amounts capitalized | | | $ | 135,548 |  |  | | | $ | 161,474 |  |
| Non-cash investing and financing transactions: | | |  | | |  | | |  | | |
| Accrued development costs included in accounts payable and accrued expenses and other accrued liabilities | | | $ | 34,534 |  |  | | | $ | 18,281 |  |
|  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |
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|  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |
| Conversion of Operating Partnership Units to common stock | | | $ | 2,700 |  |  | | | $ | 22,218 |  |
| Assets acquired from unconsolidated joint venture | | | $ | 23,554 |  |  | | | $ | — |  |
|  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |

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 and square foot amounts)**

**(Unaudited)**

**1. Organization:**

The Macerich Company (the "Company") is involved in the acquisition, ownership, development, redevelopment, management and leasing of regional town centers 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, 2022, the Company was the sole general partner of and held a 96% ownership interest in The Macerich Partnership, L.P. (the "Operating Partnership"). The Company was organized to qualify as a real estate investment trust ("REIT") under the Internal Revenue Code of 1986, as amended (the "Code").

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

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

**2. Summary of Significant Accounting Policies:**

*Basis of Presentation:*

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

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

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

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **September 30, 2022** | | |  | | | **December 31, 2021** | | |
| Assets: | | |  | | |  | | |  | | |
| Property, net | | | $ | 455,264 |  |  | | | $ | 458,964 |  |
| Other assets | | | 91,245 | |  |  | | | 83,685 | |  |
| Total assets | | | $ | 546,509 |  |  | | | $ | 542,649 |  |
| Liabilities: | | |  | | |  | | |  | | |
| Mortgage notes payable | | | $ | 330,935 |  |  | | | $ | 413,925 |  |
| Other liabilities | | | 136,744 | |  |  | | | 56,947 | |  |
| Total liabilities | | | $ | 467,679 |  |  | | | $ | 470,872 |  |

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

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**THE MACERICH COMPANY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(Dollars in thousands, except per share and square foot amounts)**

**(Unaudited)**

**2. Summary of Significant Accounting Policies: (Continued)**

The unaudited interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2021. 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, 2021 has been derived from the audited financial statements but does not include all disclosures required by GAAP. The following table presents a reconciliation of the beginning of period and end of period cash, cash equivalents and restricted cash reported on the Company's consolidated balance sheets to the totals shown on its consolidated statements of cash flows:

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **For the Nine Months Ended September 30,** | | | | | | | | |
|  | | | **2022** | | |  | | | **2021** | | |
| **Beginning of period** | | |  | | |  | | |  | | |
| Cash and cash equivalents | | | $ | 112,454 |  |  | | | $ | 465,297 |  |
| Restricted cash | | | 54,517 | |  |  | | | 17,362 | |  |
| Cash, cash equivalents and restricted cash | | | $ | 166,971 |  |  | | | $ | 482,659 |  |
| **End of period** | | |  | | |  | | |  | | |
| Cash and cash equivalents | | | $ | 109,991 |  |  | | | $ | 117,596 |  |
| Restricted cash | | | 54,984 | |  |  | | | 55,514 | |  |
| Cash, cash equivalents and restricted cash | | | $ | 164,975 |  |  | | | $ | 173,110 |  |

*COVID-19 Pandemic:*

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. As a result, all of the markets that the Company operates in were subject to stay-at-home orders, and the majority of its properties were temporarily closed in part or completely. Following staggered re-openings during 2020, all Centers have been open and operating since October 7, 2020 and government-imposed capacity restrictions resulting from COVID-19 have been eliminated across the Company’s markets.

*COVID-19 Lease Accounting:*

In April 2020, the Financial Accounting Standards Board issued a Staff Question-and-Answer (“Q&A”) to clarify whether lease concessions related to the effects of COVID-19 require the application of the lease modification guidance under Accounting Standards Codification ("ASC") 842, "Leases" ("the lease modification accounting framework"). Under ASC 842, the Company would have to determine, on a lease-by-lease basis, if a lease concession was the result of a new arrangement reached with the tenant or an enforceable right and obligation within the existing lease. The Q&A allows for the bypass of a lease-by-lease analysis, and allows the Company to elect to either apply the lease modification accounting framework or not to all of its lease concessions with similar characteristics and circumstances. The Company has elected to apply the lease modification accounting framework to lease concessions that include the abatement of rent in its consolidated financial statements for the three and nine months ended September 30, 2022 and 2021.

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**THE MACERICH COMPANY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(Dollars in thousands, except per share and square foot amounts)**

**(Unaudited)**

**3. Earnings Per Share ("EPS"):**

The following table reconciles the numerator and denominator used in the computation of EPS for the three and nine months ended September 30, 2022 and 2021 (shares in thousands):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **For the Three Months Ended September 30,** | | | | | | | | |  | | | **For the Nine Months Ended September 30,** | | | | | | | | |
|  | | | **2022** | | |  | | | **2021** | | |  | | | **2022** | | |  | | | **2021** | | |
| **Numerator** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Net (loss) income | | | $ | (13,502) |  |  | | | $ | 112,959 |  |  | | | $ | (68,541) |  |  | | | $ | 41,167 |  |
| Less: net income (loss) attributable to noncontrolling interests | | | 1,691 | |  |  | | | 6,257 | |  |  | | | (784) | |  |  | | | 9,834 | |  |
| Net (loss) income attributable to the Company | | | (15,193) | |  |  | | | 106,702 | |  |  | | | (67,757) | |  |  | | | 31,333 | |  |
| Allocation of earnings to participating securities | | | (211) | |  |  | | | (290) | |  |  | | | (642) | |  |  | | | (641) | |  |
| Numerator for basic and diluted EPS—net loss attributable to common stockholders | | | $ | (15,404) |  |  | | | $ | 106,412 |  |  | | | $ | (68,399) |  |  | | | $ | 30,692 |  |
| **Denominator** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Denominator for basic and diluted EPS—weighted average number of common shares outstanding(1) | | | 215,134 | |  |  | | | 213,214 | |  |  | | | 214,982 | |  |  | | | 192,717 | |  |
| **EPS—net (loss) income attributable to common stockholders** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Basic and diluted | | | $ | (0.07) |  |  | | | $ | 0.50 |  |  | | | $ | (0.32) |  |  | | | $ | 0.16 |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |

(1)     Diluted EPS excludes 99,565 and 101,799 convertible preferred partnership units for the three months ended September 30, 2022 and 2021, respectively, and 99,565 and 102,751 convertible preferred partnership units for the nine months ended September 30, 2022 and 2021, respectively, as their impact was antidilutive. Diluted EPS also excludes 8,620,767 and 9,818,917 Operating Partnership units ("OP Units") for the three months ended September 30, 2022 and 2021, respectively, and 8,653,348 and 10,160,575 OP Units for the nine months ended September 30, 2022 and 2021, respectively, as their impact was antidilutive.

**4. Investments in Unconsolidated Joint Ventures:**

The Company has made the following recent financings or other events of its unconsolidated joint ventures:

On March 29, 2021, concurrent with the sale of Paradise Valley Mall (see Note 16 – Dispositions), the Company elected to reinvest into the newly formed joint venture at a 5% ownership interest for $3,819 in cash that is accounted for under the equity method of accounting.

On October 26, 2021, the Company's joint venture in The Shops at Atlas Park replaced the existing loan on the property with a new $65,000 loan that bears interest at a floating rate of LIBOR plus 4.15% and matures on November 9, 2026, including extension options. The loan is covered by an interest rate cap agreement that effectively prevents LIBOR from exceeding 3.0% through November 7, 2023.

On December 31, 2021, the Company assigned its joint venture interest in The Shops at North Bridge in Chicago, Illinois to its partner in the joint venture. The assignment included the assumption by the joint venture partner of the Company’s share of the debt owed by the joint venture and no cash consideration was received by the Company. The Company recognized a loss of $28,276 in connection with the assignment.

On December 31, 2021, the Company sold its joint venture interest in the undeveloped property at 443 North Wabash Avenue in Chicago, Illinois to its partner in the joint venture for $21,000. The Company recognized an immaterial gain in connection with the sale.

On February 2, 2022, the Company’s joint venture in FlatIron Crossing replaced the existing $197,011 loan on the property with a new $175,000 loan that bears interest at the Secured Overnight Financing Rate ("SOFR") plus 3.70% and matures on February 9, 2025, including extension options. The loan is covered by an interest rate cap agreement that effectively prevents SOFR from exceeding 4.0% through February 15, 2024.

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**THE MACERICH COMPANY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(Dollars in thousands, except per share and square foot amounts)**

**(Unaudited)**

**4. Investments in Unconsolidated Joint Ventures: (Continued)**

On August 2, 2022, the Company acquired the remaining 50% ownership interest in two former Sears parcels (Deptford Mall and Vintage Faire Mall) in MS Portfolio LLC, the Company's joint venture with Seritage Growth Properties, for a total purchase price of approximately $24,544. As a result of this transaction and the shortening of holding periods on certain other assets in the joint venture, an impairment loss was recorded for the nine months ending September 30, 2022. The Company's share of the impairment loss was $27,054. Effective as of August 2, 2022, the Company now owns and has consolidated its 100% interest in these two former Sears parcels in its consolidated financial statements (See Note 15—Acquisitions).

The Company's joint venture in Washington Square expects to close in November 2022 a four-year extension, including options, on the $519,848 loan on the property, at a floating interest rate of SOFR plus 4.0%, subject to negotiating final loan terms and documentation and customary closing conditions.

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, 2022** | | |  | | | **December 31, 2021** | | |
| Assets(1): | | |  | | |  | | |  | | |
| Property, net | | | $ | 8,149,910 |  |  | | | $ | 8,289,412 |  |
| Other assets | | | 654,721 | |  |  | | | 750,629 | |  |
| Total assets | | | $ | 8,804,631 |  |  | | | $ | 9,040,041 |  |
| Liabilities and partners' capital(1): | | |  | | |  | | |  | | |
| Mortgage and other notes payable | | | $ | 5,488,671 |  |  | | | $ | 5,686,500 |  |
| Other liabilities | | | 475,780 | |  |  | | | 325,115 | |  |
| Company's capital | | | 1,509,376 | |  |  | | | 1,638,112 | |  |
| Outside partners' capital | | | 1,330,804 | |  |  | | | 1,390,314 | |  |
| Total liabilities and partners' capital | | | $ | 8,804,631 |  |  | | | $ | 9,040,041 |  |
| Investments in unconsolidated joint ventures: | | |  | | |  | | |  | | |
| Company's capital | | | $ | 1,509,376 |  |  | | | $ | 1,638,112 |  |
| Basis adjustment(2) | | | (432,018) | |  |  | | | (448,149) | |  |
|  | | | $ | 1,077,358 |  |  | | | $ | 1,189,963 |  |
|  | | |  | | |  | | |  | | |
| Assets—Investments in unconsolidated joint ventures | | | $ | 1,204,153 |  |  | | | $ | 1,317,571 |  |
| Liabilities—Distributions in excess of investments in unconsolidated joint ventures | | | (126,795) | |  |  | | | (127,608) | |  |
|  | | | $ | 1,077,358 |  |  | | | $ | 1,189,963 |  |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |
|  | | |  | | |  | | |

(1)     These amounts include assets of $2,704,552 and $2,789,568 of Pacific Premier Retail LLC (the "PPR Portfolio") as of September 30, 2022 and December 31, 2021, respectively, and liabilities of $1,640,093 and $1,661,110 of the PPR Portfolio as of September 30, 2022 and December 31, 2021, respectively.

(2)     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 $2,164 and $2,768 for the three months ended September 30, 2022 and 2021, respectively, and $7,034 and $7,431 for the nine months ended September 30, 2022 and 2021, respectively.

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**THE MACERICH COMPANY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(Dollars in thousands, except per share and square foot amounts)**

**(Unaudited)**

**4. Investments in Unconsolidated Joint Ventures: (Continued)**

**Combined and Condensed Statements of Operations of Unconsolidated Joint Ventures:**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **PPR Portfolio** | | |  | | | **Other Joint Ventures** | | |  | | | **Total** | | |
| *Three Months Ended September 30, 2022* | | |  | | |  | | |  | | |  | | |  | | |
| Revenues: | | |  | | |  | | |  | | |  | | |  | | |
| Leasing revenue | | | $ | 44,157 |  |  | | | $ | 164,518 |  |  | | | $ | 208,675 |  |
| Other | | | 151 | |  |  | | | 1,934 | |  |  | | | 2,085 | |  |
| Total revenues | | | 44,308 | |  |  | | | 166,452 | |  |  | | | 210,760 | |  |
| Expenses: | | |  | | |  | | |  | | |  | | |  | | |
| Shopping center and operating expenses | | | 10,949 | |  |  | | | 59,450 | |  |  | | | 70,399 | |  |
| Leasing expenses | | | 424 | |  |  | | | 1,203 | |  |  | | | 1,627 | |  |
| Interest expense | | | 15,546 | |  |  | | | 37,556 | |  |  | | | 53,102 | |  |
| Depreciation and amortization | | | 24,269 | |  |  | | | 64,002 | |  |  | | | 88,271 | |  |
| Total expenses | | | 51,188 | |  |  | | | 162,211 | |  |  | | | 213,399 | |  |
| Gain on sale or write down of assets, net | | | — | |  |  | | | 25,788 | |  |  | | | 25,788 | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |
| Net (loss) income | | | $ | (6,880) |  |  | | | $ | 30,029 |  |  | | | $ | 23,149 |  |
| Company's equity in net income | | | $ | 1,851 |  |  | | | $ | 4,471 |  |  | | | $ | 6,322 |  |
| *Three Months Ended September 30, 2021* | | |  | | |  | | |  | | |  | | |  | | |
| Revenues: | | |  | | |  | | |  | | |  | | |  | | |
| Leasing revenue | | | $ | 44,304 |  |  | | | $ | 160,044 |  |  | | | $ | 204,348 |  |
| Other | | | 14 | |  |  | | | 6,658 | |  |  | | | 6,672 | |  |
| Total revenues | | | 44,318 | |  |  | | | 166,702 | |  |  | | | 211,020 | |  |
| Expenses: | | |  | | |  | | |  | | |  | | |  | | |
| Shopping center and operating expenses | | | 10,078 | |  |  | | | 67,627 | |  |  | | | 77,705 | |  |
| Leasing expenses | | | 332 | |  |  | | | 963 | |  |  | | | 1,295 | |  |
| Interest expense | | | 15,801 | |  |  | | | 36,483 | |  |  | | | 52,284 | |  |
| Depreciation and amortization | | | 24,154 | |  |  | | | 61,734 | |  |  | | | 85,888 | |  |
| Total expenses | | | 50,365 | |  |  | | | 166,807 | |  |  | | | 217,172 | |  |
| Gain on sale or write down of assets, net | | | — | |  |  | | | 762 | |  |  | | | 762 | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |
| Net (loss) income | | | $ | (6,047) |  |  | | | $ | 657 |  |  | | | $ | (5,390) |  |
| Company's equity in net loss | | | $ | (1,390) |  |  | | | $ | (343) |  |  | | | $ | (1,733) |  |

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

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**THE MACERICH COMPANY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(Dollars in thousands, except per share and square foot amounts)**

**(Unaudited)**

**4. Investments in Unconsolidated Joint Ventures: (Continued)**

**Combined and Condensed Statements of Operations of Unconsolidated Joint Ventures:**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **PPR Portfolio** | | |  | | | **Other Joint Ventures** | | |  | | | **Total** | | |
| *Nine Months Ended September 30, 2022* | | |  | | |  | | |  | | |  | | |  | | |
| Revenues: | | |  | | |  | | |  | | |  | | |  | | |
| Leasing revenue | | | $ | 136,344 |  |  | | | $ | 488,513 |  |  | | | $ | 624,857 |  |
| Other | | | 269 | |  |  | | | 12,040 | |  |  | | | 12,309 | |  |
| Total revenues | | | 136,613 | |  |  | | | 500,553 | |  |  | | | 637,166 | |  |
| Expenses: | | |  | | |  | | |  | | |  | | |  | | |
| Shopping center and operating expenses | | | 31,807 | |  |  | | | 172,681 | |  |  | | | 204,488 | |  |
| Leasing expenses | | | 1,258 | |  |  | | | 3,724 | |  |  | | | 4,982 | |  |
| Interest expense | | | 46,299 | |  |  | | | 109,881 | |  |  | | | 156,180 | |  |
| Depreciation and amortization | | | 72,760 | |  |  | | | 195,408 | |  |  | | | 268,168 | |  |
| Total expenses | | | 152,124 | |  |  | | | 481,694 | |  |  | | | 633,818 | |  |
| Loss on sale or write down of assets, net | | | — | |  |  | | | (30,870) | |  |  | | | (30,870) | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |
| Net loss | | | $ | (15,511) |  |  | | | $ | (12,011) |  |  | | | $ | (27,522) |  |
| Company's equity in net loss | | | $ | (2,354) |  |  | | | $ | (14,068) |  |  | | | $ | (16,422) |  |
| *Nine Months Ended September 30, 2021* | | |  | | |  | | |  | | |  | | |  | | |
| Revenues: | | |  | | |  | | |  | | |  | | |  | | |
| Leasing revenue | | | $ | 122,311 |  |  | | | $ | 459,826 |  |  | | | $ | 582,137 |  |
| Other | | | 144 | |  |  | | | 56,508 | |  |  | | | 56,652 | |  |
| Total revenues | | | 122,455 | |  |  | | | 516,334 | |  |  | | | 638,789 | |  |
| Expenses: | | |  | | |  | | |  | | |  | | |  | | |
| Shopping center and operating expenses | | | 29,339 | |  |  | | | 183,013 | |  |  | | | 212,352 | |  |
| Leasing expenses | | | 1,106 | |  |  | | | 3,423 | |  |  | | | 4,529 | |  |
| Interest expense | | | 47,438 | |  |  | | | 110,586 | |  |  | | | 158,024 | |  |
| Depreciation and amortization | | | 73,042 | |  |  | | | 192,149 | |  |  | | | 265,191 | |  |
| Total expenses | | | 150,925 | |  |  | | | 489,171 | |  |  | | | 640,096 | |  |
| Gain on sale or write down of assets, net | | | — | |  |  | | | 581 | |  |  | | | 581 | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |
| Net (loss) income | | | $ | (28,470) |  |  | | | $ | 27,744 |  |  | | | $ | (726) |  |
| Company's equity in net (loss) income | | | $ | (10,269) |  |  | | | $ | 30,481 |  |  | | | $ | 20,212 |  |

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**THE MACERICH COMPANY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(Dollars in thousands, except per share and square foot amounts)**

**(Unaudited)**

**5. Derivative Instruments and Hedging Activities:**

The Company uses an interest rate cap agreement to manage the interest rate risk on certain floating rate debt. The Company recorded other comprehensive income related to the marking-to-market of derivative instruments of $(3) and $2,775 for the three months ended September 30, 2022 and 2021, respectively, and $37 and $8,208 for the nine months ended September 30, 2022 and 2021, respectively.

The following derivative was outstanding at September 30, 2022:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | | **Fair Value** | | | | | | | | |
| **Property** | | |  | | | **Notional Amount** | | |  | | | **Product** | | |  | | | **LIBOR Rate** | | |  | | | **Maturity** | | |  | | | **September 30, 2022** | | |  | | | **December 31, 2021** | | |
| Santa Monica Place | | |  | | | $ | 300,000 |  |  | | | Cap | | |  | | | 4.00 | | % |  | | | 12/9/2022 | | |  | | | $ | 18 |  |  | | | $ | 6 |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |

The above derivative was valued with an aggregate fair value (Level 2 measurement) and was included in other accrued liabilities. The fair value of the Company's interest rate derivative was determined using discounted cash flow analysis on the expected cash flows of the derivative. This analysis reflects the contractual terms of the derivative, including the period to maturity, and uses observable market-based inputs, including interest rate curves and implied volatilities. The Company incorporates credit valuation adjustments to appropriately reflect both its own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements.

Although the Company has determined that the majority of the inputs used to value its derivative fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads, to evaluate the likelihood of default by the Company and its counterparties. The Company has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustments are not significant to the overall valuation of its interest rate swap. As a result, the Company determined that its interest rate cap valuation in its entirety is classified in Level 2 of the fair value hierarchy.

**6. Property, net:**

Property, net consists of the following:

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **September 30, 2022** | | |  | | | **December 31, 2021** | | |
| Land | | | $ | 1,425,651 |  |  | | | $ | 1,441,858 |  |
| Buildings and improvements | | | 6,362,667 | |  |  | | | 6,306,764 | |  |
| Tenant improvements | | | 703,448 | |  |  | | | 685,242 | |  |
| Equipment and furnishings(1) | | | 189,658 | |  |  | | | 191,266 | |  |
| Construction in progress | | | 219,183 | |  |  | | | 222,420 | |  |
|  | | | 8,900,607 | |  |  | | | 8,847,550 | |  |
| Less accumulated depreciation(1) | | | (2,735,812) | |  |  | | | (2,563,344) | |  |
|  | | | $ | 6,164,795 |  |  | | | $ | 6,284,206 |  |

(1)      Equipment and furnishings and accumulated depreciation include the cost and accumulated amortization of ROU assets in connection with finance leases at September 30, 2022 and December 31, 2021 (See Note 8—Leases).

Depreciation expense was $67,631 and $68,715 for the three months ended September 30, 2022 and 2021, respectively, and $202,804 and $211,139 for the nine months ended September 30, 2022 and 2021, respectively.

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**THE MACERICH COMPANY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(Dollars in thousands, except per share and square foot amounts)**

**(Unaudited)**

**6. Property, net: (Continued)**

Gain on sale or write-down of assets, net for the three and nine months ended September 30, 2022 and 2021 consist of the following:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  | | | **For the Three Months Ended September 30,** | | | | | | | | |  | | | **For the Nine Months Ended September 30,** | | | | | | | | |
|  | | |  | | | **2022** | | |  | | | **2021** | | |  | | | **2022** | | |  | | | **2021** | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Gain on property sales, net(1) | | |  | | | $ | 313 |  |  | | | $ | 118,471 |  |  | | | $ | 386 |  |  | | | $ | 111,805 |  |
| Loss on write-down of assets(2) | | |  | | | (5,148) | |  |  | | | — | |  |  | | | (15,006) | |  |  | | | (38,362) | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Gain on land sales, net | | |  | | | 6,240 | |  |  | | | 95 | |  |  | | | 21,387 | |  |  | | | 19,913 | |  |
|  | | |  | | | $ | 1,405 |  |  | | | $ | 118,566 |  |  | | | $ | 6,767 |  |  | | | $ | 93,356 |  |

(1)    Includes $117,242 and $4,229 of gain related to the sale of La Encantada and Paradise Valley Mall, respectively, during the three and nine months ended September 30, 2021, respectively (See Note 16-Dispositions).

(2)    Includes impairment loss of $5,471 relating to the Company's investment in MS Portfolio LLC (See Note 4-Investments in Unconsolidated Joint Ventures) and impairment loss of $27,281 on Estrella Falls during the nine months ended September 30, 2022 and 2021, respectively, and $5,140 on Towne Mall during the three and nine months ended September 30, 2022. The impairment losses were due to the reduction of the estimated holding periods of the properties. The remaining amounts for the three and nine months ended September 30, 2022 and 2021 mainly pertain to the write off of development costs.

The following table summarizes certain of the Company's assets that were measured on a nonrecurring basis as a result of the impairment losses recorded for the nine months ended September 30, 2022 and 2021, as described above:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  | | | **Total Fair Value Measurement** | | |  | | | **Quoted Prices in Active Markets for Identical Assets** | | |  | | | **Significant Other Unobservable Inputs** | | |  | | | **Significant Unobservable Inputs** | | |
|  | | |  | | | **(Level 1)** | | |  | | | **(Level 2)** | | |  | | | **(Level 3)** | | |
| September 30, 2021 | | |  | | | $ | 4,720 |  |  | | | $ | — |  |  | | | $ | 4,720 |  |  | | | $ | — |  |
| September 30, 2022 | | |  | | | $ | 18,250 |  |  | | | $ | — |  |  | | | $ | — |  |  | | | $ | 18,250 |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |

The fair values relating to a portion of the 2021 impairments were based on sales contracts and are classified within Level 2 of the fair value hierarchy. The fair value (Level 3 measurement) related to the 2022 impairment was based upon an income approach, using an estimated terminal capitalization rate, discount rate, and in-place contractual rent and other income. The fair value is sensitive to these significant unobservable inputs.

**7. Tenant and Other Receivables, net:**

Included in tenant and other receivables, net is an allowance for doubtful accounts of $10,360 and $14,917 at September 30, 2022 and December 31, 2021, respectively. Also included in tenant and other receivables, net are accrued percentage rents of $5,322 and $19,907 at September 30, 2022 and December 31, 2021, respectively, and a deferred rent receivable due to straight-line rent adjustments of $108,758 and $110,969 at September 30, 2022 and December 31, 2021, respectively.

**8. Leases:**

*Lessor Leases:*

The Company leases its Centers under agreements that are classified as operating leases. These leases generally include minimum rents, percentage rents and recoveries of real estate taxes, insurance and other shopping center operating expenses. Minimum rental revenues are recognized on a straight-line basis over the terms of the related leases. Percentage rents are recognized and accrued when 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

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**THE MACERICH COMPANY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(Dollars in thousands, except per share and square foot amounts)**

**(Unaudited)**

**8. Leases: (Continued)**

revenues on a straight-line basis over the term of the related leases. For leasing revenues in which collectability is not considered probable, lease income is recognized on a cash basis and all previously recognized tenant accounts receivables, including straight-line rent, are fully reserved in the period in which the lease income is determined not to be probable of collection.

The following table summarizes the components of leasing revenue for the three and nine months ended September 30, 2022 and 2021:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **For the Three Months Ended September 30,** | | | | | | | | |  | | | **For the Nine Months Ended September 30,** | | | | | | | | |
|  | | | **2022** | | |  | | | **2021** | | |  | | | **2022** | | |  | | | **2021** | | |
| Leasing revenue—fixed payments | | | $ | 139,261 |  |  | | | $ | 132,789 |  |  | | | $ | 409,518 |  |  | | | $ | 395,796 |  |
| Leasing revenue—variable payments | | | 55,624 | |  |  | | | 65,984 | |  |  | | | 176,493 | |  |  | | | 173,592 | |  |
| Recovery of (provision for) doubtful accounts, net | | | 709 | |  |  | | | (1,638) | |  |  | | | 1,585 | |  |  | | | 4,269 | |  |
|  | | | $ | 195,594 |  |  | | | $ | 197,135 |  |  | | | $ | 587,596 |  |  | | | $ | 573,657 |  |

The following table summarizes the future rental payments to the Company:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |
| **Twelve months ending September 30,** | | |  | | |  | | |
| 2023 | | |  | | | $ | 374,739 |  |
| 2024 | | |  | | | 321,265 | |  |
| 2025 | | |  | | | 260,668 | |  |
| 2026 | | |  | | | 209,139 | |  |
| 2027 | | |  | | | 158,821 | |  |
| Thereafter | | |  | | | 458,664 | |  |
|  | | |  | | | $ | 1,783,296 |  |

*Lessee Leases:*

The Company has certain properties that are subject to non-cancelable operating leases. The leases expire at various times through 2098, subject in some cases to options to extend the terms of the lease. Certain leases provide for contingent rent payments based on a percentage of base rental income, as defined in the lease. In addition, the Company has five finance leases that expire at various times through 2024.

The following table summarizes the lease costs for the three and nine months ended September 30, 2022 and 2021:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **For the Three Months Ended September 30,** | | | | | | | | |  | | | **For the Nine Months Ended September 30,** | | | | | | | | |
|  | | | **2022** | | |  | | | **2021** | | |  | | | **2022** | | |  | | | **2021** | | |
| Operating lease costs | | | $ | 3,788 |  |  | | | $ | 3,398 |  |  | | | $ | 11,338 |  |  | | | $ | 11,027 |  |
| Finance lease costs: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Amortization of ROU assets | | | 483 | |  |  | | | 480 | |  |  | | | 1,446 | |  |  | | | 1,436 | |  |
| Interest on lease liabilities | | | 100 | |  |  | | | 117 | |  |  | | | 402 | |  |  | | | 460 | |  |
|  | | | $ | 4,371 |  |  | | | $ | 3,995 |  |  | | | $ | 13,186 |  |  | | | $ | 12,923 |  |

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**THE MACERICH COMPANY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(Dollars in thousands, except per share and square foot amounts)**

**(Unaudited)**

**8. Leases: (Continued)**

The following table summarizes the future rental payments required under the leases:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  | | | **September 30, 2022** | | | | | | | | |  | | | **December 31, 2021** | | | | | | | | |
| **Year ending December 31,** | | |  | | | **Operating  Leases** | | |  | | | **Finance Leases** | | |  | | | **Operating Leases** | | |  | | | **Finance Leases** | | |
| 2022 | | |  | | | $ | 4,120 |  |  | | | $ | 2,450 |  |  | | | $ | 14,302 |  |  | | | $ | 4,461 |  |
| 2023 | | |  | | | 12,255 | |  |  | | | 2,450 | |  |  | | | 8,452 | |  |  | | | 2,043 | |  |
| 2024 | | |  | | | 11,563 | |  |  | | | 9,478 | |  |  | | | 6,471 | |  |  | | | 9,072 | |  |
| 2025 | | |  | | | 11,746 | |  |  | | | 1,400 | |  |  | | | 6,513 | |  |  | | | — | |  |
| 2026 | | |  | | | 11,864 | |  |  | | | — | |  |  | | | 6,470 | |  |  | | | — | |  |
| Thereafter | | |  | | | 121,193 | |  |  | | | — | |  |  | | | 109,358 | |  |  | | | — | |  |
| Total undiscounted rental payments | | |  | | | 172,741 | |  |  | | | 15,778 | |  |  | | | 151,566 | |  |  | | | 15,576 | |  |
| Less imputed interest | | |  | | | (87,667) | |  |  | | | (3,173) | |  |  | | | (85,383) | |  |  | | | (1,048) | |  |
| Total lease liabilities | | |  | | | $ | 85,074 |  |  | | | $ | 12,605 |  |  | | | $ | 66,183 |  |  | | | $ | 14,528 |  |
| Weighted average remaining term | | |  | | | 32.1 years | | |  | | | 1.9 years | | |  | | | 36.3 years | | |  | | | 2.1 years | | |
| Weighted average incremental borrowing rate | | |  | | | 7.4 | | % |  | | | 3.7 | | % |  | | | 7.8 | | % |  | | | 3.7 | | % |

**9. Deferred Charges and Other Assets, net:**

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

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **September 30, 2022** | | |  | | | **December 31, 2021** | | |
| Leasing | | | $ | 113,356 |  |  | | | $ | 134,887 |  |
| Intangible assets: | | |  | | |  | | |  | | |
| In-place lease values | | | 65,082 | |  |  | | | 62,826 | |  |
| Leasing commissions and legal costs | | | 17,377 | |  |  | | | 16,710 | |  |
| Above-market leases | | | 72,659 | |  |  | | | 72,289 | |  |
| Deferred tax assets | | | 22,856 | |  |  | | | 23,406 | |  |
| Deferred compensation plan assets | | | 51,781 | |  |  | | | 68,807 | |  |
| Other assets | | | 42,596 | |  |  | | | 46,319 | |  |
|  | | | 385,707 | |  |  | | | 425,244 | |  |
| Less accumulated amortization(1) | | | (159,366) | |  |  | | | (170,336) | |  |
|  | | | $ | 226,341 |  |  | | | $ | 254,908 |  |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |
|  | | |  | | |  | | |

(1)   Accumulated amortization includes $43,845 and $43,978 relating to in-place lease values, leasing commissions and legal costs at September 30, 2022 and December 31, 2021, respectively. Amortization expense of in-place lease values, leasing commissions and legal costs was $1,688 and $2,262 for the three months ended September 30, 2022 and 2021, respectively, and $5,019 and $6,868 for the nine months ended September 30, 2022 and 2021, respectively.

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**THE MACERICH COMPANY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(Dollars in thousands, except per share and square foot amounts)**

**(Unaudited)**

**9. Deferred Charges and Other Assets, net: (Continued)**

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

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **September 30, 2022** | | |  | | | **December 31, 2021** | | |
| *Above-Market Leases* | | |  | | |  | | |  | | |
| Original allocated value | | | $ | 72,659 |  |  | | | $ | 72,289 |  |
| Less accumulated amortization | | | (34,901) | |  |  | | | (32,484) | |  |
|  | | | $ | 37,758 |  |  | | | $ | 39,805 |  |
| *Below-Market Leases(1)* | | |  | | |  | | |  | | |
| Original allocated value | | | $ | 97,194 |  |  | | | $ | 99,332 |  |
| Less accumulated amortization | | | (38,874) | |  |  | | | (37,122) | |  |
|  | | | $ | 58,320 |  |  | | | $ | 62,210 |  |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |
|  | | |  | | |  | | |

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

**10. Mortgage Notes Payable:**

Mortgage notes payable at September 30, 2022 and December 31, 2021 consist of the following:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  | | | **Carrying Amount of Mortgage Notes(1)** | | | | | | | | |  | | |  | | |  | | |  | | |  | | |  | | |
| **Property Pledged as Collateral** | | |  | | | **September 30, 2022** | | |  | | | **December 31, 2021** | | |  | | | **Effective Interest Rate(2)** | | |  | | | **Monthly Debt Service(3)** | | |  | | | **Maturity Date(4)** | | |
| Chandler Fashion Center(5) | | |  | | | $ | 255,689 |  |  | | | $ | 255,548 |  |  | | | 4.18 | | % |  | | | $ | 875 |  |  | | | 2024 | | |
| Danbury Fair Mall(6) | | |  | | | 150,522 | |  |  | | | 168,037 | |  |  | | | 6.05 | | % |  | | | 1,538 | |  |  | | | 2023 | | |
| Fashion District Philadelphia(7) | | |  | | | 111,544 | |  |  | | | 194,602 | |  |  | | | 6.06 | | % |  | | | 564 | |  |  | | | 2024 | | |
| Fashion Outlets of Chicago | | |  | | | 299,334 | |  |  | | | 299,274 | |  |  | | | 4.61 | | % |  | | | 1,145 | |  |  | | | 2031 | | |
| Fashion Outlets of Niagara Falls USA | | |  | | | 91,903 | |  |  | | | 95,329 | |  |  | | | 6.45 | | % |  | | | 727 | |  |  | | | 2023 | | |
| Freehold Raceway Mall(5) | | |  | | | 398,836 | |  |  | | | 398,711 | |  |  | | | 3.94 | | % |  | | | 1,300 | |  |  | | | 2029 | | |
| Fresno Fashion Fair | | |  | | | 324,205 | |  |  | | | 324,056 | |  |  | | | 3.67 | | % |  | | | 971 | |  |  | | | 2026 | | |
| Green Acres Commons(8) | | |  | | | 125,161 | |  |  | | | 124,875 | |  |  | | | 5.58 | | % |  | | | 555 | |  |  | | | 2023 | | |
| Green Acres Mall(9) | | |  | | | 239,639 | |  |  | | | 246,061 | |  |  | | | 3.94 | | % |  | | | 1,447 | |  |  | | | 2023 | | |
| Kings Plaza Shopping Center | | |  | | | 536,313 | |  |  | | | 535,928 | |  |  | | | 3.71 | | % |  | | | 1,629 | |  |  | | | 2030 | | |
| Oaks, The(10) | | |  | | | 167,050 | |  |  | | | 176,721 | |  |  | | | 5.49 | | % |  | | | 1,138 | |  |  | | | 2024 | | |
| Pacific View(11) | | |  | | | 70,927 | |  |  | | | 111,481 | |  |  | | | 5.45 | | % |  | | | 328 | |  |  | | | 2032 | | |
| Queens Center | | |  | | | 600,000 | |  |  | | | 600,000 | |  |  | | | 3.49 | | % |  | | | 1,744 | |  |  | | | 2025 | | |
| Santa Monica Place(12) | | |  | | | 299,875 | |  |  | | | 299,314 | |  |  | | | 4.54 | | % |  | | | 1,073 | |  |  | | | 2022 | | |
| SanTan Village Regional Center | | |  | | | 219,391 | |  |  | | | 219,323 | |  |  | | | 4.34 | | % |  | | | 788 | |  |  | | | 2029 | | |
| Towne Mall(13) | | |  | | | 18,934 | |  |  | | | 19,320 | |  |  | | | 4.48 | | % |  | | | 117 | |  |  | | | 2022 | | |
| Victor Valley, Mall of | | |  | | | 114,893 | |  |  | | | 114,850 | |  |  | | | 4.00 | | % |  | | | 380 | |  |  | | | 2024 | | |
| Vintage Faire Mall | | |  | | | 235,287 | |  |  | | | 240,124 | |  |  | | | 3.55 | | % |  | | | 1,256 | |  |  | | | 2026 | | |
|  | | |  | | | $ | 4,259,503 |  |  | | | $ | 4,423,554 |  |  | | |  | | |  | | |  | | |  | | |  | | |

(1)The mortgage notes payable also include unamortized deferred finance costs that are amortized into interest expense over the remaining term of the related debt in a manner that approximates the effective interest method. Unamortized deferred finance costs were $11,368 and $11,946 at September 30, 2022 and December 31, 2021, respectively.

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

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**THE MACERICH COMPANY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(Dollars in thousands, except per share and square foot amounts)**

**(Unaudited)**

**10. Mortgage Notes Payable: (Continued)**

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

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

(5)A 49.9% interest in the loan has been assumed by a third party in connection with the Company's joint venture in Chandler Freehold (See Note 12—Financing Arrangement).

(6)On September 15, 2020, the Company closed on a loan extension agreement for Danbury Fair Mall. Under the extension agreement, the original loan maturity date of October 1, 2020 was extended to April 1, 2021 and subsequently to October 1, 2021. The loan amount and interest rate remained unchanged following these extensions. On September 15, 2021, the Company further extended the loan maturity to July 1, 2022. The interest rate remained unchanged, and the Company repaid $10,000 of the outstanding loan balance at closing. On July 1, 2022, the Company further extended the loan maturity to July 1, 2023. The interest rate remained unchanged at 5.5%, and the Company repaid $10,000 of the outstanding loan balance at closing.

(7)On August 26, 2022, the Company repaid $83,058 of the outstanding loan balance to satisfy certain loan conditions.

(8)On March 25, 2021, the Company closed on a two-year extension of the loan to March 29, 2023. The interest rate is LIBOR plus 2.75% and the Company repaid $4,680 of the outstanding loan balance at closing.

(9)On January 22, 2021, the Company closed on a one-year extension of the loan to February 3, 2022, which also included a one-year extension option to February 3, 2023 which has been exercised. The interest rate remained unchanged, and the Company repaid $9,000 of the outstanding loan balance at closing.

(10)On May 6, 2022, the Company closed on a two-year extension of the loan to June 5, 2024 at a new fixed interest rate of 5.25%. The Company repaid $5,000 of the outstanding loan balance at closing.

(11)On April 29, 2022, the Company closed on a new $72,000 loan with a fixed rate of 5.29% that matures on May 6, 2032.

(12)The loan bears interest at LIBOR plus 1.48%. The loan is covered by an interest rate cap agreement that effectively prevents LIBOR from exceeding 4.0% during the period ending December 9, 2022. The Company expects to close in November 2022 a three-year extension at a floating rate of SOFR plus 1.58%, subject to negotiating final loan terms and documentation and customary closing conditions.

(13)The Company did not repay the loan on its maturity date, and has begun the process of transferring control of this asset to the loan servicer.

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

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

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

Total interest expense capitalized was $2,859 and $3,102 for the three months ended September 30, 2022 and 2021, respectively, and $7,151 and $6,812 for the nine months ended September 30, 2022 and 2021, respectively.

The estimated fair value (Level 2 measurement) of mortgage notes payable at September 30, 2022 and December 31, 2021 was $4,004,815 and $4,261,429, 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.

**11. Bank and Other Notes Payable:**

Bank and other notes payable consist of the following:

*Credit Facility:*

On April 14, 2021, the Company terminated its existing credit facility and entered into a new credit agreement, which provides for an aggregate $700,000 facility, including a $525,000 revolving loan facility that matures on April 14, 2023, with a one-year extension option, and a $175,000 term loan facility that matures on April 14, 2024. The revolving loan facility can be expanded up to $800,000, subject to receipt of lender commitments and other conditions. Concurrently with entering into the new credit agreement, the Company drew the $175,000 term loan facility in its entirety and drew $320,000 of the amount

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**THE MACERICH COMPANY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(Dollars in thousands, except per share and square foot amounts)**

**(Unaudited)**

**11. Bank and Other Notes Payable: (Continued)**

available under the revolving loan facility. Simultaneously with entering into the new credit agreement, the Company repaid $985,000 of debt, which included terminating and repaying all amounts outstanding under its prior revolving line of credit facility. All obligations under the facility are guaranteed unconditionally by the Company and are secured in the form of mortgages on certain wholly-owned assets and pledges of equity interests held by certain of the Company’s subsidiaries. The credit facility bears interest at LIBOR plus a spread of 2.25% to 3.25% depending on the Company’s overall leverage level. As of September 30, 2022, the borrowing rate was LIBOR plus 2.25%. As of September 30, 2022, borrowings under the facility were $101,000, less unamortized deferred finance costs of $9,459, for the revolving loan facility at a total interest rate of 6.71%. As of September 30, 2022, the Company's availability under the revolving loan facility for additional borrowings was $423,787. On September 20, 2021, the Company paid off the remaining balance outstanding on the term loan facility with proceeds from the sale of Tucson La Encantada (See Note 16—Dispositions). The estimated fair value (Level 2 measurement) of borrowings under the credit facility at September 30, 2022 was $99,861 for the revolving loan facility based on a present value model using a credit interest rate spread offered to the Company for comparable debt.

As of September 30, 2022 and December 31, 2021, the Company was in compliance with all applicable financial loan covenants.

**12. Financing Arrangement:**

On September 30, 2009, the Company formed a joint venture whereby a third party acquired a 49.9% interest in Chandler Fashion Center, a 1,319,000 square foot regional shopping center in Chandler, Arizona, and Freehold Raceway Mall, a 1,553,000 square foot regional shopping center in Freehold, New Jersey (collectively referred to herein as "Chandler Freehold"). As a result of the Company having certain rights under the agreement to repurchase the assets after the seventh year of the formation of Chandler Freehold, the transaction did not qualify for sale treatment. The Company, however, is not obligated to repurchase the assets. The Company accounts for its investment in Chandler Freehold as a financing arrangement. The fair value (Level 3 measurement) of the financing arrangement obligation at September 30, 2022 and December 31, 2021 was based upon a terminal capitalization rate of approximately 5.75%, a discount rate at September 30, 2022 and December 31, 2021 of 7.75% and 7.25%, respectively, and market rents per square foot of $35 to $105. The fair value of the financing arrangement obligation is sensitive to these significant unobservable inputs and a change in these inputs may result in a significantly higher or lower fair value measurement. Distributions to the partner, excluding distributions of excess loan proceeds, and changes in fair value of the financing arrangement obligation are recognized as interest (income) expense in the Company's consolidated statements of operations.

During the three and nine months ended September 30, 2022 and 2021, the Company recognized interest expense in the Company's consolidated statements of operations in connection with the financing arrangement as follows:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **For the Three Months Ended September 30,** | | | | | | | | |  | | | **For the Nine Months Ended September 30,** | | | | | | | | |
|  | | | **2022** | | |  | | | **2021** | | |  | | | **2022** | | |  | | | **2021** | | |
| Distributions equal to the partner's share of net (loss) income | | | $ | (211) |  |  | | | $ | (985) |  |  | | | $ | 39 |  |  | | | $ | (3,410) |  |
| Distributions in excess of the partner's share of net income | | | 1,631 | |  |  | | | 3,583 | |  |  | | | 8,492 | |  |  | | | 12,583 | |  |
| Adjustment to fair value of financing arrangement obligation | | | 5,053 | |  |  | | | (10,306) | |  |  | | | 14,837 | |  |  | | | (12,608) | |  |
|  | | | $ | 6,473 |  |  | | | $ | (7,708) |  |  | | | $ | 23,368 |  |  | | | $ | (3,435) |  |

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**THE MACERICH COMPANY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(Dollars in thousands, except per share and square foot amounts)**

**(Unaudited)**

**13. 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 96% ownership interest in the Operating Partnership as of September 30, 2022 and December 31, 2021. The remaining 4% limited partnership interest as of September 30, 2022 and December 31, 2021 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, 2022 and December 31, 2021, the aggregate redemption value of the then-outstanding OP Units not owned by the Company was $70,864 and $147,259, 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.

**14. Stockholders' Equity:**

*Stock Offerings*

In connection with the commencement of separate “at the market” offering programs, on each of February 1, 2021 and March 26, 2021, which are referred to as the “February 2021 ATM Program” and the “March 2021 ATM Program,” respectively, and collectively as the “ATM Programs,” the Company entered into separate equity distribution agreements with certain sales agents pursuant to which the Company may issue and sell shares of its common stock having an aggregate offering price of up to $500,000 under each of the February 2021 ATM Program and the March 2021 ATM Program, or a total of $1,000,000 under the ATM Programs. The February 2021 ATM Program was fully utilized as of June 30, 2021 and is no longer active.

During the nine months ended September 30, 2022, the Company did not issue any shares of common stock under the March 2021 ATM Program. As of September 30, 2022, $151,699 remained available to be sold under the March 2021 ATM Program. Actual future sales 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 remaining shares available for sale under the March 2021 ATM Program.

During the nine months ended September 30, 2021, the Company issued 62,029,777 shares of common stock under the ATM Programs for aggregate gross proceeds of $847,875 and net proceeds of $829,874 after commissions and other transaction costs.

*Stock Buyback Program*

On February 12, 2017, the Company's Board of Directors authorized the repurchase of up to $500,000 of its outstanding common shares as market conditions and the Company’s liquidity warrant. Repurchases may be made through open market purchases, privately negotiated transactions, structured or derivative transactions, including ASR transactions, or other methods of acquiring shares, from time to time as permitted by securities laws and other legal requirements. The program is referred to herein as the "Stock Buyback Program".

There were no repurchases under the Stock Buyback Program during the nine months ended September 30, 2022 or 2021.

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**THE MACERICH COMPANY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(Dollars in thousands, except per share and square foot amounts)**

**(Unaudited)**

**15.   Acquisitions:**

On August 2, 2022, the Company acquired the remaining 50% ownership interest in two former Sears parcels (Deptford Mall and Vintage Faire Mall) in the MS Portfolio LLC joint venture that it did not previously own for a total purchase price of $24,544. Effective as of August 2, 2022, the Company now owns and has consolidated its 100% interest in these two former Sears parcels in its consolidated financial statements.

The following is a summary of the allocation of the fair value of the former Sears parcels at Deptford Mall and Vintage Faire Mall:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |
| Land | | | $ | 6,966 |  |
| Building and improvements | | | 32,934 | |  |
| Deferred charges | | | 8,075 | |  |
| Other assets (above-market leases) | | | 2,664 | |  |
| Other accrued liabilities (below-market lease) | | | (2,541) | |  |
| Fair value of acquired net assets (at 100% ownership) | | | $ | 48,098 |  |

**16.   Dispositions:**

On March 29, 2021, the Company sold Paradise Valley Mall in Phoenix, Arizona to a newly formed joint venture for $100,000 resulting in a gain on sale of assets and land of $5,563. Concurrent with the sale, the Company elected to reinvest into the new joint venture at a 5% ownership interest (see Note 4 – Investments in Unconsolidated Joint Ventures). The Company used the proceeds from the sale to pay down its line of credit and for other general corporate purposes.

On September 17, 2021, the Company sold Tucson La Encantada in Tucson, Arizona for $165,250, resulting in a gain on sale of assets of approximately $117,242. The Company used the net cash proceeds of $100,142 to pay down debt.

For the three and nine months ended September 30, 2022, the Company sold various land parcels in separate transactions, resulting in gains on sale of land of $6,240 and $21,387, respectively. For the three and nine months ended September 30, 2021, the Company sold various land parcels in separate transactions, resulting in gains on sale of land of $95 and $19,913, respectively. The Company used its share of the proceeds from these sales to pay down debt and for other general corporate purposes.

**17. Commitments and Contingencies:**

As of September 30, 2022, the Company was contingently liable for $40,929 in letters of credit guaranteeing performance by the Company of certain obligations relating to the Centers. As of September 30, 2022, $40,680 of these letters of credit were secured by restricted cash. 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 relevant agreement. At September 30, 2022, the Company had $7,131 in outstanding obligations, which it believes will be settled in the next twelve months.

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**THE MACERICH COMPANY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(Dollars in thousands, except per share and square foot amounts)**

**(Unaudited)**

**18. 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,** | | | | | | | | |
|  | | | **2022** | | |  | | | **2021** | | |  | | | **2022** | | |  | | | **2021** | | |
| Management fees | | | $ | 4,332 |  |  | | | $ | 4,594 |  |  | | | $ | 13,375 |  |  | | | $ | 12,397 |  |
| Development and leasing fees | | | 2,711 | |  |  | | | 1,747 | |  |  | | | 6,202 | |  |  | | | 4,732 | |  |
|  | | | $ | 7,043 |  |  | | | $ | 6,341 |  |  | | | $ | 19,577 |  |  | | | $ | 17,129 |  |

Interest expense (income) from related party transactions includes $6,473 and $(7,708) for the three months ended September 30, 2022 and 2021, respectively, and $23,368 and $(3,435) for the nine months ended September 30, 2022 and 2021, respectively, in connection with the financing arrangement (See Note 12—Financing Arrangement).

Due from (to) affiliates includes $9,168 and $(327) of unreimbursed (prepaid) costs and fees from unconsolidated joint ventures due to (from) the Management Companies at September 30, 2022 and December 31, 2021, respectively.

**19. 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 or form of restricted stock units (together with the LTIP Units, the "LTI Units"). 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. LTI Units receive cash dividends based on the dividend amount paid on the common stock of the Company. The LTIP may include market-indexed awards, performance-based awards and service-based awards.

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

During the nine months ended September 30, 2022, the Company granted the following LTI Units:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Grant Date** | | |  | | | **Units** | | |  | | | **Type** | | |  | | | **Fair Value per LTI Unit** | | |  | | | **Vest Date** | | |
| 1/1/2022 | | |  | | | 376,153 | |  |  | | | Service-based | | |  | | | $ | 17.28 |  |  | | | 12/31/2024 | | |
| 1/1/2022 | | |  | | | 716,545 | |  |  | | | Performance-based | | |  | | | $ | 15.77 |  |  | | | 12/31/2024 | | |
|  | | |  | | | 1,092,698 | |  |  | | |  | | |  | | |  | | |  | | |  | | |

The fair value of the service-based LTI Units was determined by the market price of the Company's common stock on the date of grant. The fair value (Level 3 measurement) of the performance-based LTI Units granted on January 1, 2022 was estimated on the date of grant using a Monte Carlo Simulation model that assumed a risk-free interest rate of 0.97% and an expected volatility of 70.83%.

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**THE MACERICH COMPANY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(Dollars in thousands, except per share and square foot amounts)**

**(Unaudited)**

**19. Share and Unit-Based Plans: (Continued)**

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **LTI Units** | | | | | | | | |  | | |  |  | **Phantom Stock Units** | | | | |  | | | **Stock Units** | | | | | | | | |  |  |  |  |  |  |
|  | | | **Units** | | |  | | | **Value(1)** | | |  | | |  |  |  |  | **Units** | | |  | | | **Value(1)** | | |  | | | **Units** | | |  | | | **Value(1)** | | |
| Balance at January 1, 2022 | | | 1,837,691 | |  |  | | | $ | 14.14 |  |  | | |  |  |  |  | — | |  |  | | | $ | — |  |  | | | 266,505 | |  |  | | | $ | 19.05 |  |
| Granted | | | 1,092,698 | |  |  | | | 16.29 | |  |  | | |  |  |  |  | 56,334 | |  |  | | | 14.64 | |  |  | | | 204,958 | |  |  | | | 13.45 | |  |
| Vested | | | (17,932) | |  |  | | | 29.75 | |  |  | | |  |  |  |  | (19,362) | |  |  | | | 14.68 | |  |  | | | (176,409) | |  |  | | | 20.02 | |  |
| Forfeited | | | (6,454) | |  |  | | | 19.42 | |  |  | | |  |  |  |  | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |
| Balance at September 30, 2022 | | | 2,906,003 | |  |  | | | $ | 14.84 |  |  | | |  |  |  |  | 36,972 | |  |  | | | $ | 14.62 |  |  | | | 295,054 | |  |  | | | $ | 14.58 |  |
|  | | |  | | |  | | |  | | |  | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| (1) Value represents the weighted average grant date fair value. | | | | | | | | | | | | | | | | | | | | | | | | | | | |  |  |  |  |  |  |  |  |  |  |  |  |

The following table summarizes the activity of the stock options outstanding:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  |  | **Stock Options** | | | | | | |  |  |  |  |  |  |
|  | | |  |  |  |  | | | **Units** | | |  | | | **Value(1)** | | |
| Balance at January 1, 2022 | | |  |  |  |  | | | 37,515 | |  |  | | | $ | 54.34 |  |
|  | | |  |  |  |  | | |  | | |  | | |  | | |
|  | | |  |  |  |  | | |  | | |  | | |  | | |
| Forfeited | | |  |  |  |  | | | (11,144) | |  |  | | | 53.82 | |  |
| Balance at September 30, 2022 | | |  |  |  |  | | | 26,371 | |  |  | | | $ | 54.56 |  |
|  | | |  |  |  |  | | |  | | |  | | |  | | |
|  | | |  |  |  |  | | |  | | |  | | |  | | |
| (1) Value represents the weighted average exercise price. | | | | | | | | |  |  |  |  |  |  |  |  |  |

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **For the Three Months Ended September 30,** | | | | | | | | |  | | | **For the Nine Months Ended September 30,** | | | | | | | | |
|  | | | **2022** | | |  | | | **2021** | | |  | | | **2022** | | |  | | | **2021** | | |
| LTI Units | | | $ | 4,632 |  |  | | | $ | 3,625 |  |  | | | $ | 14,035 |  |  | | | $ | 10,822 |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Stock units | | | 629 | |  |  | | | 598 | |  |  | | | 2,496 | |  |  | | | 2,577 | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Phantom stock units | | | 107 | |  |  | | | 95 | |  |  | | | 284 | |  |  | | | 282 | |  |
|  | | | $ | 5,368 |  |  | | | $ | 4,318 |  |  | | | $ | 16,815 |  |  | | | $ | 13,681 |  |

The Company capitalized share and unit-based compensation costs of $1,101 and $910 for the three months ended September 30, 2022 and 2021, respectively, and $3,395 and $2,813 for the nine months ended September 30, 2022 and 2021, respectively. Unrecognized compensation costs of share and unit-based plans at September 30, 2022 consisted of $8,375 from LTI Units, $1,794 from stock units and $0 from phantom stock units.

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**THE MACERICH COMPANY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(Dollars in thousands, except per share and square foot amounts)**

**(Unaudited)**

**20. 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,** | | | | | | | | |
|  | | | **2022** | | |  | | | **2021** | | |  | | | **2022** | | |  | | | **2021** | | |
| Current | | | $ | — |  |  | | | $ | — |  |  | | | $ | — |  |  | | | $ | — |  |
| Deferred | | | 166 | |  |  | | | (107) | |  |  | | | (963) | |  |  | | | (9,452) | |  |
| Total benefit (expense) | | | $ | 166 |  |  | | | $ | (107) |  |  | | | $ | (963) |  |  | | | $ | (9,452) |  |

The net operating loss ("NOL") carryforwards generated through the 2017 tax year are scheduled to expire through 2037, beginning in 2025. Pursuant to the Tax Cuts and Jobs Act of 2017, NOLs generated in 2018 and subsequent tax years are carried forward indefinitely. The Coronavirus Aid, Relief and Economic Security Act removed the 80% of taxable income limitation, imposed by the Tax Cuts and Jobs Act, for NOLs generated in 2018, 2019 and 2020. Net deferred tax assets of $22,856 and $23,406 were included in deferred charges and other assets, net at September 30, 2022 and December 31, 2021, respectively.

The Company is required to establish a valuation allowance for any portion of the deferred tax asset that the Company concludes is more likely than not to be unrealizable. The Company’s assessment considers all evidence, both positive and negative, including the nature, frequency and severity of any current and cumulative losses, taxable income in carry back years, the scheduled reversal of deferred tax liabilities, tax planning strategies and projected future taxable income in making this assessment. As of September 30, 2022, the Company had no valuation allowance recorded.

The tax years 2018 through 2020 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.

**21. Subsequent Events:**

On October 28, 2022, the Company announced a dividend/distribution of $0.17 per share for common stockholders and OP Unitholders of record on November 9, 2022. All dividends/distributions will be paid 100% in cash on December 2, 2022.

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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 and financial stability 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 global, 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, rising interest rates and inflation and its impact on the financial condition and results of operation of the Company and its tenants, 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 (including rising inflation, supply chain disruptions and construction delays), acquisitions and dispositions; the continuing adverse impact of the novel coronavirus ("COVID-19") on the U.S., regional and global economies and the financial condition and results of operations of the Company and its tenants; 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, including those made in "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2021, 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, 2022, the Operating Partnership owned or had an ownership interest in 44 regional town centers (including office, hotel and residential space adjacent to these shopping centers), five community/power shopping centers, one office property and one redevelopment property. These 51 regional town centers, community/power shopping centers, office and redevelopment properties consist of approximately 48 million square feet of gross leasable area ("GLA") and are referred to herein as the "Centers". The Centers consist of consolidated Centers ("Consolidated Centers") and unconsolidated joint venture Centers ("Unconsolidated Joint Venture Centers"), unless the context otherwise requires. The property management, leasing and redevelopment of the Company's portfolio is provided by the Company's seven management companies (collectively

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referred to herein as the "Management Companies"). 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, 2022 and 2021. It compares the results of operations for the three months ended September 30, 2022 to the results of operations for the three months ended September 30, 2021. It also compares the results of operations and cash flows for the nine months ended September 30, 2022 to the results of operations and cash flows for the nine months ended September 30, 2021.

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

*Acquisitions*:

On August 2, 2022, the Company acquired the remaining 50% ownership interest in two former Sears parcels (Deptford Mall and Vintage Faire Mall) in the MS Portfolio LLC joint venture that it did not previously own for a total purchase price of $24.5 million. Effective as of August 2, 2022, the Company now owns and has consolidated its 100% interest in these two former Sears parcels in its consolidated financial statements (See Note 15—Acquisitions in the Notes to the Consolidated Financial Statements).

*Dispositions:*

On March 29, 2021, the Company sold Paradise Valley Mall in Phoenix, Arizona to a newly formed joint venture for $100.0 million, resulting in a gain on sale of assets of approximately $5.6 million. Concurrent with the sale, the Company elected to reinvest into the new joint venture at a 5% ownership interest. The Company used the $95.3 million of net proceeds from the sale to pay down its line of credit (See "—Liquidity and Capital Resources").

On September 17, 2021, the Company sold Tucson La Encantada in Tucson, Arizona for $165.3 million, resulting in a gain on sale of assets of approximately $117.2 million. The Company used the net cash proceeds of approximately $100.1 million to pay down debt (See "—Liquidity and Capital Resources").

On December 31, 2021, the Company assigned its joint venture interest in The Shops at North Bridge in Chicago, Illinois to its partner in the joint venture. The assignment included the assumption by the joint venture partner of the Company’s share of the debt owed by the joint venture and no cash consideration was received by the Company. The Company recognized a loss of approximately $28.3 million in connection with the assignment.

On December 31, 2021, the Company sold its joint venture interest in the undeveloped property at 443 North Wabash Avenue in Chicago, Illinois to its partner in the joint venture for $21.0 million. The Company recognized an immaterial gain in connection with the sale.

For the twelve months ended December 31, 2021, the Company and certain joint venture partners sold various land parcels in separate transactions, resulting in the Company’s share of the gain on sale of land of $19.6 million. The Company used its share of the proceeds from these sales of $46.5 million to pay down debt and for other general corporate purposes.

For the three and nine months ended September 30, 2022, the Company and certain joint venture partners sold various land parcels in separate transactions, resulting in the Company’s share of the gain on sale of land of $10.4 million and $22.7 million, respectively. The Company’s proceeds from these sales in the three and nine months ended September 30, 2022 were $26.4 million and $53.7 million, respectively. The Company used its share of the proceeds from these sales to pay down debt and for other general corporate purposes.

*Financing Activities:*

On January 22, 2021, the Company closed on a one-year extension for the Green Acres Mall $258.2 million loan to February 3, 2022, which also included a one-year extension option to February 3, 2023 that has been exercised. The interest rate remained unchanged, and the Company repaid $9 million of the outstanding loan balance at closing.

On March 25, 2021, the Company closed on a two-year extension for the Green Acres Commons $124.6 million loan to March 29, 2023. The interest rate is LIBOR plus 2.75% and the Company repaid $4.7 million of the outstanding loan balance at closing.

On April 14, 2021, the Company terminated its existing credit facility and entered into a new credit agreement, which provides for an aggregate $700 million facility, including a $525 million revolving loan facility that matures on April 14, 2023, with a one-year extension option, and a $175 million term loan facility that matures on April 14, 2024. The Company drew the $175 million term loan facility in its entirety simultaneously with entering into the new credit agreement in April 2021 and

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subsequently paid off the remaining balance outstanding on the term loan facility with proceeds from the sale of Tucson La Encantada in September 2021.

On September 15, 2021, the Company further extended the loan maturity on Danbury Fair Mall to July 1, 2022. The interest rate remained unchanged at 5.5%, and the Company repaid $10.0 million of the outstanding loan balance at closing. The loan maturity was further extended in July 2022.

On October 26, 2021, the Company's joint venture in The Shops at Atlas Park replaced the existing loan on the property with a new $65 million loan that bears interest at a floating rate of LIBOR plus 4.15% and matures on November 9, 2026, including extension options. The loan is covered by an interest rate cap agreement that effectively prevents LIBOR from exceeding 3.0% through November 7, 2023.

During the year ended December 31, 2021, the Company repaid $1.7 billion of debt then outstanding, including the $985 million repaid in connection with entering into the new credit agreement in April 2021. These repaid amounts represented an approximately 20% reduction in the debt outstanding, at the Company’s share, since December 31, 2020.

On February 2, 2022, the Company’s joint venture in FlatIron Crossing replaced the existing $197 million loan on the property with a new $175 million loan that bears interest at SOFR plus 3.70% and matures on February 9, 2025, including extension options. The loan is covered by an interest rate cap agreement that effectively prevents SOFR from exceeding 4.0% through February 15, 2024.

On April 29, 2022, the Company replaced the existing $110.6 million loan on Pacific View with a new $72.0 million loan that bears interest at a fixed rate of 5.29% and matures on May 6, 2032.

On May 6, 2022, the Company closed on a two-year extension for The Oaks loan to June 5, 2024, at a new fixed interest rate of 5.25%. The Company repaid $5.0 million of the outstanding loan balance at closing.

On July 1, 2022, the Company further extended the loan maturity on Danbury Fair Mall to July 1, 2023. The interest rate remained unchanged at 5.5%, and the Company repaid $10.0 million of the outstanding loan balance at closing.

The Company’s joint venture in Washington Square expects to close in November 2022 a four-year extension, including options, on the $519.8 million loan on the property, at a floating interest rate of SOFR plus 4.0%, subject to negotiating final loan terms and documentation and customary closing conditions.

The Company expects to close in November 2022 a three-year extension of the loan on Santa Monica Place at a floating interest rate of SOFR plus 1.58%, subject to negotiating final loan terms and documentation and customary closing conditions.

The Company did not repay the loan on Towne Mall on its maturity date of November 1, 2022, and has begun the process of transitioning the property to the loan servicer.

*Redevelopment and Development Activities:*

The Company has a 50/50 joint venture with Simon Property Group, which was initially formed to develop Los Angeles Premium Outlets, a premium outlet center in Carson, California. The Company has funded $38.6 million of the total $77.2 million incurred by the joint venture as of September 30, 2022.

The Company is redeveloping an approximately 150,000 square foot, three-level space (formerly occupied by Bloomingdale’s and Arclight Theatre) at Santa Monica Place, a 479,000 square foot regional town center in Santa Monica, California, with an entertainment destination use, high-end fitness, and co-working space. The total cost of the project is estimated to be between $35.0 million and $40.0 million. The Company has incurred approximately $1.0 million as of September 30, 2022. The anticipated opening is in 2024.

The Company’s joint venture in Scottsdale Fashion Square, a 1,885,000 square foot regional town center in Scottsdale, Arizona, is redeveloping a two-level Nordstrom wing with luxury-focused retail and restaurant uses. The total cost of the project is estimated to be between $80.0 million and $90.0 million, with $40.0 million and $45.0 million estimated to be the Company’s pro rata share. The Company has incurred $1.6 million of the total $3.2 million incurred by the joint venture as of September 30, 2022. The anticipated opening is in 2024.

*Other Transactions and Events:*

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. As a result, all of the markets that the Company operates in were subject to stay-at-home orders, and the majority of its properties were temporarily closed in part or completely. Following staggered re-openings during 2020, all Centers have been open and operating since October 7, 2020. As of the date of this Quarterly Report on Form 10-Q, government-imposed capacity

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restrictions resulting from COVID-19 have been eliminated across the Company's markets. Although overall fundamentals at the Centers continued to improve during 2021 and throughout the first nine months of 2022, the Company expects that its results will continue to be negatively impacted for the remainder of 2022 due, in part, to the continued impact of the COVID-19 pandemic, which resulted in reduced occupancy relative to pre-COVID levels and additional Anchor closures, among other factors.

The Company declared a cash dividend of $0.15 per share of its common stock for each quarter in the year ended December 31, 2021 and for the first three quarters of 2022. On October 28, 2022, the Company announced a fourth quarter cash dividend of $0.17 per share of its common stock, which will be paid on December 2, 2022 to stockholders of record on November 9, 2022. The dividend amount will be reviewed by the Board on a quarterly basis.

In connection with the commencement of separate "at the market" offering programs, on each of February 1, 2021 and March 26, 2021, which are referred to as the "February 2021 ATM Program" and the "March 2021 ATM Program," respectively, and collectively as the "ATM Programs," the Company entered into separate equity distribution agreements with certain sales agents pursuant to which the Company may issue and sell shares of its common stock having an aggregate offering price of up to $500 million under each of the February 2021 ATM Program and the March 2021 ATM Program, or a total of $1 billion under the ATM Programs. As of September 30, 2022, the Company had approximately $151.7 million of gross sales of its common stock available under the March 2021 ATM Program. The February 2021 ATM Program was fully utilized as of June 30, 2021 and is no longer active.

See “—Liquidity and Capital Resources” for a further discussion of the Company’s anticipated liquidity needs, and the measures taken by the Company to meet those needs.

*Inflation:*

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. In addition, the routine expiration of leases for spaces 10,000 square feet and under each year 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, most leases require the tenants to pay their pro rata share of property taxes and utilities. Inflation is expected to have a negative impact on the Company's costs in 2022 and 2023.

**Critical Accounting Policies and Estimates**

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 and estimates 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.

*Acquisitions:*

Upon the acquisition of real estate properties, the Company evaluates whether the acquisition is a business combination or asset acquisition. For both business combinations and asset acquisitions, the Company allocates the purchase price of properties to acquired tangible assets and intangible assets and liabilities. For asset acquisitions, the Company capitalizes transaction costs and allocates the purchase price using a relative fair value method allocating all accumulated costs. For business combinations, the Company expenses transaction costs incurred and allocates purchase price based on the estimated fair value of each separately identified asset and liability. 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

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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.

Remeasurement gains and losses are recognized when the Company becomes the primary beneficiary of an existing equity method investment that is a variable interest entity to the extent that the fair value of the existing equity investment exceeds the carrying value of the investment, and remeasurement losses to the extent the carrying value of the investment exceeds the fair value. The fair value is determined based on a discounted cash flow model, with the significant unobservable inputs including discount rate, terminal capitalization rate and market rents.

*Asset Impairment:*

The Company assesses whether an indicator of impairment in the value of its properties exists by considering expected future operating income, trends and prospects, as well as the effects of demand, competition and other economic factors. Such factors include projected rental revenue, operating costs and capital expenditures as well as estimated holding periods and capitalization rates. If an impairment indicator exists, the determination of recoverability is made based upon the estimated undiscounted future net cash flows, excluding interest expense. The amount of impairment loss, if any, is determined by comparing the fair value, as determined by a discounted cash flows analysis or a contracted sales price, with the carrying value of the related assets. The Company generally holds and operates its properties long-term, which decreases the likelihood of their carrying values not being recoverable. A shortened holding period increases the risk that the carrying value of a long-lived asset is not 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 the 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.

The Company records its financing arrangement (See Note 12—Financing Arrangement in the Company's Notes to the Consolidated Financial Statements) obligation at fair value on a recurring basis with changes in fair value being recorded as interest expense in the Company’s consolidated statements of operations. The fair value is determined based on a discounted

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cash flow model, with the significant unobservable inputs including discount rate, terminal capitalization rate, and market rents. The fair value of the financing arrangement obligation is sensitive to these significant unobservable inputs and a change in these inputs may result in a significantly higher or lower fair value measurement.

**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 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 or from consolidated assets ("JV Transition 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 and the Disposition Properties, for the periods of comparison.

For the comparison of the three and nine months ended September 30, 2022 to the three and nine months ended September 30, 2021, the JV Transition Centers are the two former Sears parcels at Deptford Mall and Vintage Faire Mall (See “Acquisitions” in Management’s Overview and Summary). For the comparison of the three and nine months ended September 30, 2022 to the three and nine months ended September 30, 2021, the Disposition Properties are Paradise Valley Mall and Tucson La Encantada.

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 (loss) of unconsolidated joint ventures.

The Company considers tenant annual sales, occupancy rates (excluding large retail stores or “Anchors”) and releasing spreads (i.e., a comparison of initial average base rent per square foot on leases executed during the trailing twelve months to average base rent per square foot at expiration for the leases expiring during the trailing twelve months based on the spaces 10,000 square feet and under) to be key performance indicators of the Company’s internal growth.

During the third quarter of 2022, comparable tenant sales for spaces less than 10,000 square feet across the portfolio decreased by 0.6% relative to the third quarter of 2021 and increased 4.8% during the nine months ended September 30, 2022 compared to the timeframe in 2021. The leased occupancy rate of 92.1% at September 30, 2022 represented a 1.8% increase from 90.3% at September 30, 2021 and a 0.3% sequential increase compared to the 91.8% occupancy rate at June 30, 2022. Releasing spreads increased as the Company executed leases at an average rent of $61.40 for new and renewal leases executed compared to $57.60 on leases expiring, resulting in a releasing spread increase of $3.80 per square foot, or 6.6%, for the trailing twelve months ended September 30, 2022, which is the Company’s strongest reported leasing spread since the quarter ended September 30, 2019.

The Company continues to renew or replace leases that are scheduled to expire in 2022, however, for a variety of factors, the Company cannot be certain of its ability to sign, renew or replace leases expiring in 2022 or beyond. The remaining 2022 lease expirations continue to be an important focal point for the Company. As of September 30, 2022, the Company has executed leases or commitments from retailers that are in lease documentation for 88% of the leased space expiring in 2022, and another 7% of such expiring space is in the letter of intent stage. Excluding those leases, the remaining leases expiring in 2022, which represent approximately 99,000 square feet of the Centers, are in the prospecting stage.

During the quarter ended September 30, 2022, the Company signed 83 new leases and 136 renewal leases comprising approximately 1.1 million square feet of GLA. The average tenant allowance was $27.05 per square foot.

**Outlook**

The Company has a long-term four-pronged business strategy that focuses on the acquisition, leasing and management, redevelopment and development of regional town centers. Although fundamentals at the Centers continued to improve during 2021 and throughout the first nine months of 2022, the Company expects that its results will continue to be negatively impacted for the remainder of 2022 due, in part, to the continued impact of the COVID-19 pandemic, which resulted in reduced occupancy relative to pre-COVID levels and additional Anchor closures, among other factors.

All Centers have been open and operating since October 7, 2020. As of the date of this Quarterly Report on Form 10-Q, government-imposed capacity restrictions resulting from COVID-19 have been eliminated across the Company’s markets. The

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Company experienced a positive impact to its leasing revenue during the three months ended September 30, 2022 as leasing revenue increased by approximately 2.48% compared to the three months ended September 30, 2021. This increase includes the joint ventures at the Company’s share and excludes the Disposition Properties and The Shops at Northbridge, at the Company’s share (See “Dispositions” above). The increase was primarily due to increases in occupancy and releasing spreads, increases in straight-line rent revenue, higher recovery from bad debt reserves and decreases in retroactive rent abatements incurred in the third quarter of 2022 compared to the third quarter of 2021.

Traffic levels during the third quarter of 2022 continued to range in the mid 90%’s relative to the pre-pandemic third quarter of 2019. Comparable tenant sales from spaces less than 10,000 square feet across the portfolio decreased 0.6% and increased 4.8% during the three and nine months ended September 30, 2022, respectively, compared to the timeframes in 2021. Portfolio tenant sales per square foot for spaces less than 10,000 square feet for the trailing twelve months ended September 30, 2022 were $877, which represents a record high for the Company.

During the third quarter of 2022, the Company signed 219 new and renewal leases for approximately 1.1 million square feet, compared to 215 leases and 1.1 million square feet signed during the third quarter of 2021.

The Company believes that diversity of use within its tenant base will be a prominent internal growth catalyst at its Centers going forward, as new uses enhance the productivity and diversity of the tenant mix and have the potential to significantly increase customer traffic at the applicable Centers. During the quarter ended September 30, 2022, the Company signed deals for new stores with new-to-Macerich portfolio uses for over 154,000 square feet, with another 195,000 square feet of such new-to-Macerich portfolio leases currently in negotiation as of the date of this Quarterly Report on Form 10-Q.

As of September 30, 2022, the leased occupancy rate was 92.1%, a 1.8% increase compared to the leased occupancy rate at September 30, 2021 of 90.3%.

The Company’s rent collections through the third quarter of 2022 have been comparable to pre-COVID-19 levels for the same period. The Company previously completed its negotiations with national and local tenants to secure rental payments. Those negotiations resulted in the Company entering into lease amendments which granted significant rental assistance in the form of rent deferral and/or rent reduction. Many of the Company’s leases contain co-tenancy clauses. Certain Anchor or small tenant closures have become permanent, whether caused by the pandemic, or otherwise, and co-tenancy clauses within certain leases may be triggered as a result. The Company does not anticipate that the negative impact of such clauses on lease revenue will be significant.

During the year ended December 31, 2021, the Company incurred $47.6 million of rent abatements at the Company’s share relating primarily to 2020 rents as a result of COVID-19 and negotiated $4.6 million of rent deferrals during the year ended December 31, 2021 at the Company’s share. During the nine months ended September 30, 2022, the Company incurred $1.2 million of rent abatements at the Company’s share compared to $46.3 million for the nine months ended September 30, 2021, which related primarily to 2020 rents as a result of COVID-19. The Company did not negotiate any rent deferrals during the three months ended September 30, 2021 compared to less than $0.2 million of rent deferrals during the three months ended September 30, 2022 at the Company's share. As of September 30, 2022, $3.7 million of the rent deferrals remain outstanding, with $1.4 million scheduled to be repaid during the remainder of 2022 and the balance scheduled for repayment in 2023 and thereafter.

During 2021, the pace of bankruptcy filings involving the Company’s tenants decreased substantially as compared to 2020, with ten bankruptcy filings, totaling 62 leases and involving approximately 369,000 square feet and $11.9 million of annual leasing revenue at the Company’s share. This included two leases totaling 139,000 square feet with a single department store retailer that quickly emerged from bankruptcy and assumed both of its leases with the Company. Excluding this department store retailer, bankruptcy filings during 2021 only involved approximately 230,000 square feet. The Company continues to expect that the pace of bankruptcy filings in 2022 will be low. Year-to-date in 2022, there have only been two bankruptcy filings involving three tenants of the Company involving approximately 110,000 square feet of leased space and $2.2 million of annual leasing revenue.

During 2022, the Company expects to generate positive cash flow from operations after recurring operating capital expenditures, leasing capital expenditures and payment of dividends. This assumption does not include any potential capital generated from dispositions, refinancings or issuances of common equity. This expected surplus will be used to de-lever the Company’s balance sheet as well as to fund the Company’s development and redevelopment pipeline.

On February 2, 2022, the Company’s joint venture in FlatIron Crossing replaced the existing $197 million loan on the property with a new $175 million loan that bears interest at SOFR plus 3.70% and matures on February 9, 2025, including extension options. On April 29, 2022, the Company closed on a new $72 million loan at Pacific View with a fixed rate of 5.29% that matures on May 6, 2032. On May 6, 2022, the Company closed on a two-year extension of the loan on The Oaks to June 5, 2024. The loan will now bear a fixed interest rate of 5.25%, and the Company repaid $5.0 million of the outstanding

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loan balance at closing. Additionally, on July 1, 2022, the Company extended the loan maturity on Danbury Fair Mall to July 1, 2023. The interest rate remained unchanged at 5.5%, and the Company repaid $10.0 million of the outstanding loan balance at closing. The Company’s joint venture in Washington Square expects to close in November 2022 a four-year extension, including options, on the existing $519.8 million loan on the property, at a floating interest rate of SOFR plus 4.0%. In addition, the Company expects to close in November 2022 a three-year extension of the $299.9 million loan on Santa Monica Place at a floating interest rate of SOFR plus 1.58%. The Company did not repay the loan on Towne Mall on its maturity date of November 1, 2022, and has begun the process of transitioning the property to the loan servicer (See “—Financing Activities” in Management’s Overview and Summary).

Rising interest rates are increasing the cost of the Company’s borrowings due to its outstanding floating-rate debt and have led to higher interest rates on new fixed-rate debt. The Company expects to incur increased interest expense from the refinancing or extension of loans that may currently carry below-market interest rates. In certain cases, the Company may limit its exposure to interest rate fluctuations related to a portion of its floating-rate debt by using interest rate cap and swap agreements. Such agreements, subject to current market conditions, allow the Company to replace floating-rate debt with fixed-rate debt in order to achieve its desired ratio of floating-rate to fixed-rate debt. However, any interest rate cap or swap agreements that the Company enters into may not be effective in reducing its exposure to interest rate changes. For example, the Company’s prior swap agreements, which expired on September 30, 2021, resulted in increases in interest expense in 2021.

**Comparison of Three Months Ended September 30, 2022 and 2021**

*Revenues:*

Leasing revenue decreased by $1.5 million, or 0.8%, from 2021 to 2022. The decrease in leasing revenue is attributed to a decrease of $2.6 million from the Disposition Properties offset in part by increases of $0.4 million from the Same Centers and $0.7 million from the JV Transition Centers. Leasing revenue includes the amortization of above and below-market leases, the amortization of straight-line rents, lease termination income, percentage rent and the recovery of bad debts. The amortization of above and below-market leases was $0.6 million for both 2021 and 2022. The amortization of straight-line rents increased from $(2.6) million in 2021 to $0.4 million in 2022. Lease termination income decreased from $8.9 million in 2021 to $0.5 million in 2022. Percentage rent decreased from $13.7 million in 2021 to $10.5 million in 2022. Recovery of (provision for) bad debts increased from $(1.6) million in 2021 to $0.7 million in 2022.

Other revenue decreased from $8.2 million in 2021 to $7.5 million in 2022. The decrease is primarily due to the Disposition Properties.

Management Companies' revenue increased from $6.8 million in 2021 to $7.6 million in 2022 primarily due to an increase in leasing fees.

*Shopping Center and Operating Expenses:*

Shopping center and operating expenses increased $4.0 million, or 5.7%, from 2021 to 2022. The increase in shopping center and operating expenses is attributed to increases of $4.1 million from the Same Centers and $0.4 million from the JV Transition Centers offset in part by a decrease of $0.4 million from the Disposition Properties.

*Leasing Expenses:*

Leasing expenses increased from $6.2 million in 2021 to $8.7 million in 2022 due to an increase in compensation expense.

*Management Companies' Operating Expenses:*

Management Companies' operating expenses increased $2.0 million from 2021 to 2022 due to an increase in compensation expense.

*REIT General and Administrative Expenses:*

REIT general and administrative expenses decreased $0.8 million from 2021 to 2022 primarily due to a decrease in consulting expense.

*Depreciation and Amortization:*

Depreciation and amortization decreased $2.7 million from 2021 to 2022. The decrease in depreciation and amortization is attributed to a decrease of $2.1 million from the Same Centers and $1.0 million from the Disposition Properties offset in part by an increase of $0.4 million from the JV Transition Centers.

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*Interest Expense:*

Interest expense increased $12.3 million from 2021 to 2022. The increase in interest expense is attributed to increases of $14.2 million from the financing arrangement (See Note 12—Financing Arrangement in the Company's Notes to the Consolidated Financial Statements) and $1.8 million from the Same Centers offset in part by decreases of $3.2 million from lower outstanding balances on the Company's revolving line of credit and $0.5 million from the Disposition Properties. The increase in interest expense from the financing arrangement is primarily due to the change in fair value of the underlying properties and the mortgage notes payable on the underlying properties.

*Equity in Income (Loss) of Unconsolidated Joint Ventures:*

Equity in income (loss) of unconsolidated joint ventures increased $8.1 million from 2021 to 2022. The increase in equity in income (loss) of unconsolidated joint ventures is primarily due to the JV Transition Centers.

*Gain on Sale or Write Down of Assets, net:*

The gain on sale or write down of assets, net decreased $117.1 million from 2021 to 2022 primarily due to the sale of Tucson La Encantada in 2021 (See "Dispositions" in Management's Overview and Summary).

*Net (Loss) Income:*

Net (loss) income decreased $126.5 million from 2021 to 2022. The decrease in net income is primarily due to the variances noted above.

*Funds From Operations ("FFO"):*

Primarily as a result of the factors mentioned above, FFO attributable to common stockholders and unit holders—diluted, excluding financing expense in connection with Chandler Freehold and loss on extinguishment of debt increased 1.4% from $101.4 million in 2021 to $102.8 million in 2022. For a reconciliation of net (loss) income attributable to the Company, the most directly comparable GAAP financial measure, to FFO attributable to common stockholders and unit holders—diluted, and FFO attributable to common stockholders and unit holders, excluding financing expense in connection with Chandler Freehold and loss on extinguishment of debt—diluted, see "Funds From Operations ("FFO")" below.

**Comparison of Nine Months Ended September 30, 2022 and 2021**

*Revenues:*

Leasing revenue increased by $13.9 million, or 2.4%, from 2021 to 2022. The increase in leasing revenue is attributed to increases of $23.2 million from the Same Centers and $0.7 million from the JV Transition Centers offset in part by a decrease of $10.0 million from the Disposition Properties. Leasing revenue includes the amortization of above and below-market leases, the amortization of straight-line rents, lease termination income, percentage rent and the recovery of bad debts. The amortization of above and below-market leases increased from $1.6 million in 2021 to $1.7 million in 2022. Straight-line rents decreased from $8.2 million in 2021 to $(2.2) million in 2022. Lease termination income decreased from $16.9 million in 2021 to $12.8 million in 2022. Percentage rent decreased from $31.0 million in 2021 to $26.0 million in 2022. Recovery of bad debts decreased from $4.3 million in 2021 to $1.6 million in 2022.

Other revenue decreased from $25.4 million in 2021 to $21.9 million in 2022. This decrease is primarily due to income related to the Disposition Properties.

Management Companies' revenue increased from $19.0 million in 2021 to $21.4 million in 2022 due to an increase in management and leasing fees.

*Shopping Center and Operating Expenses:*

Shopping center and operating expenses increased $2.8 million, or 1.3%, from 2021 to 2022. The increase in shopping center and operating expenses is attributed to increases of $5.6 million from the Same Centers and $0.3 million from the JV Transition Centers offset in part by a decrease of $3.1 million from the Disposition Properties.

*Leasing Expenses:*

Leasing expenses increased from $18.0 million in 2021 to $24.5 million in 2022 due to an increase in compensation expense.

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*Management Companies' Operating Expenses:*

Management Companies' operating expenses increased $6.8 million from 2021 to 2022 due to an increase in compensation expense.

*REIT General and Administrative Expenses:*

REIT general and administrative expenses decreased $2.3 million from 2021 to 2022 primarily due to a decrease in consulting expense.

*Depreciation and Amortization:*

Depreciation and amortization decreased $13.4 million from 2021 to 2022. The decrease in depreciation and amortization is attributed to decreases of $8.1 million from the Same Centers and $5.7 million from the Disposition Properties offset in part by an increase of $0.4 million from the JV Transition Centers.

*Interest Expense:*

Interest expense increased $8.5 million from 2021 to 2022. The increase in interest expense is attributed to increases of $26.8 million from the financing arrangement discussed in Note 12 in the Company's Notes to the Consolidated Financial Statements and $1.5 million from the Same Centers offset in part by decreases of $17.7 million from lower outstanding balances on the Company's revolving line of credit and $2.1 million from the Disposition Properties. The increase in interest expense from the financing arrangement is primarily due to the change in fair value of the underlying properties and the mortgage notes payable on the underlying properties.

*Equity in Income (Loss) of Unconsolidated Joint Ventures:*

Equity in income (loss) of unconsolidated joint ventures decreased $36.6 million from 2021 to 2022. The decrease in equity in income (loss) of unconsolidated joint ventures is primarily due to the write-down of assets as a result of the reduction in the estimated holding periods of certain properties.

*Gain on Sale or Write Down of Assets, net:*

Gain on sale or write down of assets, net decreased $86.6 million from 2021 to 2022. The decrease is primarily due to $11.1 million of impairments in 2022 and the $117.2 million gain on sale of Tucson La Encantada in 2021 offset in part by the sale and impairment loss of $41.6 million on Estrella Falls in 2021.

*Net Loss (Income):*

Net loss (income) decreased $109.7 million from 2021 to 2022. The decrease in net loss is primarily due to the variances noted above.

Primarily as a result of the factors mentioned above, FFO attributable to common stockholders and unit holders—diluted, excluding financing expense in connection with Chandler Freehold and loss on extinguishment of debt increased 4.4% from $304.5 million in 2021 to $318.0 million in 2022. For a reconciliation of net (loss) income attributable to the Company, the most directly comparable GAAP financial measure, to FFO attributable to common stockholders and unit holders—diluted, and FFO attributable to common stockholders and unit holders, excluding financing expense in connection with Chandler Freehold and loss on extinguishment of debt—diluted, see "Funds From Operations ("FFO")" below.

*Operating Activities:*

Cash provided by operating activities increased $73.4 million from 2021 to 2022. The increase is primarily due to the changes in assets and liabilities and the results, as discussed above.

*Investing Activities:*

Cash provided by investing activities decreased $209.5 million from 2021 to 2022. The decrease in cash provided by investing activities is primarily attributed to a decrease in proceeds from the sale of assets of $274.3 million offset in part by increases in distributions from unconsolidated joint ventures of $36.3 million, proceeds from collection of receivable in connection with sale of joint venture property of $21.0 million and decreases of contributions to unconsolidated joint ventures of $13.6 million.

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*Financing Activities:*

Cash used in financing activities decreased $0.4 billion from 2021 to 2022. The decrease in cash used in financing activities is primarily due to the decrease in payments on mortgages, bank and other notes payable of $1.7 billion offset by proceeds received from sales of common shares under the ATM Programs of $830.0 million and proceeds from mortgages, bank and other notes payable of $365.0 million.

**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 and beyond through cash generated from operations, distributions from unconsolidated joint ventures, working capital reserves and/or borrowings under its line of credit. Following the uncertain environment brought about by COVID-19, the Company took a number of previously disclosed measures in the years ended December 31, 2020 and 2021 to enhance its liquidity position over the short-term, but currently anticipates meeting its liquidity needs for the next twelve months as it has done historically.

*Uses of Capital*

The following tables summarize capital expenditures incurred at the Centers (at the Company's pro rata share):

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **For the Nine Months Ended September 30,** | | | | | | | | |
| **(Dollars in thousands)** | | | **2022** | | |  | | | **2021** | | |
| ***Consolidated Centers:*** | | |  | | |  | | |  | | |
| Acquisitions of property, building improvement and equipment(1) | | | $ | 37,741 |  |  | | | $ | 13,092 |  |
| Development, redevelopment, expansions and renovations of Centers | | | 40,679 | |  |  | | | 34,678 | |  |
| Tenant allowances | | | 18,004 | |  |  | | | 13,445 | |  |
| Deferred leasing charges | | | 1,657 | |  |  | | | 1,956 | |  |
|  | | | $ | 98,081 |  |  | | | $ | 63,171 |  |
| ***Joint Venture Centers:*** | | |  | | |  | | |  | | |
| Acquisitions of property, building improvement and equipment | | | $ | 6,720 |  |  | | | $ | 7,408 |  |
| Development, redevelopment, expansions and renovations of Centers | | | 43,454 | |  |  | | | 41,783 | |  |
| Tenant allowances | | | 12,205 | |  |  | | | 6,916 | |  |
| Deferred leasing charges | | | 2,748 | |  |  | | | 2,065 | |  |
|  | | | $ | 65,127 |  |  | | | $ | 58,172 |  |

(1)Includes $24.5 million for the nine months ended September 30, 2022, relating to the acquisition of two former Sears parcels in MS Portfolio LLC joint venture (See "Acquisitions" in Management's Overview and Summary).

The Company expects amounts to be incurred during the next twelve months for tenant allowances and deferred leasing charges to be comparable to 2021. The Company expects to incur approximately $20.0 million to $30.0 million during the remainder of 2022 for development, redevelopment, expansion and renovations. Capital for these expenditures, developments and/or redevelopments has been, and is expected to continue to be, obtained from a combination of cash on hand, debt or equity financings, which are expected to include borrowings under the Company's line of credit, from property financings and construction loans, each to the extent available.

*Sources of Capital*

The Company has also generated liquidity in the past, and may continue to do so in the future, through equity offerings and issuances, property refinancings, joint venture transactions and the sale of non-core assets. For example, the Company sold Paradise Valley Mall in Phoenix, Arizona and Tucson La Encantada in Tucson, Arizona during the year ended December 31, 2021. The Company used the proceeds from these sales to pay down its line of credit and other debt obligations. 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.

On each of February 1, 2021 and March 26, 2021, the Company registered a separate "at the market" offering program, pursuant to which the Company may issue and sell shares of its common stock having an aggregate offering price of up to $500 million under each ATM Program, or a total of $1.0 billion under the ATM Programs, in amounts and at times to be determined

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by the Company. The February 2021 ATM Program was fully utilized as of June 30, 2021 and is no longer active. During the three and nine months ended September 30, 2022, no shares were issued under the March 2021 ATM Program. As of September 30, 2022, the Company had approximately $151.7 million of gross sales of its common stock available under the March 2021 ATM Program.

The capital and credit markets can fluctuate and, at times, limit access to debt and equity financing for companies. 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, prevailing market conditions and the impact of COVID-19. The Company expects to incur increased interest expense from the refinancing or extension of loans that may currently carry below-market interest rates. In addition, increases in the Company's proportion of floating rate debt will cause it to be subject to interest rate fluctuations in the future.

The Company's total outstanding loan indebtedness, which includes mortgages and other notes payable, at September 30, 2022 was $6.77 billion (consisting of $4.35 billion of consolidated debt, less $0.42 billion of noncontrolling interests, plus $2.83 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, with the exception of Towne Mall (See “—Financing Activities” in Management’s Overview and Summary).

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

Additionally, as of September 30, 2022, the Company was contingently liable for $40.9 million in letters of credit guaranteeing performance by the Company of certain obligations relating to the Centers. As of September 30, 2022, $40.7 million of these letters of credit were secured by restricted cash. The Company does not believe that these letters of credit will result in a liability to the Company.

On February 2, 2022, the Company’s joint venture in FlatIron Crossing replaced the existing $197 million loan on the property with a new $175 million loan that bears interest at SOFR plus 3.70% and matures on February 9, 2025, including extension options. On April 29, 2022, the Company closed on a new $72 million loan at Pacific View with a fixed rate of 5.29% that matures on May 6, 2032. On May 6, 2022, the Company closed on a two-year extension of the loan on The Oaks to June 5, 2024. The loan will now bear a fixed interest rate of 5.25%, and the Company repaid $5.0 million of the outstanding loan balance at closing. Additionally, on July 1, 2022, the Company extended the loan maturity on Danbury Fair Mall to July 1, 2023. The interest rate remained unchanged at 5.5%, and the Company repaid $10.0 million of the outstanding loan balance at closing. The Company’s joint venture in Washington Square expects to close in November 2022 a four-year extension, including options, on the existing $519.8 million loan on the property, at a floating interest rate of SOFR plus 4.0%. In addition, the Company expects to close in November 2022 a three-year extension of the $299.9 million loan on Santa Monica Place at a floating interest rate of SOFR plus 1.58%. The Company did not repay the loan on Towne Mall on its maturity date of November 1, 2022, and has begun the process of transitioning the property to the loan servicer (See “—Financing Activities” in Management’s Overview and Summary).

The Company has a $700 million credit facility, including a $525 million revolving loan facility that matures on April 14, 2023, with a one-year extension option. The revolving loan facility can be expanded up to $800 million, subject to receipt of lender commitments and other conditions. All obligations under the credit facility are guaranteed unconditionally by the Company and are secured in the form of mortgages on certain wholly-owned assets and pledges of equity interests held by certain of the Company’s subsidiaries. The credit facility bears interest at LIBOR plus a spread of 2.25% to 3.25% depending on Company’s overall leverage level. As of September 30, 2022, the borrowing rate was LIBOR plus 2.25%. As of September 30, 2022, borrowings under the credit facility were $101.0 million less unamortized deferred finance costs of $9.5 million for the revolving loan facility at a total interest rate of 6.71%. As of September 30, 2022, the Company’s availability under the revolving loan facility for additional borrowings was $423.8 million.

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Cash dividends and distributions for the nine months ended September 30, 2022 were $146.8 million, which were funded by operations. On October 28, 2022, the Company announced an increased quarterly cash dividend of $0.17 per share of common stock, which represents a 13.3% increase over the prior $0.15 dividend rate. The dividend is payable on December 2, 2022 to stockholders of record on November 9, 2022.

At September 30, 2022, the Company was in compliance with all applicable loan covenants under its agreements.

At September 30, 2022, the Company had cash and cash equivalents of $110.0 million.

*Material Cash Commitments:*

The following is a schedule of material cash commitments as of September 30, 2022 for the consolidated Centers over the periods in which they are expected to be paid (in thousands):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Payment Due by Period** | | | | | | | | | | | | | | | | | | | | | | | | | | |
| **Cash Commitments** | | | **Total** | | |  | | | **Less than 1 year** | | |  | | | **1 - 3 years** | | |  | | | **3 - 5 years** | | |  | | | **More than five years** | | |
| Long-term debt obligations (includes expected interest payments)(1) | | | $ | 5,054,982 |  |  | | | $ | 1,030,257 |  |  | | | $ | 1,651,780 |  |  | | | $ | 683,969 |  |  | | | $ | 1,688,976 |  |
| Lease obligations(2) | | | 188,519 | |  |  | | | 6,570 | |  |  | | | 35,746 | |  |  | | | 25,010 | |  |  | | | 121,193 | |  |
|  | | | $ | 5,243,501 |  |  | | | $ | 1,036,827 |  |  | | | $ | 1,687,526 |  |  | | | $ | 708,979 |  |  | | | $ | 1,810,169 |  |

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(1)Interest payments on floating rate debt were based on rates in effect at September 30, 2022.

(2)See Note 8—Leases in the Company's Notes to the Consolidated Financial Statements.

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**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 defines FFO as net income (loss) (computed in accordance with GAAP), excluding gains (or losses) from sales of 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.

The Company accounts for its joint venture in Chandler Freehold as a financing arrangement. In connection with this treatment, the Company recognizes financing expense on (i) the changes in fair value of the financing arrangement obligation, (ii) any payments to the joint venture partner equal to their pro rata share of net income and (iii) any payments to the joint venture partner less than or in excess of their pro rata share of net income. The Company excludes from its definition of FFO the noted expenses related to the changes in fair value and for the payments to the joint venture partner less than or in excess of their pro rata share of net income.

The Company also presents FFO excluding financing expense in connection with Chandler Freehold and loss on extinguishment of debt.

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

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

Management compensates for the limitations of FFO by providing investors with financial statements prepared according to GAAP, along with this detailed discussion of FFO and a reconciliation of net (loss) income to FFO and FFO—diluted. Management believes that to further understand the Company's performance, FFO should be compared with the Company's reported net (loss) 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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The following reconciles net (loss) income attributable to the Company to FFO and FFO—diluted attributable to common stockholders and unit holders-basic and diluted, excluding financing expense in connection with Chandler Freehold and loss on extinguishment of debt for the three and nine months ended September 30, 2022 and 2021 (dollars and shares in thousands):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  | | | **For the Three Months Ended September 30,** | | | | | | | | |  | | | **For the Nine Months Ended September 30,** | | | | | | | | |
|  | | |  | | | **2022** | | |  | | | **2021** | | |  | | | **2022** | | |  | | | **2021** | | |
| Net (loss) income attributable to the Company | | |  | | | $ | (15,193) |  |  | | | $ | 106,702 |  |  | | | $ | (67,757) |  |  | | | $ | 31,333 |  |
| Adjustments to reconcile net (loss) income attributable to the Company to FFO attributable to common stockholders and unit holders—basic and diluted: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Noncontrolling interests in the Operating Partnership | | |  | | | (607) | |  |  | | | 5,922 | |  |  | | | (2,729) | |  |  | | | 1,653 | |  |
| Gain on sale or write down of assets, net—consolidated assets | | |  | | | (1,405) | |  |  | | | (118,566) | |  |  | | | (6,767) | |  |  | | | (93,356) | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Add: noncontrolling interests share of gain (loss) on sale or write down of assets—consolidated assets | | |  | | | 1,373 | |  |  | | | (2) | |  |  | | | 5,816 | |  |  | | | 5,853 | |  |
| Add: gain on sale of undepreciated assets—consolidated assets | | |  | | | 6,240 | |  |  | | | 95 | |  |  | | | 21,387 | |  |  | | | 19,913 | |  |
| Less: noncontrolling interests share of gain of undepreciated assets—consolidated assets | | |  | | | (1,373) | |  |  | | | (4) | |  |  | | | (5,795) | |  |  | | | (6,089) | |  |
| Loss on write-down of non-real estate assets—consolidated assets | | |  | | | — | |  |  | | | — | |  |  | | | (2,000) | |  |  | | | (2,200) | |  |
| (Gain) loss on sale or write down of assets—unconsolidated joint ventures, net(1) | | |  | | | (8,922) | |  |  | | | (38) | |  |  | | | 20,060 | |  |  | | | 41 | |  |
| Add: gain on sale of undepreciated assets—unconsolidated joint ventures(1) | | |  | | | 5,561 | |  |  | | | 38 | |  |  | | | 7,116 | |  |  | | | 38 | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Depreciation and amortization—consolidated assets | | |  | | | 72,739 | |  |  | | | 75,465 | |  |  | | | 218,053 | |  |  | | | 231,491 | |  |
| Less: noncontrolling interests in depreciation and amortization—consolidated assets | | |  | | | (3,683) | |  |  | | | (4,173) | |  |  | | | (17,976) | |  |  | | | (13,333) | |  |
| Depreciation and amortization—unconsolidated joint ventures(1) | | |  | | | 44,028 | |  |  | | | 44,905 | |  |  | | | 133,591 | |  |  | | | 138,137 | |  |
| Less: depreciation on personal property | | |  | | | (2,632) | |  |  | | | (3,246) | |  |  | | | (8,296) | |  |  | | | (9,933) | |  |
| FFO attributable to common stockholders and unit holders—basic and diluted | | |  | | | 96,126 | |  |  | | | 107,098 | |  |  | | | 294,703 | |  |  | | | 303,548 | |  |
| Financing expense in connection with Chandler Freehold | | |  | | | 6,684 | |  |  | | | (6,723) | |  |  | | | 23,329 | |  |  | | | (25) | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| FFO attributable to common stockholders and unit holders, excluding financing expense in connection with Chandler Freehold—basic and diluted | | |  | | | 102,810 | |  |  | | | 100,375 | |  |  | | | 318,032 | |  |  | | | 303,523 | |  |
| Loss on extinguishment of debt—consolidated assets | | |  | | | — | |  |  | | | 1,007 | |  |  | | | — | |  |  | | | 1,007 | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| FFO attributable to common stockholders and unit holders, excluding financing expense in connection with Chandler Freehold and loss on extinguishment of debt—basic and diluted | | |  | | | $ | 102,810 |  |  | | | $ | 101,382 |  |  | | | $ | 318,032 |  |  | | | $ | 304,530 |  |
| Weighted average number of FFO shares outstanding for: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| FFO attributable to common stockholders and unit holders—basic(2) | | |  | | | 223,754 | |  |  | | | 223,033 | |  |  | | | 223,636 | |  |  | | | 202,877 | |  |
| Adjustments for impact of dilutive securities in computing FFO—diluted: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Share and unit based compensation plans | | |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |
| Weighted average number of FFO shares outstanding for FFO attributable to common stockholders and unit holders—basic and diluted(2) | | |  | | | 223,754 | |  |  | | | 223,033 | |  |  | | | 223,636 | |  |  | | | 202,877 | |  |

(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 8.6 million and 9.8 million of OP Units outstanding for the three months ended September 30, 2022 and 2021, respectively, and 8.7 million and 10.2 million of OP Units outstanding for the nine months ended September 30, 2022 and 2021, respectively.

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, 2022 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 ending September 30,** | | | | | | | | | | | | | | | | | | | | | | | | | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | | **2023** | | |  | | | **2024** | | |  | | | **2025** | | |  | | | **2026** | | |  | | | **2027** | | |  | | | **Thereafter** | | |  | | | **Total** | | |  | | | **Fair Value** | | |
| **CONSOLIDATED CENTERS:** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Long-term debt: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Fixed rate | | | $ | 434,693 |  |  | | | $ | 620,656 |  |  | | | $ | 608,305 |  |  | | | $ | 215,645 |  |  | | | $ | 326,080 |  |  | | | $ | 1,528,627 |  |  | | | $ | 3,734,006 |  |  | | | $ | 3,376,479 |  |
| Average interest rate | | | 4.27 | | % |  | | | 4.61 | | % |  | | | 3.49 | | % |  | | | 3.50 | | % |  | | | 3.59 | | % |  | | | 4.05 | | % |  | | | 4.01 | | % |  | | |  | | |
| Floating rate | | | 432,820 | |  |  | | | 205,044 | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 637,864 | |  |  | | | 628,336 | |  |
| Average interest rate | | | 4.62 | | % |  | | | 5.80 | | % |  | | | — | | % |  | | | — | | % |  | | | — | | % |  | | | — | | % |  | | | 5.00 | | % |  | | |  | | |
| Total debt—Consolidated Centers | | | $ | 867,513 |  |  | | | $ | 825,700 |  |  | | | $ | 608,305 |  |  | | | $ | 215,645 |  |  | | | $ | 326,080 |  |  | | | $ | 1,528,627 |  |  | | | $ | 4,371,870 |  |  | | | $ | 4,004,815 |  |
| **UNCONSOLIDATED JOINT VENTURE CENTERS:** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Long-term debt (at Company's pro rata share): | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Fixed rate | | | $ | 638,649 |  |  | | | $ | 367,851 |  |  | | | $ | 30,557 |  |  | | | $ | 547,007 |  |  | | | $ | 109,547 |  |  | | | $ | 948,485 |  |  | | | $ | 2,642,096 |  |  | | | $ | 2,453,104 |  |
| Average interest rate | | | 3.47 | | % |  | | | 4.09 | | % |  | | | 3.86 | | % |  | | | 3.83 | | % |  | | | 3.96 | | % |  | | | 3.90 | | % |  | | | 3.81 | | % |  | | |  | | |
| Floating rate | | | — | |  |  | | | 11,500 | |  |  | | | 157,522 | |  |  | | | — | |  |  | | | 32,500 | |  |  | | | — | |  |  | | | 201,522 | |  |  | | | 189,146 | |  |
| Average interest rate | | | — | | % |  | | | 4.34 | | % |  | | | 5.16 | | % |  | | | — | | % |  | | | 6.80 | | % |  | | | — | | % |  | | | 5.37 | | % |  | | |  | | |
| Total debt—Unconsolidated Joint Venture Centers | | | $ | 638,649 |  |  | | | $ | 379,351 |  |  | | | $ | 188,079 |  |  | | | $ | 547,007 |  |  | | | $ | 142,047 |  |  | | | $ | 948,485 |  |  | | | $ | 2,843,618 |  |  | | | $ | 2,642,250 |  |

The Consolidated Centers' total fixed rate debt at each of September 30, 2022 and December 31, 2021 was $3.7 billion and $3.8 billion, respectively. The average interest rate on the fixed rate debt at September 30, 2022 and December 31, 2021 was 4.01% and 3.94%, respectively. The Consolidated Centers' total floating rate debt at September 30, 2022 and December 31, 2021 was $637.9 million and $738.9 million, respectively. The average interest rate on the floating rate debt at September 30, 2022 and December 31, 2021 was 5.00% and 2.61%, respectively.

The Company's pro rata share of the unconsolidated joint venture Centers' fixed rate debt at September 30, 2022 and December 31, 2021 was $2.6 billion and $2.8 billion, respectively. The average interest rate on the fixed rate debt at September 30, 2022 and December 31, 2021 was 3.81% and 3.83%, respectively. The Company's pro rata share of the unconsolidated joint venture Centers' floating rate debt at September 30, 2022 and December 31, 2021 was $201.5 million and $104.3 million, respectively. The average interest rate on the floating rate debt at September 30, 2022 and December 31, 2021 was 5.37% and 2.60%, respectively.

The Company uses derivative financial instruments in the normal course of business to manage or hedge interest rate risk and records all derivatives on the balance sheet at fair value. Interest rate cap agreements offer protection against floating rates on the notional amount from exceeding the rates noted in the above schedule, and interest rate swap agreements effectively replace a floating rate on the notional amount with a fixed rate as noted above. As of September 30, 2022, the Company had three interest rate cap agreements in place (See Note 4—Investments in Unconsolidated Joint Ventures and Note 5—Derivative Instruments and Hedging Activities in the Company's Notes to the Consolidated Financial Statements). The respective loans each require an interest rate cap agreement to be in place at all times, which limits how high the prevailing floating loan rate index (i.e., LIBOR or SOFR) for the loans can rise. As of the date of this report, LIBOR/SOFR for each of these loans did not exceed the strike interest rate (the "Strike Rate") within the required interest rate cap agreement. If LIBOR/SOFR does exceed

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the Strike Rate, each of these loans would then be considered fixed rate debt. If LIBOR/SOFR for these respective loans thereafter no longer exceeds the Strike Rate, then these loans would once again be considered floating rate debt.

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 $8.4 million per year based on $0.8 billion of floating rate debt outstanding at September 30, 2022.

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 10—Mortgage Notes Payable and Note 11—Bank and Other Notes Payable in the Company's Notes to the Consolidated Financial Statements).

The LIBOR benchmark has been the subject of national, international and other regulatory guidance and proposals for reform and replacement, with most LIBOR settings relevant to the Company not expected to be published after June 30, 2023. As a result, any of the Company's LIBOR-based borrowings that extend beyond such date will need to be converted to a replacement rate. If a contract is not transitioned to an alternative variable rate and LIBOR is discontinued, the impact is likely to vary by contract. As of September 30, 2022, each of the agreements governing the Company's variable rate debt provides for the replacement of LIBOR if it becomes unavailable during the term of such agreement.

The discontinuation of LIBOR will not affect the Company's ability to borrow or maintain already outstanding borrowings or swaps, but if the Company's contracts indexed to LIBOR, including certain contracts governing the Company's variable rate debt, the variable rate debt of the Company's joint ventures and the Company's interest rate swaps, are converted to an alternative rate, the differences could result in interest costs that are higher than if LIBOR remained available. It is not yet possible to predict the magnitude of LIBOR’s end on the Company's borrowing costs given the remaining uncertainty about which rates will replace LIBOR.

**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, 2022, 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.

**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, 2021.

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

On July 7, 2022, the Company, as general partner of the Operating Partnership, issued 11,027 shares of common stock of the Company upon the redemption of 11,027 common partnership units of the Operating Partnership. These shares of common stock were issued in a private placement to a limited partner of the Operating Partnership, an accredited investor, pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended.

**Issuer Purchases of Equity Securities**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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| **Period** | | |  | | | **Total Number of Shares Purchased** | | |  | | |  | | | **Average Price Paid per Share** | | |  | | | **Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs** | | |  | | |  | | | **Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs (1)** | | |  | | |
| July 1, 2022 to July 31, 2022 | | |  | | | — | |  |  | | |  | | | $ | — |  |  | | | — | |  |  | | |  | | | $ | 278,707,048 |  |  | | |
| August 1, 2022 to August 31, 2022 | | |  | | | — | |  |  | | |  | | | — | |  |  | | | — | |  |  | | |  | | | $ | 278,707,048 |  |  | | |
| September 1, 2022 to September 30, 2022 | | |  | | | — | |  |  | | |  | | | — | |  |  | | | — | |  |  | | |  | | | $ | 278,707,048 |  |  | | |
| Total | | |  | | | — | |  |  | | |  | | | $ | — |  |  | | | — | |  |  | | |  | | |  | | |  | | |

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

**Item 3.  Defaults Upon Senior Securities**

Not Applicable

**Item 4.  Mine Safety Disclosures**

Not Applicable

**Item 5.  Other Information**

Not Applicable

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**Item 6.  Exhibits**

|  |  |  |  |  |  |  |  |  |
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|  |  |  |  |  |  |  |  |  |
| **Exhibit Number** | | |  | | | **Description** | | |
| [2.1](http://www.sec.gov/Archives/edgar/data/912242/000110465914081468/a14-24669_1ex2d1.htm) | | |  | | | [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).](http://www.sec.gov/Archives/edgar/data/912242/000110465914081468/a14-24669_1ex2d1.htm) | | |
| 3.1 | | |  | | | Articles of Amendment and Restatement of the Company (incorporated by reference as an exhibit to the Company's Registration Statement on Form S-11, as amended (No. 33-68964)) (Filed in paper - hyperlink is not required pursuant to Rule 105 of Regulation S-T). | | |
| 3.1.1 | | |  | | | Articles Supplementary of the Company (incorporated by reference as an exhibit to the Company's Current Report on Form 8-K, event date May 30, 1995) (Filed in paper - hyperlink is not required pursuant to Rule 105 of Regulation S-T). | | |
| [3.1.2](http://www.sec.gov/Archives/edgar/data/912242/0001047469-99-012492.txt) | | |  | | | [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).](http://www.sec.gov/Archives/edgar/data/912242/0001047469-99-012492.txt) | | |
| [3.1.3](http://www.sec.gov/Archives/edgar/data/912242/000091205702030706/a2086079zex-3_1.htm) | | |  | | | [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).](http://www.sec.gov/Archives/edgar/data/912242/000091205702030706/a2086079zex-3_1.htm) | | |
| [3.1.4](http://www.sec.gov/Archives/edgar/data/912242/000091205702021417/a2080342zex-4_6.htm) | | |  | | | [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)).](http://www.sec.gov/Archives/edgar/data/912242/000091205702021417/a2080342zex-4_6.htm) | | |
| [3.1.5](http://www.sec.gov/Archives/edgar/data/912242/000104746909001981/a2189901zex-3_15.htm) | | |  | | | [Articles of Amendment of the Company (declassification of Board) (incorporated by reference as an exhibit to the Company's 2008 Form 10-K).](http://www.sec.gov/Archives/edgar/data/912242/000104746909001981/a2189901zex-3_15.htm) | | |
| [3.1.6](http://www.sec.gov/Archives/edgar/data/912242/000110465909008348/a09-5253_1ex3d1.htm) | | |  | | | [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).](http://www.sec.gov/Archives/edgar/data/912242/000110465909008348/a09-5253_1ex3d1.htm) | | |
| [3.1.7](http://www.sec.gov/Archives/edgar/data/912242/000104746909007391/a2193924zex-3_17.htm) | | |  | | | [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).](http://www.sec.gov/Archives/edgar/data/912242/000104746909007391/a2193924zex-3_17.htm) | | |
| [3.1.8](http://www.sec.gov/Archives/edgar/data/912242/000110465914043330/a14-14485_1ex3d1.htm) | | |  | | | [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).](http://www.sec.gov/Archives/edgar/data/912242/000110465914043330/a14-14485_1ex3d1.htm) | | |
| [3.1.9](http://www.sec.gov/Archives/edgar/data/912242/000110465915020412/a15-6870_1ex3d1.htm) | | |  | | | [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).](http://www.sec.gov/Archives/edgar/data/912242/000110465915020412/a15-6870_1ex3d1.htm) | | |
| [3.1.10](http://www.sec.gov/Archives/edgar/data/912242/000110465915020810/a15-6873_1ex3d1.htm) | | |  | | | [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).](http://www.sec.gov/Archives/edgar/data/912242/000110465915020810/a15-6873_1ex3d1.htm) | | |
| [3.1.11](http://www.sec.gov/Archives/edgar/data/912242/000110465915037228/a15-11185_1ex3d1.htm) | | |  | | | [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).](http://www.sec.gov/Archives/edgar/data/912242/000110465915037228/a15-11185_1ex3d1.htm) | | |
| [3.1.12](http://www.sec.gov/Archives/edgar/data/912242/000110465915042631/a15-13305_1ex3d1.htm) | | |  | | | [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).](http://www.sec.gov/Archives/edgar/data/912242/000110465915042631/a15-13305_1ex3d1.htm) | | |
| [3.1.13](http://www.sec.gov/Archives/edgar/data/912242/000119312519129272/d731295dex31.htm) | | |  | | | [Articles Supplementary of the Company (opting out of provisions of Subtitle 8 of Title 3 of the Maryland General Corporate Law (MUTA provisions)) (incorporated by reference as an exhibit to the Company’s Current Report on Form 8-K, event date April 24, 2019).](http://www.sec.gov/Archives/edgar/data/912242/000119312519129272/d731295dex31.htm) | | |
| [3.1.14](https://www.sec.gov/Archives/edgar/data/912242/000119312521182973/d417870dex31.htm) | | |  | | | [Articles of Amendment of the Company (increased authorized shares) (incorporated by reference as an exhibit to the Company's current Report on Form 8-K, event date May 28, 2021).](https://www.sec.gov/Archives/edgar/data/912242/000119312521182973/d417870dex31.htm) | | |
| [3.2](http://www.sec.gov/Archives/edgar/data/912242/000119312519129272/d731295dex32.htm) | | |  | | | [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 24, 2019).](http://www.sec.gov/Archives/edgar/data/912242/000119312519129272/d731295dex32.htm) | | |

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| **Exhibit Number** | | |  | | | **Description** | | |
| [31.1](mac-20220930x10qexhibit311.htm) | | |  | | | [Section 302 Certification of Thomas O'Hern, Chief Executive Officer](mac-20220930x10qexhibit311.htm) | | |
| [31.2](mac-20220930x10qexhibit312.htm) | | |  | | | [Section 302 Certification of Scott Kingsmore, Chief Financial Officer](mac-20220930x10qexhibit312.htm) | | |
| [32.1\*\*](mac-20220930x10qexhibit321.htm) | | |  | | | [Section 906 Certifications of Thomas O'Hern and Scott Kingsmore](mac-20220930x10qexhibit321.htm) | | |
| 101.SCH | | |  | | | Inline XBRL Taxonomy Extension Schema Document | | |
| 101.CAL | | |  | | | Inline XBRL Taxonomy Extension Calculation Linkbase Document | | |
| 101.LAB | | |  | | | Inline XBRL Taxonomy Extension Label Linkbase Document | | |
| 101.PRE | | |  | | | Inline XBRL Taxonomy Extension Presentation Linkbase Document | | |
| 101.DEF | | |  | | | Inline XBRL Taxonomy Extension Definition Linkbase Document | | |
| 104 | | |  | | | Cover Page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101.\*). | | |
|  | | |  | | |  | | |

\*\* Furnished herewith.

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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.

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|  | | |  | | |  | | | THE MACERICH COMPANY | | | | | |
|  | | |  | | |  | | | By: | | | /s/ SCOTT W. KINGSMORE | | |
|  | | |  | | |  | | |  | | | Scott W. Kingsmore | | |
|  | | |  | | |  | | |  | | | *Senior Executive Vice President, Treasurer and Chief Financial Officer* | | |
| Date: | | | November 7, 2022 | | | | | |  | | | *(Principal Financial Officer)* | | |

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